

Shalby/SE/2023-24/111

February 16, 2024

The Listing Department

National Stock Exchange of India Ltd

Mumbai 400 051.

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

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Scrip Code: SHALBY

Scrip Code: 540797

Through: https://neaps.nseindia.com/NEWLISTINGCORP/

Through: http://listing.bseindia.com

Sub.: Transcript of Earning Conference Call held on February 12, 2024 for Unaudited Financial Results for quarter ended December 31, 2023– Reg. 30 of SEBI LODR

Dear Sir/Madam,

Pursuant to Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, we are enclosing herewith transcript of Post Earning Conference Call organized by Company on February 12, 2024, wherein unaudited Financial Results for quarter ended December 31, 2023 were discussed. The said transcript is also being made available in the Investors Section of our website.

We request to take the same on your records.

Thanking You,

Yours sincerely For **Shalby Limited**

Tushar Shah AVP & Company Secretary

Mem. No: FCS-7216

Encl.: Concall Transcript

SHALBY LIMITED

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"Shalby Limited Q3 FY2024 Earnings Conference Call"

February 12, 2024







ANALYST: MR. GAURANG SAKARE – ELARA SECURITIES PRIVATE

LIMITED

MANAGEMENT: DR. VIKRAM SHAH - CHAIRMAN AND MANAGING

DIRECTOR

MR. SHANAY SHAH - PRESIDENT

MR. AMIT PATHAK – CHIEF FINANCIAL OFFICER DR. NISHITA SHUKLA – CHIEF OPERATING OFFICER

MR. DEEPAK ANANTHAKRISHNAN - GLOBAL CHIEF

BUSINESS OFFICER

MR. BABU THOMAS - CHIEF HUMAN RESOURCE OFFICER



Moderator:

Ladies and gentlemen, good day and welcome to the Shalby Limited's Q3 FY24 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. Gaurang Sakare from Elara Securities Private Limited. Thank you and over to you Sir!

Gaurang Sakare:

Thank you moderator. Good evening everyone. We welcome all the participants to the Shalby Limited's Q3 FY24 earnings call hosted by Elara Securities. Today we have with us senior management representatives from Shalby. We will start with performance highlights from Mr. Amit Pathak, CFO and Mr. Deepak Ananthakrishnan Global Chief Business Officer. After that we will open the floor for Q&A for all the participants. I will now hand over to Mr. Amit Pathak, CFO for important disclaimers regarding any forward looking statements that may be made in today's call and financial performance for Q3 FY24. Over to you Mr. Amit!

Amit Pathak:

Thanks Gaurang. Good afternoon everyone. I am pleased to welcome you all to Shalby Limited's third quarter FY2024 Earnings Call. Firstly we at Shalby would like to congratulate Dr. Vikram Shah, Founder, Chairman and Managing Director of Shalby Limited who has been awarded this very prestigious Healthcare Entrepreneur of the Year by Hurun UK in January 2024 for his extraordinary commitment and incredible work in the field of healthcare. This is again back-to-back well deserved recognition for Dr. Shah and Shalby Hospitals for the tireless work that he and the entire team does every minute, every hour and every day towards treating every patient with a smile. This indeed is a stupendous achievement that makes everyone associated with Shalby be humbled with a lot of pride and gratitude.

Our earnings presentation is uploaded on the stock exchange website and our company website shalby.org. We do hope that you have already had the opportunity to go through the presentation. Please note that some of the statements made in today's call may be forward-looking in nature and may involve risks and uncertainties. Kindly refer to slide #44 of the investor presentation for a detailed disclaimer. Now I will walk you through the financial performance of your company for the third quarter FY2024. Consolidated revenue of Rs. 221 Crores in Q3 FY24 versus 207 Crores in Q3 FY23 grew by 6.8% Y-o-Y basis. EBITDA 47 Crores in Q3 FY24 versus 38 Crores in Q3 FY23 with margin of 21.2% and in Q3 FY24 versus 18.4% in Q3 FY23 and grew by 23.3%. PBT of 31 Crores Q3 FY24 versus Rs.24 Crores in Q3 FY23 with margin of 14% in Q3 FY24 versus 11.4% in Q3 FY23 grew by 31% Y-o-Y basis and PAT of 19 Crores in Q3 FY24 versus 15 Crores in Q3 FY23 with margin of 8.6% in Q3 2024 versus 7.4% in Q3 FY23 grew by 25% Y-o-Y basis. The group continued to maintain very strong balance sheet with a low gearing ratio of 0.14x and closed the quarter with a net cash balance of 61 Crores at group level.



