



“Shalby Limited  
Q4 FY2020 Earnings Conference Call”

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**Moderator:** Ladies and gentlemen, good day and welcome to the conference call to discuss Shalby Limited Q4 FY2020 earnings hosted by Elara Securities Private Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing “\*” then “0” on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Param Desai from Elara Securities Private Limited. Thank you and over to you Sir!

**Param Desai:** Thank you Aisha. Good afternoon to all the participants in the Shalby Limited Q4 FY2020 earnings call hosted by Elara Securities. Today, we have with us from the Shalby Management, Dr. Vikram Shah, Chairman and Managing Director, Mr. Shanay Shah, Director – International Operations, Dr. Nishita Shukla, Chief Operating Officer, Mr. Prahlad Inani, and Chief Financial Officer. I will hand over the call to Mr. Shanay for the opening remarks. Over to you Unnati!

**Unnati Jadhav:** Good afternoon everyone and welcome to Shalby Limited Q4 FY2020 and fiscal year 2020 earnings call. I am Unnati Jadhav, GM, Investor Relations and Corporate Strategies. I am based out of Mumbai. Now to announce the results and also to entertain questions from the audience later on we have with us from the management team, Dr. Vikram Shah, Chairman and Managing Director, Mr. Shanay Shah, President, Dr. Nishita Shukla, Chief Operating Officer, Mr. Prahlad Inani, Chief Financial Officer, and Mr. Babu Thomas, CHRO. In the beginning of the call the president and CFO will make opening remarks in relation to the results post which the call will open up for Q&A. Also note that the earnings release along with the presentation of the same are available at our website at [www.shalby.org](http://www.shalby.org). Kindly note, in today’s call whatever we state especially with respect to our outlook for the future will be forward looking statements which must be read in conjunction with the risk that the company faces. The detailed business risks pertaining to Shalby Limited will be available in the annual reports at the earlier mentioned company’s website.

COVID-19 pandemic is still ongoing in India; nevertheless it is heartening to know that things have opened up partially or fully in many parts of the country and the world. However, there is no denying that the pandemic has transformed the dynamics of the services industry including that of the Healthcare Industry that Shalby is a part of. Also there are no two ways about the fact that healthcare has a long way to go in India given this stark inadequacy of healthcare facilities that exist at the satisfactory prices for both the providers and the payers. Having said that I would now like to handover the call to Mr. Shanay Shah to make the opening remarks. Over to you Sir!

**Shanay Shah:**

Good afternoon everyone. On behalf of Shalby Hospitals, I welcome you all to the Q4 FY2020 and FY2020 earnings call. I hope you all had the opportunity to go through our results and investor presentation. Now let me take you through some highlights of the Q4 as well as FY2020, and the period following that until now. I am happy to announce to the shareholders of Shalby Limited that the company has bagged the Best Hospital for Patient Care Award (West) from ET Healthcare in March 2020. This was made possible because of the hard work of 4,000 plus staff and relentless pursuit of excellence by our highly dedicated doctors that we have, who are working round-the-clock to ensure patient delight. On the financial front, the topline of Q4-2020 grew by 0.34% to ₹116.04 Crores compared to Q4 of last year.

EBITDA margin for the quarter stood at 11.13%, which was largely because of the 10 days of nationwide lockdown we faced in the month of March 2020, hence we effectively lost ₹15 Crores of business while we paid full salaries to the staff and the doctors in that month. As a result of this, it has led to ₹ 7 to 8 Crores of loss to EBITDA in the quarter under review. If we adjust this, we would have seen a regular EBITDA number and margin in Q4. As far as the PAT is concerned, we had extremely high taxes in line with the revision in the tax rate announced in the latest budget, however, this is a book entry and the company pays taxes at MAT rate of 17.47%, which is inclusive of taxes and surcharges. This will be further explained by our CFO in depth. For FY2020, our total revenue grew by 6.33% to ₹501 Crores, EBITDA for the same period also increased by 8.11% year-on-year to ₹99.25 Crores. Occupancy saw an improvement and went up by 8.96% to 450 beds. Total patient count also witnessed a rise of 9.7% y-o-y and stood at ₹3,64,626 for fiscal year 2020. We experienced a 7.5% year-on-year growth in our inpatient count to 39,030 patients while our outpatient count increased by 9.9% year-on-year to 3,25,596. Our daycare IP has increased the most at 20.6% year-on-year to 23,728 and total surgeries grew flat to 19,835 for the fiscal year 2020. Based on this performance, the board of directors have announced 5% of the face value, as dividends, which is at the same rate as was announced for last year.

