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Mumbai 400 051.

**Scrip Code : SHALBY**

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

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Mumbai 400 001.

**Scrip Code: 540797**

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**Sub.: Transcript of Earning Conference Call for Q1 FY2024-25 financial results**

**Ref: Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements), Regulations, 2015**

**Dear Sir/Madam,**

Pursuant to Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, we are enclosing herewith transcript of earning conference call held on July 9, 2024, wherein Unaudited Financial Results for Q1 FY 2024-25 were discussed. The said transcript is also available in the Investors Section of our website.

We request to take the same on your records.

Thanking You,

Yours faithfully,  
For **Shalby Limited**

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

**Encl.:** Concall Transcript

## SHALBY LIMITED

**Regd. Office:** Opp. Karnavati Club, S. G. Road, Ahmedabad - 380 015, Gujarat, India.

Tel: 079 40203000 | Fax: 079 40203109 | [info.sg@shalby.org](mailto:info.sg@shalby.org) | [www.shalby.org](http://www.shalby.org)

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“Shalby Limited  
Q1 FY '25 Earnings Conference Call”

July 09, 2024



**MANAGEMENT:** **DR. VIKRAM SHAH – CHAIRMAN AND MANAGING DIRECTOR, SHALBY LIMITED**  
**MR. SHANAY SHAH – PRESIDENT, SHALBY LIMITED**  
**MR. DEEPAK ANANTHAKRISHNAN – GLOBAL CHIEF BUSINESS OFFICER, SHALBY LIMITED**  
**MR. AMIT PATHAK – CHIEF FINANCIAL OFFICER, SHALBY LIMITED**  
**MR. BABU THOMAS – CHIEF HUMAN RESOURCE OFFICER, SHALBY LIMITED**  
**MR. NARESH KAPOOR – FOUNDER, SANAR INTERNATIONAL HOSPITALS**  
**MR. JIGAR TODI – INVESTOR RELATIONS, SHALBY LIMITED**

**MODERATOR:** **MR. KASHISH THAKUR – ELARA SECURITIES INDIA PRIVATE LIMITED**

**Moderator:** Ladies and gentlemen, good day, and welcome to the Q1 FY '25 Earnings Shalby Limited 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 star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Kashish Thakur from Elara Securities Private Limited. Thank you, and over to you, sir.

**Kashish Thakur:** Thank you, A very good evening to all of you on the call. On behalf of Elara Securities, I, Kashish Thakur, welcome you to the management call of Shalby Limited to discuss Q1 FY '25 Earnings and Business Outlook. We have the top management team of Shalby present in the call.

I now hand over the call to Mr. Jigar Todi from IR Team of Shalby for his opening remarks and taking it further. Over to you, Jigar.

**Jigar Todi:** Thanks, Kashish. Good afternoon, everyone. Our earnings presentation is uploaded on the Stock Exchange website and our company website, shalby.org. We do hope you have already had the opportunity to go through the presentation. Please note that some of the statements made in today's call may be forward-looking in nature and may involve risks and uncertainties. Kindly refer to slide number 37 of the Investor Presentation for a detailed disclaimer.

Now I would like to hand over the call to Chairman, MD, Dr. Vikram Shah for his opening remarks. Thank you and over to you, sir.

**Vikram Shah:** Good afternoon, everyone and a very warm welcome to the Earnings Call of Shalby Limited. I'm pleased to announce that the company had maintained consistent performance across the key operational and financial metrics. We are present in Gujarat, Western India and Northwestern India. And we are the biggest in Ahmedabad, we are biggest in Gujarat in the corporate hospitals and we are biggest in Western India in corporate hospitals.

With our recent acquisition in Delhi, it is going to make a huge difference for us for international business, as this hospital in Delhi is doing 70% of its work international and they are leader in liver transplant, bone marrow transplant and CT transplants and also onco surgeries.

Now onwards, our more focus will be beyond joint replacement, on cancer, onco surgery, onco medicine and radiotherapy and we are going to invest some amount in radiotherapy machines also. Also, transplant surgeries, we are going to increase across the group. As you all are aware that we are number one corporate hospital group in joint replacement surgeries across the world and we are maintaining it for the last 20 years and we will continue to maintain it.

As far as this quarter results are concerned, I'm very happy to announce that our company has done a great job. And all our senior people are here and they are going to take you through results now onwards.

May I introduce Deepak Ananthakrishnan, who is Head of our Implant Business, he will take you through Implant Business now.