Now let me go through the standalone performance of the hospital business. Standalone revenue of 200 Crores in quarter three FY2024 versus 180 Crores in quarter three FY2023 grew by 11.5% Y-o-Y basis. EBITDA of 48 Crores in Q3 FY2024 versus 39 Crores in Q3 FY2023 with a margin of 24.2% in Q3 FY2024 and 21.5% in Q3 FY2023 and it has been grown by 25.5% on Y-o-Y basis. PBT of 38.5 Crores in Q3 FY2024 versus 28.6 Crores in Q3 FY2023 with a margin of 19.2% in Q3 FY2024 versus 15.9% in Q3 FY2023 grew by 34.6% on Y-o-Y basis and PAT of 24.7 Crores in Q3 FY2024 versus 19.2 Crores in Q3 FY2023 with a margin of 12.3% in Q3 FY2024 versus 10.7% in Q3 FY2023 grew by 28.7% Y-o-Y basis. Now at a standalone basis again we continue to maintain a very strong balance sheet with a low gearing ratio of 0.02x and closed the quarter with a net cash balance of 177 Crores. With the operational leverage kicked in and doing this asset light approach our standalone ROCE has improved to 20% in quarter three FY2024 on annualized basis.

On the operational side we have performed around 6476 surgery in quarter three FY2024. ARPOB and ALOS have also shown excellent improvement at 37342 and 3.7 respectively in Q3 FY2024 versus 36291 and 3.7 in the same period of the previous year. The number of occupied beds increased by over 9% on Y-o-Y basis hence the occupancy level has reached to 47% in quarter three FY2024 versus 43% in Q3 FY2023. The payer mix has been similar with a proportion of higher self-pay and insurance patients in the third quarter of this year as compared to similar quarter of the last year. At Shalby our undivided focus has been on demonstrated our clinical excellence through successful execution of many diverse critical surgeries in several of our hospital units, a few of them that I would like to mention here are successfully operated first liver transplant at Indore Shalby. B/L TKR was done to a patient with eight months old fracture due to arthritis for a complete cure at Indore, high risk P-TEVAR treatment to 30 years old female patient suffering from arthritis and standford type B dissection for more than a year in Shalby Naroda. We have also performed a live surgical workshop organized by OLIF, a new technique for complicated spine injury cases at Shalby Jaipur. We also took pride in sharing that we have successfully completed 31 transplants 18 kidney and 10 liver during the quarter and overall 275+ kidney and liver transplants at our SG and Indore units till this quarter. We are also running the 20 active clinical trials across all hospitals. We have also received Ethics Committee approval for six new trials during quarter three FY2024 including 2 phase-1 oncology trials which are very first time in India on humans for oncology drug study. Revenue from our international business remains at 1.7 Crores in quarter three FY2024. I am happy to mention that Shalby has grown its international presence in other new geographies like UAE, Oman, Bangladesh and Nepal through foreign partnerships to conduct regular OPD and healthcare camps and have plans to conduct surgeries in these locations. We are very hopeful that these strategic locations will help us to increase our international hospital revenue significantly very soon.



As a part of our social commitment, we continue to spread awareness about the importance of health and wellbeing through various social media platforms and created 70+ healthcare videos. We also conducted more than 315+ healthcare camps and 95+ healthcare talks across all our units during the last quarter as a part of various community outreach programmes. Shalby also takes pride in nurturing young talent through our Shalby Academy vertical with 1321+ students registered in various healthcare programmes during the current year. We would like to inform that Shalby Academy has signed a memorandum of understanding with Kaushalya, The Skill University of The Government Of Gujarat, At Vibrant Gujarat Global Summit 2024 very recently in the presence of Union Minister, Mr. Pradhan and other dignitaries. The memorandum of understanding signifies our commitment to colloborately organize diverse healthcare skill enhancement initiative in upcoming year.