To give you an insight into our experience during the lockdown, our occupancies fell by huge percentage across our network hospitals until the beginning of the fourth lockdown on May 17, but post that, we have been experiencing remarkable increase in the footfalls as things have opened up partially. Also we rolled out tele-video consultancy services from the beginning of the lockdown, which has seen a tremendous response. We also launched COVID-19 isolation homecare packages by which mildly infected patients can be treated at their respective homes. As far as hospitals are concerned, in total, we have given about 20 beds in Indore and about 100 odd beds in Ahmedabad across two to three facilities. All our hospitals are fully operational as usual. In Indore, also we are treating non-COVID patients

and also in Ahmedabad. Wherever we have given these hospital beds for COVID, we are also treating non-COVID patients there.

On the capex front, we have deferred it by 6 months and as things stand, Nashik is going to be operationalized by FY2023 and the Mumbai project by FY2024. Now I would like to handover the call to Dr. Vikram Shah, Chairman and Managing Director, who will highlight the new initiative which we have taken at Shalby.

**Vikram Shah:**

Good afternoon everyone. During the time of COVID, we realized that there are a lot other things we can do to increase our occupancy, as well as, we can go out and do business using IT and use our facility more, without having patients indoor. The first thing what we have started recently is the Shalby Care Card, one is of ₹2,500 and the other is of ₹5,000. This care card we have come out with is because we saw that large number of patients do not have insurance and particularly people in their 60s, 70s, and 80s as they are either not given insurance by insurance company or if they are given, it is too expensive for them to take. So this is a kind of co-payment insurance for them where they are being given large discounts and that it will increase our occupancy also and that will help them also. The second thing which we have started recently is having a franchisee model, as we have invested good amounts of money in facilities already, henceforth, and going forward we do not intend to invest much in brick and mortar, instead as there are lot of facilities available in the market and they are ready to give us the facilities or they are ready to run them for us, so we are coming up with a franchisee model for orthopedics and for joint replacement, so as to increase our revenue topline and revenue bottom line, also. Very soon we will be starting such franchisees, one in Pune, one in Nagpur, one in Varanasi and one in Kolkata. Likewise we will be starting nearly 30 to 50 such franchisees in a year's time from now so that it would help us to improve topline, and bottom-line, without investing a single penny, additionally. The Third initiative what we have started is that will lead us to use our facility and our staff in a proper way, is Shalby Home Care plan. All our 10 facilities here from Mohali to Goa and from Jabalpur to Ahmedabad, we have floated home care facility including home care COVID facility so that it is enabling us to grow revenue nearly 20% per annum. The fourth thing we have come up with is a 100% subsidiary of Shalby Limited and this 100% subsidiary will be called Mars Medical Devices Limited and this company will help us to go into backward integration and produce implants and devices for our own internal consumption as well as to sell it outside India and export. Now I am handing over the call to Shanay Shah.

**Shanay Shah:**

Thank you. Now we have Mr. Prahlad Inani, CFO who will give some financial highlights for the quarter and this fiscal.

**Prahlad Inani:**

Good afternoon everyone. Let me take you through some financial highlights and operational parameters for the quarter ending Q4 2020 and financial year ending 2020. Q4 2020 performance - the occupancies are driven by IP count which in turn is driven by the number of surgeries done during the quarter. So now how IP behaved is IP excluding daycare showed a stable growth as IP count was 8,711 in Q4 2020 compared to 8,672 in Q4 2019. However, daycare IP fell the most by 25% year-on-year to 4,945. As a result, overall IPs fell by 10.8% year-on-year to 13,656 for this quarter 2020. There was a stable growth in the non-daycare IP with slight improvement in ALOS to 4.26 in Q4 2020.

As Shanay mentioned before, in Q4 2020, we lost business due to COVID-19 lockdown and also we have incurred the usual level of fixed costs. Our EBITDA was ₹12.92 Crores and EBITDA margin contracted by 377 bps year-on-year to 11.1% in this Q4 2020.

Now I will give you some financial details. The revenue from other operations increased 4.6% year-on-year to ₹483.89 Crores while other non-operating income rose by 89.4% year-on-year to ₹17.74 Crores in FY2020 due to recognition of interest subvention related to Naroda unit, since our unit was operated, and we got this interest subvention in our promotional scheme of Gujarat Government to the tune of ₹3.28 Crores and from loan credit outstanding written back to tune of ₹5.07 Crores in Q4 2020. Another thing we experienced is 38.8% year-on-year rise in other expenses to ₹43.99 Crores in FY2020. This is because we incurred our CSR expenditure of ₹3 Crores for this year and provided for expected credit loan at around ₹4.17 Crores, this year. It can be noted that these are getting offset against unusual increase in other operating incomes during the year.