**Deepak Ananthakrishnan:** Thank you, Dr. Shah. Good afternoon, everyone. During the first quarter of this financial year, our implant business made significant progress, generating revenues of INR259 million, up by 58% growth with contributions from the US and OUS are 44% and 56%, respectively. We are actively focused on bolstering our team with skilled professionals, transitioning our sales mix to retail customers, enhancing operational capacity and efficiency, expanding our product pipeline through extensive research and development efforts and significantly reducing procurement costs.

The reception of our Shalby advanced technology implants and hospitals across all markets that we have launched has been highly positive and we have received additional orders from the Indonesian market. With our key strategies formally in place, our team is fully dedicated to executing these plans flawlessly. Shalby is well positioned to achieve double-digit growth with sustainable profitability while also expanding and deepening our presence by opening up new geographies. These efforts will ultimately drive the creation of sustainable value for all stakeholders at Shalby.

Like I mentioned last time, the four different pillars that we are focusing for the year, number one being sales. Sales in the US is looking at coming on board to get to an \$8 million from the current -- from the last year number of \$4.8 million for the year. We are looking at getting to this by onboarding more distributor, sales team as well as marketing efforts.

We are also talking about participating in large congresses initiating digital marketing, etc. OUS sales, we're looking for another \$8 million to the right products across Southeast Asia, Latin America and other countries where reimbursements are higher than India at this juncture. Cost reduction is the second pillar. Looking to end the year at a cost of 50% to 80% reduction across portfolio by improving efficiencies, ship time, processes, new vendors and suppliers' on boarded. This is an 8 to 12-month project, but actions have already been taken and things have started to show up, including the current quarter that went by.

The third pillar being capacity. Currently, we are dependent on one vendor or one supplier for every material and hence, the cost is high as well as business can get affected when our supplier has issues. So we are planning to have a multi-vendor system with higher capacity, contributing to our sales forecast -- with higher volume commitments to double our sales, we have initiated and on boarded new vendors with lower costs as well as increased capacity. This will also help us product business continuity.

The last one is new products. This team is looking at working for today, next year and 2 years down the line. We already hired a Head of Engineering and the team is being built and also

surgeons are being on boarded to support the new product initiatives. We have also initiated and formed SAT India, where already we have started including on hiring engineers in India who will be working on some of these new product development.

Split into three parts. The new product is around -- there are products which we will have to build from scratch like our Gold, which is already done for US FDA approval, Ambition, where we've already got the FDA approval for the implant, but we're waiting for the instruments to come through, and then eventually our Tucks Gold, which is expected to launch.

We are also building improvements in the current system right from adding additional SKUs in the current product, improving our instrument sets, looking at a huge growth coming in from the Ambulatory Service Centers, which are called ASCs in the US and hence, to create the system to cater to the same, more sleek and improved instrumentation needs to be done. This will all increase our sales of our current product. Every new SKU still goes through a lab test and regulatory test approval and needs to go through a whole FDA approval process

We also have a new design product initiative, which is in terms of building a revision knee, revision hip portfolio, dual mobility, medial knee, all of this are two to three years projects if we kick-start towards this year, which we have already initiated with the engineering team. So with sales growing up, costs coming down and capacity build to drive growth, I think we are home. New products are important to make sales grow from short as well as long term and also put us in good spot from an innovation standpoint.

With this, I would like to hand over the call to Mr. Amit Pathak for the company's performance in this quarter. Over to you, Amit.

**Amit Pathak:**

Thanks, Deepak. Good evening, everyone. I'm pleased to welcome you all to the Shalby Quarter 1 FY 2025 Earnings Call. Now I will walk you through the financial performance of the company for the first quarter of FY'25. Consolidated revenue of INR289 crores for quarter 1 FY'25 versus INR240 crores in quarter 1 FY'24, and we have grew by around 20% of Y-o-Y basis. This is the highest ever revenue what we have clocked in the history of Shalby on the consolidated level.

EBITDA of INR55 crores in quarter 1 FY'25 versus INR48 crores in quarter 1 of the same period with the margin of 20% in the current quarter versus 19% in Q1 FY'24, and we have grew by 15% on Y-o-Y basis. PBT of INR30 crores in quarter 1 FY'25 versus INR33 crores in Q1 FY'24, and we have been degrew by 8% on a Y-o-Y basis. PAT of INR15 crores in quarter 1 FY'25 versus INR21 crores in quarter 1 FY'24.