Now for our franchise business we have delivered additional performance in Q3 FY2024. We have performed 362 surgeries at our SOCE unit in quarter three FY2024. The total revenue from our FOSO business is around 1.4 Crores grew by 13.3% on Y-o-Y basis. The revenue from FOSM business is like 0.74 Crores grew by 6.1% on Y-o-Y basis. We have generated revenue of 5 Crores in FOSM and 2.8 Crores in FOSO with 56.5% and 28.7% growth respectively on nine month basis. Our next SOCE unit at Rajkot is on satisfactory progress and is expected to get operationalized tentatively by the end of this year or start of Q1 FY25. We have been incredibly selective in our choice of potential partners from the many inquiries we have received so far to maintain the reputation of our strong brand we follow a clearly defined process and strict criteria when making these selections. Looking forward we have a strong sense of optimism about seeing positive developments in the upcoming quarter of this fiscal year. Our primary focus remains on utilizing our expertise and excellence in orthopedics with the goal of establishing more than 40 Shalby franchise hospitals across India within the next four to five years.

For our homecare business we have served 22045 patients in current year with a growth of 13% in patient count in similar period of last year. Revenue from homecare business is at 11 Crores in nine months FY2024 versus 7 Crores in nine months FY2023 with 52% growth during the same period. Further we are happy to inform that we have acquired a majority stake in Sanar International Hospital that is PK Healthcare Private Limited with a control of 87.26% equity stake by investing Rs.102 Crores as primary and secondary infusion. This will help Shalby to accelerate its presence in the Delhi/NCR region with a vision to scale up international business and also to consolidate its presence in northern part of India. This facility is located at prime location of Golf Course Road Gurugram with a land parcel of 1.27 acres which has been taken on long-term lease with a total build up area of 125000 square feet. The current capacity of facility is 130 beds and can be expanded to the level of 180 beds with additional capex. At present the hospital generates around 68% business from international market which comprises 43% from Middle East, 15% from Africa, 8% from international market which comprises 43% from Middle East, 15% from Africa, 8% from



CIS and remaining from others catering to more than 60 countries. Sanar offers comprehensive, advanced surgical care in the specialties such as cancer, heart, blood, marrow transplant, kidney and liver transplant, bone and joint and neurosciences among other specialties.

Now coming to our implant business, our implant business has delivered positive EBITDA in third quarter of current year due to continuous improvement in operational efficiencies and better procurement cost. The revenue is at moderate level of 21.5 Crores in quarter three FY2024 versus 14.7 Crores in quarter two FY2024. Now it gives me immense pleasure to introduce Mr. Deepak who has joined our group as Global Chief Business Officer on 9th January 2024. Deepak holds a degree in engineering from Mumbai University, post graduate diploma in general management from Narsee Monjee Institute of Management Studies and is alumni of INSEAD. Deepak has two decades of leadership at fields across industry including medical device, telecom, IT, education tech in a various leadership role. Prior to joining our organization Deepak was working with various leadership roles in BYJU, J&J, Airtel, Tyco Electronics, etc. As Global CBO, Deepak directly drives Company's implant business globally. Now I would like to hand over to Mr. Deepak, Global Chief Business Officer of Shalby Limited to give an outlook on the implant business and their performance in more detail. Thank you.

Deepak A:

Thank you Amit and good afternoon to everyone. Our implant business has delivered another contributive quarter of positive EBITDA in quarter three financial year 2024 because of the growth that we have seen in this quarter along with continuous improvement that is happening through process improvement in the production shop floor, securing much improved procurement prices from our multiple vendors and we now having a tight control on our operational expenses. The revenue has been at INR.21.5 Crores in the last quarter which has delivered a growth of 46% over the previous quarter. The supply challenges even though have not been fully solved but we started to show some green shoots across portfolio. We have seen a surge in our business across our UNI Knee, which is branded as TUKS both in the US and in India. Unfortunately there has been delay in the launch of several new products including a new total knee branded addition that is expected to be a blockbuster in India, Indonesia, and the US market. We have also seen a delay in our TiNbN offerings for the CKS knee and the TUKS UNI Knee. Our supply chain woes were compounded by further unforeseen delays in producing many complicated engineering drawings for our implants and instruments as well as providing quality approvals to many of our third party vendors through qualified FDA auditors in outside US countries. The contribution in sales mix stands at US contributing 43% of the business, India 53% and the others contributing 4% others predominantly being Indonesia and Japan in the last quarter. We have also seen a surge in our hip business that has contributed to our growth and the product mix stands at knee is contributing 71% and hip is contributing to 29%. As a part of our continued initiatives to