As operating revenue, growth was slower and we sustained unusual income off set by unusual expenses mentioned before in Q4-2020, our EBITDA rose by 8.1% year-on-year to ₹99.25 Crores and EBITDA margin increased marginally by 33% year-on-year to ₹19.8 Crores for FY2020. Deferred expense have also increased, so I would like to say that as a result, Shalby witnessed 12.9% year-on-year decline in net income to ₹27.97 Crores compared to net income of ₹32.10 Crores in FY2019, largely due to 56% year-on-year rise in tax expenses. I would like to state here that deferred taxes have increased to ₹23.96 Crores in FY2020 due to base financial year change from 2017-2018 to 2018-2019 for lower tax qualification based on the turnover criteria which is less down ₹400 Crores for the budget announced for FY2020-2021 and hence the base rate has increased from 25% to 30% for FY2020.

Now little bit I would like to talk about the matured hospitals. Matured hospitals contributed 47% of revenue in FY2020 compared to 51% in FY2019 while their EBITDA margin was 31.3% in FY2020 compared to 33.7% in FY2019. Mature hospital's ARPOB

was ₹39,158 with ALOS of 4.43 in FY2020 compared to ARPOB of ₹41,765 in FY2019 with ALOS of 4.47. These hospitals' occupancy stood at 37% in FY2020 versus 41% in FY2019. Four to six years' hospital contributed 21% of revenue in FY2020 compared to 22% in FY2019 while their EBITDA margin was 12.43% in FY2020 compared to 12.07% in FY2019. These hospitals' ARPOB was ₹21,193 with ALOS of 4.50 in FY2020 compared to ARPOB of about ₹20,783 in FY2019 with ALOS 4.43, the hospitals' occupancy stood at 41% in FY2020 versus 38% in FY2019.

There are two more buckets, the newer hospitals, like two to four years hospitals, contributed 28% of the revenue in FY2020 compared to 25% in FY2019 while the EBITDA margin was 16.4% in FY2020 compared to 12.3% in FY2019. These hospitals ARPOB was ₹28,630 with ALOS of 3.78 in FY2020 compared to ARPOB of ₹28,883 in FY2019 with ALOS of 4.06. These hospitals' occupancy stood at 42% in FY2020 versus 40% in FY2019.

The newest hospital, with less than two years, contributed 4% of revenue in FY2020 compared to 2% of revenue in FY2019 while the EBITDA margin was negative 26.3% in FY2020 compared to negative 7.10% in FY2019. This hospital ARPOB was ₹35,505 and ALOS was 4.20 in FY2020 compared to ARPOB of ₹35,263 in FY2019 with ALOS of 4.30. These hospitals' occupancy stood at 25% in FY2020 compared to 35% in FY2019

We can now open for question and answer session.

**Moderator:** Thank you. Ladies and gentlemen, we will now begin with the question and answer session. The first question is from the line of Swechha Jain from ANS Wealth. Please go ahead.

**Swechha Jain:** Thank you for giving me this opportunity. Sir I wanted to know regarding the beds that we have given for COVID. Like you mentioned 20 beds in Indore and 100 in Ahmedabad is all that we have given for COVID or there are other hospitals also which are catering to COVID patients if you can just throw some more details and share highlights on it?

**Nishita Shukla:** Indore, actually we have given the full unit, the private cases as well as the government cases, the full hospital was taken by the corporation and it was totally a COVID hospital wherein all COVID patients were admitted, but then for COVID patients also our three floors were functional and all other floors were closed even our Radiation and all departments are also closed. At Ahmedabad unit, we have total four units in Ahmedabad so it was good for us that our two hospitals were given for COVID and two were working for non-COVID hospital. Allocation of beds were as per the government needs, as per the criteria of the government and as per the policies we have to allocate them 50% of total bed.