Our Y-o-Y basis, our performance, excluding the Sanar business, which has been acquired into the last quarter, that is quarter 4 of FY'24. So if you exclude the Sanar business, on a Y-o-Y basis, our consolidated performance, the sales has been grew by 10%, EBITDA by 16% and PBT by 10%. So the degrowth in the PBT on the consolidation level due to the just -- we don't have the comparable number of Sanar into the last year of the same financial year. The group continued to maintain a very strong balance sheet with a low gearing ratio of 0.18x, which is on the equity of INR909 crores with a net debt of INR168 crores.

Now I will run you through the stand-alone performance of the hospital business. Stand-alone revenue of INR240 crores, which is the highest ever revenue on the stand-alone basis into the last 30 years in quarter 1 FY'25 versus INR216 crores in the quarter 1 FY'24 and we have grew by around 11% on the hospital business on Y-o-Y basis. EBITDA is INR58 crores in quarter 1 FY'25 versus INR50 crores in quarter 1 FY'24, with a margin of 24% in the quarter 1 of this year versus 23% of quarter 1 of the FY'24 and we grew by 17% on Y-o-Y basis.

PBT of INR46 crores in the current quarter versus INR40 crores in the same period of the last year, and we have grew by 15% on Y-o-Y basis and PAT is at INR31 crores in this quarter versus INR26 crores in the Q1 FY'24, and we grew by 16% on a Y-o-Y basis.

At a stand-alone level, again, we continue to maintain a very strong balance sheet with a positive net cash of INR63 crores. And on the operational side from the hospital business, which includes the Sanar business also, the inpatient and outpatient and surgery count has been grew in the range of 10% to 13% on Y-o-Y basis.

ARPOB and ALOS has shown a significant improvement, and our ARPOB is INR43,365 and the loss is 3.7, respectively, compared to INR38,000 and 3.97 in the same period of the previous year. ARPOB on Y-o-Y basis has been grown by around 14%. The number of occupied beds has increased over 7% on Y-o-Y basis and the occupancy rate of 48% in the current quarter due to acquisition of Sanar.

Occupation at Shalby Limited, excluding Sanar, has remained at 50% in both the period, that is into the current year and the same period of the last financial year. The peer mix for the entire hospital business, for the sales, it is around 35%; insurance, 41%; and government business is 24%.

Now from an investment point of view, our capex for the acquisition of Sanar is concluded. And in future, capex will be incurred for the capacity expansion of 130 beds to 200 beds into the coming year from the Sanar prospect. Post our acquisition in Q1 FY'25, Sanar has contributed top line of INR23.77 crores versus top line of INR20.42 crores with a growth of 16% on a quarter-on-quarter basis.

The EBITDA loss for the quarter is INR35 lakhs only, and we are confident that EBITDA positive in coming quarters with the increase of sale of operation. Sanar is presently operating at 25% occupancy level and it will increase gradually in coming quarters. In current quarter, 56% of the revenue contribution of Sanar is from the international patients, which is low compared to the last quarter due to festive season into the Middle East during the month of April and May from where most of the international patients flows, and we are confident that in quarter 2 business from international patients will increase with the more footfall from the Middle East countries.

Revenue from international business remained at INR15 crores, which contributes INR13 crores from Sanar and INR2 crores from Shalby in the current quarter. I'm happy to mention that the

acquisition of Sanar, our international presence in other geographies has been increased. And now we have 23 OPDs as a group across various international locations.

I'm very hopeful that with this strategic location, we will help to increase our international hospital revenue significantly in the coming quarters. At Shalby, our undivided focus has been on demonstrating our clinical excellence through successful execution of many diverse clinical surgeries in several of our hospital units. We also take pride to share that we have successfully completed 29 transplants, which includes nine kidneys, 15 livers and five BMT during the current quarter of FY'25.

Our SOCE franchisee business delivered an adequate performance into the current quarter. The total 329 surgeries has been performed at SOCE units, both under the FOSO and FOSM in the current quarter. The total revenue from the FOSO business is at INR2.6 crores, which has been grew by around 73% on Y-o-Y basis. Total revenues from the FOSM business is around INR80 lakhs, which has been -- degrew by around 30% on a Y-o-Y basis.

In last quarter of the same financial year, the FOSM revenue includes the project consultancy fees for INR40 lakhs in FOSM business. And by excluding that also, the FOSM business has been grew by around 12% on Y-o-Y basis.

Our next SOCE unit at Rajkot is on satisfactory progress and is expected to get operationalized to the current quarter. We have been incredibly selecting our choice of potential partners, the main inquiries that we are receiving so far. To maintain the reputation of our strong brands, we follow a clearly defined process and strict criteria while making these selections.