educate our surgeons on our products and procedures in the last quarter we have trained more than 40 surgeons across our TUKS and hip implant. The growth also came from additions of new key opinion leaders, surgeons, and hospitals across geographies starting to use our product. Our core leadership team at SAT have jotted down the top priority for execution in the next quarter which are receipt of the full instrumentation of TUKS that would enable us to go for a full commercial launch in India, Indonesia and the US that would help us recoup sales for our UNI Knee, launching our TiNbN CKS in quarter four financial year 24 that would be used in India along with a couple of tenders in US that would fetch out larger profit for SAT.

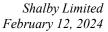
Accelerating production of our lower cost implants and instruments across multiple vendors that would help dramatically improve supplies to clear back orders in India and Indonesia. Engaging our prospects to participate in various virtual and face-to-face training and educational programmes and live surgeries by our designer knee and hip surgeons. We are confident that this would help us tremendously in gaining surgeons' confidence and support. Our participation at the current AAOS conference in the US is a testament to the same, where we have CME with 25 plus surgeons registered to understand TUKS, Hips and our future pipeline and roadmap. We have added three engineers who will focus on growing our engineering team with addition to our team members to accelerate the projects that are direct contributors to our growth road map at SAT. We would continue to strengthen our sales team and add more feet on the ground both in the US and India. Entering new territories like in Malaysia, Argentina and Middle East countries by the end of this year. Continuous focus on smart procurement and reducing operational cost on day-to-day basis to achieve the target of being self-sustainable in due course of time. We remain confident enough to significantly improve our implant business results through accelerating the launch of our new products, winning new accounts, adding new territories, and new experienced salespeople, continuously improving operational efficiency and furthermore substantially bring down our procurement and day-to-day operational costs to add more towards operating profits. With all these key strategies, relentless and ruthless execution will be the key to our success in the near future with having the right people and leadership in place. This in turn will contribute to the ongoing creation of sustainable value for all stakeholders at Shalby Limited. Thank you.

Moderator:

Thank you very much. We will now begin the question and answer session. The first question from the line of Pinaki Banerjee from AUM Capital Private Limited. Please go ahead.

Pinaki Banerjee:

Good afternoon Sir and thanks for the opportunity. Sir in slide 15 we see that the revenue breakup from the previous year for arthroplasty was 43% it is now 38% while critical care & general medicine was 9% now it has increased to 13% so can we fairly assume that now we





are actually diversifying into other areas and in the coming time what is the ballpark percentage we can expect to see in this division?

Shanay Shah: So it is a good question. In fact we have seen that some of the newer units like Jaipur, Naroda

as well as Jabalpur these have done extremely well and have demonstrated between a 20 and 35% kind of growth both on top and bottom line, so yes, we are expecting significant growth to come in from these hospitals even going forward because there is lot of capacity unlocking

which is yet to be done in these units.

Pinaki Banerjee: In the PL statement in the materials consumed and the other expenses have shown a year-on-

year decline so can you elaborate what are the reasons for this?

Shanay Shah: So in this quarter compared to the previous quarter in the same year the medical work as a

percentage of the total work was more than the surgical work because of that the material consumption has been slightly on the lower side, also there has been a significant exercise carried out across the group level to kind of rationalize the supply chain and optimize and bring in the efficiency both of these have contributed to 2.5% kind of EBITDA improvement

in this quarter.

Pinaki Banerjee: Fine Sir. That is all from my end and all the best for the future.

Moderator: The next question is from the line of Bino from Elara Capital. Please go ahead.

Bino: Good evening. Couple of questions from my side. Sorry I could not understand completely

from your initial comments. What is the latest update on the franchise that is in Rajkot and

the newer facility in Nashik?

Amit Pathak: So Rajkot we have mentioned that will come by the end of this quarter or start of the next

quarter and Nashik is in progress.

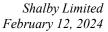
Shanay Shah: For Nashik we are dependent on the developer who is the partner with us and there has been

a significant delay on their side to be able to deliver on the commitments they have made to us and I think in one of the earlier calls we have mentioned that as soon as we receive the building as is as it is expected from them based on the commitment we will take between three to four months to operationalize the hospital but having said that at the moment we do not have a timeline. We are expecting it to happen soon and we will not be able to give you a timeline on that and also to add to that there is no capital employed from Shalby Limited or

any of its subsidiaries for the Nashik opportunity.