- Shanay Shah:** Having said that, in Indore, now we are treating non-COVID patients also, as per the government guideline, we have kept 20 beds aside, otherwise we are treating other non-COVID patients, so it is open to all now and other hospitals in Ahmedabad, Naroda and Krishna, so they are having 50 beds, we are also treating non-COVID patients there.
- Swechha Jain:** Sir now there is no dedicated unit for COVID right?
- Shanay Shah:** There is one which is Vijay Shalby where we have 15 to 20 beds in total so as such it is a very small part of the total number of beds that we have towards COVID.
- Swechha Jain:** Okay Sir, understood and Sir one more question, can you throw some more details on the 100% subsidiary, MARS medical devices – what kind of investments we are looking at, the capex or any details around it, would be very helpful?
- Vikram Shah:** We at all 10 hospitals consume a lot of medical devices and these devices have a higher levels of margin and 80% to 90% of these devices are being imported, so we thought to get into it whereby, as a surgeon, as an entrepreneur, as a scientific person, I have been a part of designing committee of number of international companies where I had been designing the joints for those companies, so I can utilize my knowledge as well as experience to design joints as well as design devices and implants for our own people and our own company, whereby it can directly benefit in terms of topline and bottomline, both. As government is looking for investment in manufacturing sector where government is giving a lot of priority to it, we all are well aware that government has come up with a 15% income tax regime for manufacturing facility including there are a lot of benefits they are giving for manufacturing facilities as far as devices are concerned. It looks very lucrative and we have our own consumption so we can go on guiding our consumption to get into that big market and later on export it also.
- Swechha Jain:** Can you just throw some light on what kind of capacities are we looking?
- Vikram Shah:** We will be starting with nearly ₹40 to ₹50 Crores rupees' investment. We will be starting this in a rented place to start with, but thereafter as requirement increases, we will keep on investing more, but to start with this year or next, once we get all necessary permissions, we will be investing about ₹40 Crores.
- Swechha Jain:** And the plant would be based out in Ahmedabad?
- Vikram Shah:** Yes and we are working with a couple of French and one German company to do the collaboration so that we get a good German technology to start with.

**Swechha Jain:** Then what kind of devices are we looking at primarily from a backward integration perspective right?

**Vikram Shah:** Primarily it will be knee joint replacement, hip joint replacement, shoulder joint replacement, even trauma implants you know all orthopedic implants to start with, but then we will get in other things also.

**Swechha Jain:** Thank you Sir so much, that was very helpful.

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

**Raj Desai:** Sir my question is that why expenses have not reduced in Q4 in spite of revenue fall?

**Shanay Shah:** Basically in the month of March, there was a lockdown for a period of 10 days and for this period we have not cut any salaries as in we have not cut the salary for doctors and employees, yes of course, to the extent of the revenue loss, the cost of material consumed has not been incurred, but the balance had to be incurred in the month of March, which is why you see a dip in EBITDA to an extent of ₹6 to 7 Crores.

**Raj Desai:** What are the growth figures for FY2021?

**Shanay Shah:** You know the situation that we are in, basically, we are operating at an occupancy level where there is tremendous growth potential, so you know, in the existing hospitals, we can reach to about 3 to 3.5 fold kind of topline and bottomline compared to fiscal 2019 numbers, right, so that is the growth potential, not within one year, but you know for the next three to five years, that will be one of the major triggers, besides that, as our Chairman said, you know, the Shalby Care Card is going to be a major revenue generator for us, it will also improve the stickiness of the customers that we are having, and besides that as we said, the Shalby Arthroplasty franchise model as well the medical devices will be the future growth drivers for the company. Again you might not see the result immediately in one year, but yes, over the next two to three years, we will see a huge growth, in terms of the topline and the bottomline.

**Moderator:** Thank you. The next question is from the line of Ashish Thakkar from MotilalOswal. Please go ahead.

**Ashish Thakkar:** Sir in terms of recovery, like now, we are in the month of June, so if you could help us understand in terms of footfalls or in terms of the business that we might have done at what utilization we were working in April, May, and now June?



- Shanay Shah:** You know, I am not able to share those exact numbers with you, but what I can tell you is that whatever we have been reading in the newspapers that there has been 60 to 80% dip in terms of topline especially in the month of April and May is applicable to all the hospitals. Having said that, as I said earlier, post lockdown four, that is the 17<sup>th</sup> of May, the ramp up has been extremely significant and we are optimistic at this point of time that by the end of June or beginning of July we might be at the pre-COVID levels in terms of occupancy, however, having said that, of course the elective surgeries are yet to pick up but a lot of other work has started coming in, in a significant number, even elective surgeries. In the month of April, we hardly had any, from those numbers; there has been a significant jump in the month of May and now in June.
- Ashish Thakkar:** So by the time July and August comes we will be in a better shape on a Y-o-Y basis right?
- Vikram Shah:** By July and August 2020 we should be working normally as we were working in January or February of 2020
- Ashish Thakkar:** There are also various articles which are circulating saying that there is so much of pent-up demand because people even for elective surgeries, people just cannot keep on postponing the surgeries indefinitely right, at some point in time they will come out of their homes they will try to take a risk and to that extent we should see a lot of volume growth and increase in the footfalls is that a right understanding?
- Vikram Shah:** Absolutely you know we have started getting cases for joint replacement, for heart surgery even for cancer surgery. A lot of people are coming and saying that whatever happens, we want to get it sorted out, people are tired sitting at home, doing nothing. There is not much of a problem of reach actually; you know, this whole thing is too much over sung. Let us not talk about this at this juncture but it is quite over sung, we need to play it down.
- Ashish Thakkar:** In the meantime, we might have had some control on the cost to maintain our profitability but if things are above to normal then we might not continue with this cost control right?
- Shanay Shah:** See honestly, fortunately, for us our employees as well as doctors have been cooperative and they have essentially volunteered for pay cuts and all of that so from that perspective we are in a very good situation as such.
- Ashish Thakkar:** Okay and on the industry any regulation that you anticipate or you feel government is not supportive of the industry and as an industry body is something getting represented to the government?