Looking forward, a strong sense of optimum about the same positive development into 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 franchisee hospitals across India in the next four to five years.

For our home care business, we have served around 7,302 patients in Q1 FY'25 versus 7,695 patients in the last quarter of the similar financial year. Revenue from the home care business is at around INR3.8 crores in the current quarter versus INR3.7 crores in the similar quarter of the last financial year.

As a part of our social commitment, we continue to spread awareness about the importance of health and well-being through various social media platforms and created 138-plus health care videos. We also conducted more than 65 health care camps and 155-plus health care talks across all our units during the last quarter as a part of various community outreach program.

Shalby also take pride in nurturing new talent through our Shalby Academy vertical with 1,700-plus students registered in various health care programs during the current year. Our SAT implant business has delivered minimal EBITDA loss of INR66 lakhs in the current quarter due to marketing, sales promotion and other allied expenses incurred during the quarter for the upcoming products.

Our operational efficiencies in improving quarter-on-quarter basis with the optimization of the procurement costs. The revenues at the moderate level of around INR26 crores in the current quarter versus INR16 crores in the quarter 1 FY '24 with a growth of 63% on Y-o-Y basis. With that, I will hand over the call to the moderator to open the forum for the Q&A.

**Moderator:** Thank you very much. We will now begin the question and answer session. Our first question is from the line of Rohan Vora from Envision Capital. Please go ahead.

**Rohan Vora:** Thank you for the opportunity. So sir my first question was on the implant business. So what is our current COGS for the implant business?

**Deepak Ananthkrishnan:** Current CAGR for implant business...

**Rohan Vora:** Current cost of goods sold percentage for the implant business?

**Amit Pathak:** Look so the product to product it differ because we have the different kinds of implant for the knee and hip. So it's all dependent on the product mix, but if we are looking after overall COGS including the overhead which has to be allocated for the material cost, it is close to around 25% to 28% based on the product mix.

**Rohan Vora:** Okay. And just one more question on the ARPOB. So the ARPOB this year have been 43 -- this quarter has been INR43,000 plus. So what contributed to the ARPOB?

**Amit Pathak:** So there are two parts. One is Sanar has very high ARPOB as Sanar has around close to INR75,000 to INR80,000 ARPOB and in Shalby also the high and mix also contributed in terms of the ARPOB of this current quarter.

**Rohan Vora:** I'll get back in the queue for further questions. Thank you.

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

**Surya Patra:** Thanks for this opportunity. Just wanted to check the Sanar Hospital now at a 26% occupancy level what we have seen is more than 50% of their revenue is generated from the international patients. So how to think about this in terms of profitability? So knowing the fact that the margin profile of the business which is heavily dependent on the international patients is generally higher compared to the normalized margin mix.

So at an optimal occupancy also the revenue mix from the international patients are likely to remain at this level or should improve? And if that would be the case then what is the margin profile and how superior margin profile this hospital can generate compared to our blended margin that we have been reporting?

**Shanay Shah:** So thanks for the question. Mr. Naresh Kapoor who Heads this Northern region, he is also on the line. I think he'll be happy to take the question.



**Naresh Kapoor:** Good afternoon everybody. So coming to the question put up by Surya. We expect the mix of international and domestic business similar to what we have been doing right now which is about one third and two third. So two third international one third domestic. It may -- since domestic we have recently tied up with all the TPAs, so it might increase a little bit, but no major difference should be expected.

And with regard to the margins, yes, I agree with you that the margins are higher because of the higher end surgeries that we perform and that also will be -- in future also it will remain higher as compared to the other hospitals.

**Surya Patra:** So then this can play a kind of margin booster role for the company as a whole in....

**Naresh Kapoor:** Yes.

**Surya Patra:** Okay. My second question is on, let's say, about the Arthroplasty revenue mix. So obviously with the more and more other therapies seeing a kind of a progress the Arthroplasty revenue mix has to some extent shrunk in this quarter on a Y-o-Y basis. So whether it is adding to the overall profitability or how should one think because in one way the Arthroplasty is getting complemented by the captive implants also?

And that is in our forte and now the other therapy-related services if that is rising then in terms of the margin what change that it can bring?

**Shanay Shah:** So this year you're right. Arthroplasty business as a proportion to the overall business has gone up. So if you exclude Sanar which has been a recent addition, we are at about 47% of Arthroplasty in this quarter. And yes that has shifted ARPOB of the company you have for this quarter. In terms of using our own implants at the moment we are losing only about 10% of our own implants in Shalby as a group.