Moderator: Thank you. The next question is from the line of Heet Van from Elara Capital. Please go

ahead.





Heet Van:

Sir my one question would be like in the implant business I am looking at a geographical sales mix so for the previous quarters we used to look higher contribution from US but now India is at 57-60% so any possible reason for it or it is a onetime impact?

Deepak A:

So I think there are two things that are happening. If you would have looked at it from a growth standpoint you would see that from last year same time quarter to this quarter we have US being flat and outside US contributing to a large percentage of this growth that has come in. We have not lost anything but because of the implant issues there has been delay in our growth so those surgeries we would be able to get back very soon.

Amit Pathak:

Just to add one more thing in terms of the revenue growth US have grown from 1.17 million to around 1.66 million in this quarter compared to last quarter and outside US has grown from 0.6 to 1.16 so there is a growth in both the geography.

Heet Van:

Thank you Sir. Sir are we still alluding with a target with 100 million sales by FY2027 your previous guidance?

Deepak A:

So I think from a vision standpoint we still stay committed. The way we look at it this is just a delay the market is still growing and then it is just a matter of work that we would have to put in lot more later to get the market share gaining and going forward so I do not think there is any change in the vision that we want to achieve in the next five years.

Heet Van:

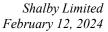
Secondly on the Sanar Hospital could you please like show some points like when are we going to scale up fully and timeline and all?

Shanay Shah:

As we have kind of shared earlier it is 180 bed kind of hospital facility in terms of capacity and we are already having about 130 beds which are operational there and it has some of the high end specialties, in fact what is very unique about this hospital is that 70% of the topline that is generated here is from international business, 30% is from domestic business. It does some of the most high end treatments which are done in tertiary quaternary care hospital in India. It does a lot of bone marrow transplants, kidney transplants; liver transplants and has all the offerings that every other Shalby unit offers for a total comprehensive kind of care. What we believe is that because of the ongoing run rate of that particular hospital in terms of the revenue it has been generating we believe 120 to 150 Crores will be the right target for this hospital for the next 12 months from now and given the kind of ARPOB that we are able to generate over there which has been over Rs.1 lakh in the past. We believe that we will be able to add significant topline to our existing hospital business through this hospital over the next three to four years.

Heet Van:

Thank you Sir that helps. Thank you. That is it from my side.





Moderator: The next question is from the line of Bino from Elara Capital. Please go ahead.

Bino: I was asking about any further update on the Mumbai Santacruz plan?

Shanay Shah: So the update there is that the trust had the obligation to kind of apply for charity

commissioners permission and kind of complete the other formalities before handing over the premises to us so they have done the needful, the ball is in their court but we are hoping and they have given us a timeline of the next three to four months by which they should be able to hand over the property to us after which we will be completing the other formalities like going for permission from the BMC and working closely with the architects to put up the

structure.

Bino: Understood on this Sanar Hospital acquisition what is the debt on book of the company?

Amit Pathak: So the long-term debt is close to around 38 Crores and the working capital outstanding is

around 7.5 Crores.

Bino: So totally only 15 Crores?

Amit Pathak: No, 45, (38 and 7).

Bino: Understood. At a consolidated level what sort of PAT are we looking for this year and next

year?

Amit Pathak: For the consolidated level if you are saying the funding what we have done for Sanar right

now that is from our internal accruals 102 what we have done. We are going with the debt equity mix of 50:50 from the bankers and from our side so the 50 Crores of cash infused by the company that will impact the net debt position of the company from the company side, apart from that in the implant business in the next 12 months looking after the product what we are going to launch CKS gold and addition maybe another 15 to 20 Crores of working capital upside we are going to see, so around 70 Crores of cash utilization from the current level will be there but on the other side the company is going to generate the cash into the next 12 months so we are seeing that position will remain same or improve the net debt

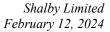
position.

Bino: Sorry my question was on corporate tax rate at the consolidated level?

Amit Pathak: So the MAT we will get exhausted by the end of next year thereafter we will be in the regular

tax rate.

Bino: Understood. Thank you very much.





Moderator: Thank you. The next question is from the line of Shamira, an individual investor. Please go

ahead.