**Vikram Shah:** As far as government is concerned I do not think government has ever worked against any industry; however, they might prioritize some industry. As far as healthcare is concerned I do not feel they have prioritized healthcare, but having said that, there are no issues in running hospitals smoothly, we are able to do it nicely, it is the fear of people who are not coming out, otherwise there is nothing else, and now that fear has gone and more and more people we are operating and they are going back home and saying that there are no issues.

**Ashish Thakkar:** Okay, fair enough, just one last question from my side, on the revenue front, since first two months were sort of uncertain but at least EBITDA margin side, are we confident that we can maintain EBITDA margin same as FY2020 level?

**Shanay Shah:** As far as EBITDA margin is concerned we will not be negative that much I can assure you as far as this quarter is concerned.

**Ashish Thakkar:** And for the full year FY2021, we can say same level as FY2020 in terms of percentage margin?

**Shanay Shah:** See honestly speaking, Shalby or the government is not able to plan for more than two weeks when it comes to something like this, so essentially it is not right to give any kind of projection at this point of time, so we do not know what city will go into lockdown after one month or two month, so I think it is probably not right to give any kind of projections about EBITDA margins at this point of time for the year

**Ashish Thakkar:** That is helpful just one last question. Do you anticipate another wave of lockdown is there some kind of ...?

**Vikram Shah:** We do not anticipate another lockdown at all. We had enough of lockdowns and we have had the most effective lockdown in the world. We had the complete lockdown and now the way things are opening and the ways things are going, if you see, the whole thing, we Indians are quite immune to this virus, as we are not as badly affected as Europe or America. Number of deaths is also substantially low, so I would say compared to the trajectory of 5% death rate of what the US or UK had, even affected cases are also far lower. So in general, we are quite immune and we have done far better than all those countries and rest of the world, so I do not see any lockdown in the coming time. We will be opening up more and more.

**Ashish Thakkar:** Thank you Sir that is very helpful and all the best.

**Moderator:** Thank you. The next question is from the line Kunal Dhamesha from Systematix. Please go ahead.

**Kunal Dhamesha:** Thanks for taking my question. My first question is on our investment in the medical device front, will it have any impact on our existing capex that we were planning for let us say Mumbai hospital, etc. because there is delay, we are kind of looking at other avenues and secondly in terms of the same medical devices as we discussed that it would be more of a trauma related let say hip implant or knee implant that we would be first going for so what percentage of cost on an average would be these implants?

**Vikram Shah:** First of all, I would like to say that we are sitting with ₹100 Crores of fixed deposits earning 4%, which is not right for any company, so we would like to get into something and as we are going with a franchisee model and not going to invest further in brick and mortar as far as hospitals are concerned and we have this big avenue of medical devices where government wants to focus and it has huge margins and it has huge market world over so we are starting there where there is a huge experience of mine in making and designing devices where I can utilize my experience for our company. So as far as device is concerned we are very serious on this, we are going very fast on that we are working with couple of French and one German company, we will have good deals very soon. As far as capex of Mumbai and other places is concerned, that project is delayed, yes but it is related to again certain government permissions and regulations, nothing else. It is on, but yes it is delayed, meanwhile, we can go and do some other works like getting into devices. As far as hospital industry is concerned, we are not going to come up with large hospitals because we already have created 2,000 beds where now we are working at 5,00 bedded occupancy which we can increase up to 3 to 3.5 times within this facility. So we do not need to get into brick and mortar at this point of time and as we have a huge brand name in orthopedics and joint replacement, there were number of offers coming to us to have a franchisee with us where we do not have to spend and only give name, system, and processes and expertise and expert surgeons to go and work and give our skill set. That is what we are planning and going to do in cities where we are not there so very soon we will be starting a couple of them have already been signed off.