Shamira: Good evening Sir. I have two questions. I was going through your investor presentation of

current quarter as well as the last quarter so I noticed the difference that earlier you were guiding that the company will be opening 50 franchise but now the target has been

downgraded to 40 franchise is my understanding correct or am I missing something?

Amit Pathak: No, your understanding is correct but we have changed slightly our strategy. In couple of

locations where we want to go with the franchise model like Delhi where we have come with our own hospital so in that location we are cutting down some franchise. There are other investment opportunities we are exploring so we have started coming in the form of our own hospital then we will some reduction in the franchise business so we are seeing the 40 going

forward into the next four to five years.

Shamira: Currently we have six operating franchises as of date?

Amit Pathak: Yes six including Mumbai.

Shamira: Sir that segment which has been presented in the investor presentation by the name of Shalby

Academy is this a complete social initiative or is this a part of our business segment?

Babu Thomas: You rightly dwelt it. It is a social outreach and the platform to up skill youngsters for various

courses and skill in healthcare ventures and we are doing it for last seven years but we are now in a very reputed stage. Every year we trains around 1500 to 2000 students and all of them get job immediately after their training is completed or their course is completed and currently we have also got affiliation and partnership with six of the universities in India and two of the other healthcare education platform in Australia so the work is going on very well

but it is more or less reputation building and social outreach for our group.

Shamira: So we do not count any of the revenues from this segment right?

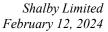
Babu Thomas: Not in a big way significantly but yes there are revenues getting created from this but we are

not getting very significant numbers.

Shamira: Thank you so much and all the best for future.

Moderator: Thank you. The next question is from the line of Surya Patra from PhilipCapital. Please go

ahead.





Surya Patra:

Thanks for the opportunity Sir. My first point in the Sanar Hospital obviously this is a strategic move to acquire a hospital having presence in the NCR region and having a kind of stronger revenue mix from the international customers or patients so do you anticipate any kind of cross selling in terms of therapeutic presence and all that for Shalby so do you anticipate any cross selling advantage from that hospital in terms of any specific strength that is getting added and that can have a kind of positive impact to the overall chain of Shalby?

Shanay Shah:

So there will be a major impact of that because we see lot of synergies coming along. Shalby has a huge clientele in the northern region including Delhi and NCR and we will be able to address it a lot better with the Sanar Hospital now as part of Shalby Hospital so that will be a major advantage and we will be able to see the changes on an immediate basis as we start the integration.

Surya Patra:

In regards to our medical tourism opportunity for the group as a whole will this play a role and how important and significant that could be going ahead because of this acquisition?

Shanay Shah:

In fact as I said earlier it already does 70% of international work. It has clinics in more than 10 international cities at present where they are conducting regular OPDs, we are consulting patient doing telemedicine, so they will be able to use our network and Shalby will be able to use their network now and across this 10 cities and Sanar will be able to use Shalby's network in Middle East and Africa over and above this, so overall there will be an advantage for both Sanar as well as Shalby from the medical tourism standpoint.

Surya Patra:

In terms of the profitability of the acquired asset at what level they are operating in terms of EBITDA and all?

Amit Pathak:

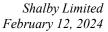
This hospital started close to 20 months back and in the hospital business if you can see the first couple of years are EBITDA negative, they are operating at close to around 15% EBITDA negative because the occupancy level even with 70% of business are not very high they are close to around 20-22% occupancy but with the synergy and from the next year onwards the occupancy will ramp up and we are firm that we are going to have a higher single digit EBITDA in the next year and high double digit EBITDA in the year thereafter.

Surya Patra:

Second question is on the implant business so it seems that the business has really picked up within India well, but if you can throw some light what is the sales performance in the US market itself the home market and now you are kind of initiated to tap really practically in terms of business, the Japanese and Indonesian market and other potential export markets?

Deepak A:

So if you look at it even from the US market standpoint we have grown significantly over the previous quarter and we would continue to launch new products as well as gain new surgeons in the United States by putting more people as well as increasing our distribution. The proof





of that is the testament of the fact that I said that this year one of the largest orthopedic congress that happens in United States in February which is happening this week. We have more than 25 surgeons who have registered to just know about our new products and engage with us to understand so the kind of efforts that have been put across distribution channels as well as through our own feet on street, which is giving us the fruits and on the other hand we are also planning to increase our feet on street this quarter in the US, which should add in addition to the growth in the US market. Coming to the other markets Indonesia is in the similar stage of India, we have been able to kick start over there but the supply change is also affected the Indonesian market in a large way so we are waiting for that to get resolved. On the Japanese market you will see some action in this particular quarter primarily because of reinitiating the market and we have done some changes, we have visited the market and understood something, this quarter we have already started seeing so January and February we have seen some movement in the Japanese market already.

Surya Patra:

Simultaneously you have mentioned also Sir about introducing new products so if you can throw some light on that, nature of the products, the strategy behind introducing those and how important those because you are anyway having a large basket of product?

Deepak A:

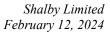
Correct so the way the market works is very different so one is about what we have so if you look at it primarily how the orthopedic market is there is primary knee then there is UNI Knee then there is primary hip and then also within primary knee the market keeps moving very fast, so if you look at the large players in the orthopedic place each one of them only in the primary knee portfolio would have minimum three to four brands so in our case currently what we are looking at are two brands with two extensions to that product which is the CKS being the primary knee with an extension of gold into it which will significantly add to both topline and bottom line and ambition being the new age knee which is again a primary knee with an extension of gold into it, so these are the two primary knees that we have and TUKS being our uni-compartmental knee and then hips right now we have only brand at this juncture which is our TaperSet and CS2, so how we are looking at the market is two primary knee is important because knee is the largest market in the orthopedic space and having two primary knees with two different products and specification depending upon the person's choice is important to have and that is how we are looking at it.

Surya Patra:

Just one last bit on the way forward for the implant business Sir so let us say while there is well jotted down future plan for tapping newer markets and all that but with all your effort and all that what visible business progress one should expect for this segment over next three year period?

Deepak A:

So I think the five year vision stills stays the same making that into a three and four year is going to be only a pathway towards that five, it is a journey towards that five so like I said





earlier we are committed to that five year mission and we still stay to it. It is a very simple game of trying to get the supply in place at the right cost and demand for us so far has not been such a large challenge with the right people, right leadership, right team on the front we are very, very confident that we should be able to get our both topline and supply coming at the right cost to us we should be able to deliver the bottom line too.

Surya Patra: Sure Sir. Thank you and wish you all the best.

Moderator: Thank you. The next question is from the line of Nishith Shah from Ambika Fincap

Consultants Private Limited. Please go ahead.

Dhruv Shah: This is Dhruv here. Congratulations on a really good set of numbers. I have three questions.

First is on your implant business you had guided for 110 to 120 Crores of implant revenue this year do you want to revise this downward considering first three quarters we have hardly

done around 50 odd Crores?

Amit Pathak: We are committed to deliver at the same level where we are right now in the last year so Q4

is really aggressive task for us but looking after the plan what we have we are confident that

we are going to achieve the similar kind of revenue as compared to last year.

Dhruv Shah: My second question is can you just guide us how much did Sanar did YTD till now, last year

they did 67 Crores. YTD what is the revenue they are clocking right now?

Amit Pathak: They have done close to around 70 Crores in nine month of this year.

Dhruv Shah: Last question is on your SOCE business how many franchise hospitals apart from Rajkot are

we planning to open next year?

Amit Pathak: So as I mentioned earlier we are exploring multiple opportunities. We are working right now

on four or five opportunities and we are going through that DD process and business evaluation so there are lot of opportunities which are on our desk and we have to decide which one we have to chose, so we are continuously working towards that and we will inform once

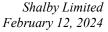
we have the right opportunity towards the franchise business.

Shanay Shah: We have made a list of 30 cities where we would like to have our franchise hospitals so in

these 30 cities we will be continuously evaluating different opportunities as and when there

is something that materializes we will be sharing it.

Dhruv Shah: Sure Sir. Thank you so much and thanks for the opportunity.





Moderator: Thank you. The next question is from the line of Rikesh Parikh from Rockstud Capital. Please

go ahead.

Rikesh Parikh: Thanks for the opportunity and congratulations on good set of number. My first question is

on implant business if I look at it for the Q3 with Q2 the margins have declined substantially probably it seems because of the mix more in India so how we should be looking at the

implant business as such?