**Kunal Dhamesha:** In terms of cost how much medical implants make up for the procedure cost?

**Vikram Shah:** Well if you take ₹1,70,000 to ₹1,80,000 package the joint cost is between ₹60,000 to ₹80,000 rupees.

**Kunal Dhamesha:** Okay, so almost one-third. As far as I understood our capex plan for Mumbai also is on track but some delay and this would be the additional ventures that we are doing. Is that a correct understanding?

**Vikram Shah:** Absolutely.

**Kunal Dhamesha:** Secondly, on this co-pay program that you have started, can you provide some more light in terms of personalized co-pay program how does it help and what could be the co-pay percentage and some of the benefits that are included?

**Vikram Shah:** Sure I am very happy that you asked this. I will tell you why? I had been observing this long that good number of middle, upper middle class patients who were requiring ICCU and other treatments were going to small nursing homes and suffering because they were either not getting adequate treatment nor getting proper treatment because they are not fully equipped or fully experienced, so when we did a study, we found that they are always fearful of coming to large hospital or corporate hospital. They feel that the fees will be too large for them to pay so we came up with this card. If you have a ₹ 5,000 card you get a 25% discount in Indore so for ICCU you get a 25% discount which is a huge discount nobody gives and we are able to give that because we are selling lot many cards, so actually we are ensuring them as we are selling 1,000s of cards and we are treating few patients so we are actually getting money from other people, so we are not losing anything, we are getting good amount of money and they are getting good treatment at 25% discount. There is a lot of discount on IP, OP, and there is a health checkup for free, OP pharmacy, diagnostics, so lot of discounts are offered at various places when they buy, the gold card is ₹5,000 and the silver card is ₹2,500.

**Kunal Dhamesha:** Thank you that is it from my side.

**Moderator:** Thank you. The next question is from the line Amit Jain. Please go ahead.

**Amit Jain:** This is regarding our debt level. Could you please give us a breakup of term loan and GCPs?

**Shanay Shah:** We have term loan to the tune of about ₹50 Crores and this ₹50 Crores levels of debt we have to keep because we have interest subvention of 4% so we have interest of 7.5% and 4% interest subvention, so we have kept this loan as we are having this loan effectively at 3 to 3.5% and we have ₹100 Crores deposit and zero working capital loan.

**Amit Jain:** In the borrowing figure of the March ending consolidated basis I am able to see ₹48.6 Crores.

**Shanay Shah:** It is ₹48.6 Crores not ₹50 Crores.

**Amit Jain:** Right Sir, this is all in all term loan?

**Shanay Shah:** Yes.

- Amit Jain:** Second question is regarding the COVID bed. COVID beds what will be ARPOB and ALOS?
- Prahlad Inani:** Actually, we are doing it for two months only, so we have not calculated it, because COVID beds are of three to four types with ventilator, without ventilator, government, nongovernment, private, so you know, we have not come to average yet, finishing up this quarter, we will come up with some average.
- Shanay Shah:** Range goes anywhere between ₹8000 to ₹10,000 per day to ₹25,000 ₹per day, depending on whether ventilator is required, oxygen is required, the category of the room, whether it is government or whether it is private.
- Moderator:** Thank you. The next question is from the line Jason Soans from Monarch Network Capital. Please go ahead.
- Jason Soans:** Thanks for taking my question. Sir just wanted a broad outlook on post COVID demand for surgeries, whether it will be your main focus which is arthroplasty or oncology or neurology etc., how are you seeing the demand in terms of after post COVID when there is recovery for a long term probably for a period of two to three years how you are seeing the demand, just wanted some color on that?
- Vikram Shah:** Actually speaking as far as pent-up demand is concerned, which is down by 60%, radiotherapy patients have been down by 60%, it is coming to nearly normal, and by end of this month it will be nearly normal and actually speaking there are good number of patients who are sitting at home waiting to come actually, once their fear is gone, we will have double the work than what we used to.
- Jason Soans:** Okay so you see a strong pickup you already mentioned that July, August you expect the operations at the hospital to be normal and you are seeing a ramp up?
- Shanay Shah:** Absolutely. June is going on right now, we see a 100% jump from whatever the numbers we were doing in May, so already we are extremely positive because we have seen the response in the month of June, which has been very overwhelming.
- Jason Soans:** Okay. You see the fear reducing in the patients. They are coming back to the hospitals?
- Shanay Shah:** Yes absolutely this is what we have seen in the last two weeks.