Amit Pathak: So if I am talking in terms of the performance for the current year, in current year even with

the lower sales we are able to maintain the EBITDA margins the first and second quarter with high sale in US and low sale in India we are able to maintain the EBITDA and the breakeven kind of thing. In Q3 definitely if we have more US sale as compared to the earlier quarter we will have higher EBITDA but as the sales are high into India where the margins have been separate but still we are maintaining the positive EBITDA framework for the implant

business.

Rikesh Parikh: I just wanted to know what kind of EBITDA level we should be looking at going forward

next year also with even Indonesia and South East Asia coming in as such so how we should

be looking at this business?

Amit Pathak: Looking at the kind of way we are projecting we mentioned earlier also next year will be in

the higher single digit margin we have EBITDA and down the line two to three years we will

be in higher double digit margin.

Rikesh Parikh: Thank you that helps. Secondly on our growth strategy so two of our large Greenfield projects

in Mumbai and Nashik are facing inordinate delay as such so are we looking at acquisition

more as an opportunity or how one should be looking at?

Shanay Shah: So we are looking at both opportunities right now because we were in a net cash position we

also pursued an acquisition strategy because we could work on something which is already operational and would add to the top and bottom line straightaway. At the same time we have

Greenfield projects planned as well for example Mumbai is a Greenfield project for us and

we are looking at building it from scratch. It will takes three to four years from now to kind of operationalize that facility so it will be a mix of both Greenfield, Brownfield as well as

acquisitions depending on the opportunity that we get as long as they are in the geographies

which are strategic in nature for us.

Rikesh Parikh: Thank you that is it from my side.

Moderator: Thank you. The next question is from the line of Dilip Rao, an individual investor. Please go

ahead.



Dilip Rao:

Thanks for the opportunity. I just wanted to understand what could be the occupancy levels and the margin profile going forward in the next few quarters? Thank you.

Shanay Shah:

So if you see the occupancy this quarter has grown about 8% for us. If you look at the first nine months growth the occupancy has grown double digit for us so we can expect that we will be able to grow the occupancy level at an absolute level in the existing facility about 15 to 18% level with a ARPOB increase of 3 to 6% so overall 20 to 22% growth is what we foresee. Having said that this growth will be higher because there will be inorganic opportunity that the company may pursue like for example the Sanar Hospital deal that just went through so in which case the inorganic growth and the new capacity additions will be an addition to the number I mentioned.

Dilip Rao:

The margin profile do you see any improvement on that?

Shanay Shah:

I think the margin profile if you see the first nine months of this year compared to last year the EBITDA margins now are at 25-26% kind of level in the hospital business and we are still at 50-52% kind of occupancy level at some of these hospitals so there is a big factor of operating leverage which will come in and play out over the next two to three years in these facilities so you will definitely see a margin expansion.

Dilip Rao:

One more question. Apart from Sanar how many more beds would be operational anymore beds from our existing facility would be operational in next year?

Deepak A:

I think the way Jaipur and Naroda, Surat as well as Jabalpur has done and performed, we will shortly have to reassess and operationalize more beds in the existing facilities to be able to meet the demand.

Dilip Rao:

Thank you so much for answering the questions.

Moderator:

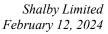
Thank you. The next question is from the line of Rohan Vora from Envision Capital. Please go ahead.

Rohan Vora:

What is the reason that our core business has grown by around 8% in this quarter so what could be the reason for that?

Shanay Shah:

The surgeries which are usually planned we have seen that the growth in those planned surgeries was not as we had planned and what usually is the case but we believe that and we have seen this has been the case across all the hospitals so it is not something which is region specific but the way we are seeing Jan and Feb going I think there has been a lot of spillover from Q3 into Q4 of this year so I think it is more of that so the way I would look at it is in Q1 and Q2 20% on the hospital business, in this quarter the growth has been slightly on the lower





side at 11% but on an annual basis we believe that this 18 to 20% growth will be definitely

achieved by the hospital business.

Rohan Vora: Understood. Thank you Sir.

Moderator: Thank you that was the last question. I now hand the conference over to Mr. Amit Pathak,

CFO from Shalby Limited for closing comments.

Amit Pathak: Thank you everybody for joining the call. We will connect again into the next quarter. Apart

from that if you have any questions you can reach out to our investor e-mail ID. Thank you.

Moderator: On behalf of Elara Securities Private Limited that concludes this conference. Thank you for

joining us. You may now disconnect your lines.