- Jason Soans:** Right. I mean you did elaborate on the card could you give me some more color on this card I think you all mentioned that you expect strong sales of this cards which you have introduced some more color on this is possible?
- Nishita Shukla:** As Dr. Shah briefed you there are two types of card, one is like ₹2,500 card and one is ₹5,000, Shalby Care Card or Shalby Privilege Card. The inclusion of it is, usually cards are not having IP discounts, usually health checkup cards or OP care cards, but this time we have included a huge IP discount also so that we do not have to lose patients which are going to nursing homes. We lose patients going to nursing home, which are not able to afford hospitals like corporate or private hospitals and do not have insurance. So this is for helping patients who are having no insurance or old age patients who are having less insurance, where we can help them with these services. It is for all the specialties, it is for all OP discounts, pharmacy discounts, investigations discounts and even surgical discounts.
- Jason Soans:** What are the discounts, what range of discounts are you offering, is it possible just a range?
- Nishita Shukla:** It is from 10 to 15% and for the higher category it is for like 20 to 25%
- Shanay Shah:** A lot of companies come out with these loyalty programs, but none of the loyalty programs offer an IP discount, so this is going to be a big step in terms of hospitals coming up and offering this and second aspect is that 60% of India's patients are paying out of pocket and there are two reasons, probably why, one is of course they have not bought the insurance and second category which is also a very big category people who are not probably entitled or they cannot get insurance, so we are targeting these patients, which is a huge population and essentially that is going to be the focus area for us.
- Jason Soans:** Okay so OPD patients also get discounts as well as the inpatients also get a discount. That is good.
- Nishita Shukla:** They get discounts on consultations and medicines what they purchase at OPD.
- Jason Soans:** When you say ₹5,000 it is an annual membership or lifetime thing what is it?
- Nishita Shukla:** It's annual membership, the card is valid for one year.
- Shanay Shah:** There is no restriction on the number of times the patient can get admitted once he has this card.
- Jason Soans:** Oh. There is no restriction. Thanks that is all from my side.

- Moderator:** Thank you. The next question is from the line of Ashish Thakkar from Motilal Oswal. Please go ahead.
- Ashish Thakkar:** Sir I just need one clarification this card can it be subscribed only by the population who does not have insurance or have an insured guy can take this card?
- Nishita Shukla:** To start with it is for self-paying patients who are not having insurance.
- Shanay Shah:** See another area is also the insurance patients are generally not covered for OP, outpatient doctor visit, for OP pharmacy, for OP Radiology, for OP Diagnostics they are not covered so what happens is when they buy this card even though they have a private insurance they are able to avail huge discounts and essentially they usually should not have problem for this spend of Rs 5,000 or Rs 2,500, they are already given a health checkup free of cost within this package, so there is no additional cost for the patient, so we are expecting patients with insurance to avail this card.
- Ashish Thakkar:** Okay and once the amount gets exhausted a patient can refill it any number of times within a year right?
- Shanay Shah:** Yes absolutely.
- Ashish Thakkar:** Great Sir, seems to be a great initiative.
- Shanay Shah:** But the patients will not be able to avail if the patient chooses to use their private insurance for in-patient then they will not be able to avail the benefits of the card so basically it will be mainly for the outpatient work that patients with insurance will go for.
- Ashish Thakkar:** Yeah, got it Sir. Thank you so much.
- Moderator:** Thank you. The next question is from the line of Raj Desai from ProsperoTree. Please go ahead.
- Raj Desai:** Thanks for taking my question again sir. So Sir what is your stake reduction plan to maintain the minimum public holding as the current promoter holding is greater than 75%?
- Vikram Shah:** I think nearly 80% at this point of time we have time up to 31<sup>st</sup> of December as far as situation is concerned SEBI has given permission up to 31<sup>st</sup> of August to extend it they might extend it for us also, we do not know if they extend it, we would like to get it extended.

- Raj Desai:** Okay.
- Shanay Shah:** So one positive thing is that we have been interacting with a lot of investors because during this COVID period also a lot of traction has moved towards pharma and healthcare stocks so we are constantly engaging with a lot of potential investors for the company.
- Raj Desai:** Right, okay. That is all from my side.
- Moderator:** Thank you. The next question is from the line of Rikesh Parikh from Barclays. Please go ahead.
- Rikesh Parikh:** Thanks for the opportunity. Just wanted to understand how the movement in the daycare patients is, post the relaxations?
- Nishita Shukla:** Yeah there is a lot of movement for daycare IP because patients who are on hold for two months for dialysis, chemotherapy, radiation and all, they are like really coming in and they have waited for a long for their treatment and now there is a good footfall for daycare IP.
- Rikesh Parikh:** Broadly will it be safe to assume that we will be in the month of June we are back to the pre-COVID levels on a broader basis as such?
- Shanay Shah:** As I said we are seeing 100% rise compared to the numbers that we have done in April and May, it is not probably right at this point of time to compare the June numbers with the pre-COVID levels.
- Rikesh Parikh:** Any flexibility on the fixed cost side we have compared to the previous quarters as such looking at this time?
- Shanay Shah:** As I said we have been very fortunate to have the kind of doctors and staff on board where they have voluntarily they have taken these pay cuts and essentially the fixed cost components for this period for us has gone down significantly.
- Rikesh Parikh:** What is the fixed cost we have?
- Shanay Shah:** So pre-COVID levels the fixed cost were around ₹16 Crores on an average in a month now they have gone down. I am not able to quantify the numbers at this point of time for Q1 of FY2021.
- Rikesh Parikh:** Thank you.



- Moderator:** Thank you. The next question is from the line of Swechha Jain from ANS Wealth. Please go ahead.
- Swechha Jain:** Just a follow-up question on the Shalby card. Sir I wanted to understand basically you are saying a person without insurance can use that card for inpatient and for OPD and OP Pharmacy and Diagnostics and if a person has insurance he either has a choice to use the insurance for inpatient or use the card right?
- Shanay Shah:** We can make it very simple for the patients who do not have insurance they can use it for outpatient and inpatient for the patient who have private insurance they can avail it for outpatient regardless when it comes to inpatient they need to choose whether they want to use their card whether they want to use their insurance.
- Nishita Shukla:** But then the patients who are having insurance if they go for this card they are not allowed for reimbursement they cannot go and reimburse that amount with the insurance company.
- Swechha Jain:** Right and just one more thing. If I am a patient say out of Ahmedabad I buy this card from Ahmedabad and for some purpose I have to get my treatment done in Mumbai so can I use the card is it interchangeable between hospitals or it is dedicated to one hospital?
- Nishita Shukla:** No it is for all the Shalby Hospitals so wherever the Shalby Hospital is available you can use that card. The card is at group level we are promoting card at group level.
- Swechha Jain:** And I can do multiple recharge right? I think that is what...
- Nishita Shukla:** Yes the card is valid annual for one year but you can opt how many procedures or surgeries or whatever you want to do but it is like if the card is registered with your name you are only allowed to avail the services, per person per card.
- Swechha Jain:** Okay and if there is a balances left at the end of the year I cannot reuse that balance right I will lose that amount.
- Nishita Shukla:** There are as such no balances see if the card is of ₹2,500, you are given a free health checkup of ₹2,500 so whatever else services you avail either OPD consultation or any emergency visit or investigations or any surgery it is the percentage of discount which is offered to you.
- Shanay Shah:** Should not think of this as a prepaid card this is not prepaid card.

- Nishita Shukla:** The same card health checkup cost is balanced with the card cost so if you purchase a card of ₹5,000 health checkup of ₹5,000 is given free to you for this card.
- Shanay Shah:** This is a kind of one year membership where whatever you are paying whether it is ₹2,500 or ₹5,000 you are entitled to a health checkup worth that money so you know essentially the membership fee is as good as nil and still you are able to avail the services that Shalby is providing on the card for outpatient as well as inpatient.
- Swechha Jain:** Right. Okay, thank you. Sir just last question I think in your remarks regarding franchise model I just wanted to confirm you said will be having 30 to 50 franchise hospitals in the next one year just going to confirm the number I missed that part actually?
- Vikram Shah:** We have a lot of enquiries and we are going to select amongst them and we have summed up a three types of franchise models in different ways to work with and these three franchise models we are going to implement it as required and we will be selecting the places we have not come up with formal advertisement for the people across the places, once we know that we will get much more enquiries and then we will be able to decide how we will proceed.
- Swechha Jain:** But right now Pune, Nasik, Varanasi, Kolkata is kind of given right.
- Shanay Shah:** Yes.
- Moderator:** Thank you. As there are no further questions, I now hand the conference over to management for closing comments.
- Shanay Shah:** Right, thanks for joining this call for the results of Q4 and fiscal year 2020, see you until next time. Thank you.
- Moderator:** Thank you. On behalf of Elara Securities Private Limited that concludes this conference. Thank you for joining us. You may now disconnect your lines.