As we are in the work of trying to sort out our supply chain and ensure that we are able to get the product to sufficient quantity for us to be able to deliver into the external market in the US, Indonesia, Japan and other parts of world. So at this point of time, we are working on ensuring that we do not fall short of supplies in the other regions. And of course, we will be working in the next 12 months we are very optimistic that about 70% to 80% of Shalby consumption will be used -- we will be using the SAT implants within the Arthroplasty business.

In terms of the profitability, yes, profitability of the Arthroplasty is naturally more because we are the largest player globally in terms of the volumes that we are doing. Having said that, some of the other specialties also are very highly profitable for us. So I would not paint the whole thing with the same brush.

**Surya Patra:** Okay. Just last one question sir from my side. This is regard the home care business. So in terms of the number of patients served what we are seeing in the presentation that there is a decline Y-o-Y. So since this is the business which is kind of at its nascent stage and should be seeing a

kind of a progressive or study progression only, why the number of patients served should be declining?

**Amit Pathak:** So the home care business basically if you can see into the last all the quarters, the patient growth has also been there and also accordingly the -- we've had top line growth also. In this quarter there is a slight reduction into the patient into the home care business and there is not much of the improvement in terms of basically the revenue, but this is the one of the quarter where we have the location, but going forward, we are seeing the growth into that business what we are projected.

**Surya Patra:** Okay. So this could be an aberration just in terms of the quarter? Or there is some sort of seasonality is there here in case of home care?

**Amit Pathak:** Some sorts, there is some operational hiccups were there for some period. But that will continue to grow and we are growing very fast into the home care business. And this year, we will grow into the similar line compared to the last year.

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

**Bino Pathiparampil:** Just a clarification on Sanar. In your opening remarks, you said there was a loss of INR35 lakhs there for the quarter?

**Amit Pathak:** Yes, loss of INR35 lakhs on EBITDA level.

**Bino Pathiparampil:** At the EBITDA level. Post or pre IndAS?

**Amit Pathak:** Pardon?

**Bino Pathiparampil:** Post IndAS or pre-IndAS?

**Amit Pathak:** It's a post IndAS. And just to reflect you, the IndAS impact is coming in terms of the lease rentals, which will go below the EBITDA level.

**Bino Pathiparampil:** Understood. And what is the outlook here? When do you expect this to fully break even and may start generating profits at the PBT level?

**Amit Pathak:** So -- Mr. Naresh Kapoor can take that.

**Naresh Kapoor:** So what we expect is that EBITDA level next quarter onwards, we should be looking at breakeven at EBITDA level. And overall, by the financial year-end or early next financial quarter, we should be able to reach the overall breakeven also.

**Bino Pathiparampil:** Okay. Great. Second, in your presentation you give a stand-alone revenue and EBITDA. So which are of the hospitals which come in stand-alone?

- Amit Pathak:** So on the stand-alone business, we have all our hospitals, including our franchisee business. On the consol, we are just including the Sanar business.
- Bino Pathiparampil:** Okay. Understood. And for the implant business also, would you please give some guidance on profitability? Because last year, we had almost break even. This quarter, again, we have come in to a slight loss at EBITDA level. So will there be profitability over the next few quarters?
- Deepak Ananthakrishnan:** Yes. So I think the implant business is on the right track. If you look at it, there has been a significant growth upwards of 60% in the quarter versus the last year first quarter. The reason why you see that negative EBITDA is fundamentally front-loading of a lot of marketing and sales activities that we are doing. We are preparing ourselves for a couple of new launches by end of this year and stuff. So there was a lot of efforts from that standpoint.
- And also because we were doing a lot of contracts and other things, we also had a slight upward expense on legal, which is for this quarter, which will also hit on EBITDA. But going ahead, I think we are on track. So like I said, our sales is growing and our COGS are going down. So you will start seeing quarter-on-quarter results starting at full play.
- Moderator:** The next question is from the line of Rohan Vora from Envision Capital. Please go ahead.
- Rohan Vora:** So just wanted to check on the margin side. In addition to Sanar, were there any one-offs in the margin? And another question was on the Udaipur hospital that we discontinued the partnership. So what was the reason behind that?
- Shanay Shah:** Yes. So at a stand-alone level, we basically have expanded the margin. So even though the top line has grown 11% to 12%, the margins have grown in excess of 15%. So there has been a margin expansion and there has not been any one-off. So you can expect that kind of operating leverage to play out as the revenue and occupancy growth in the stand-alone hospitals.
- With regards to the Udaipur franchisee, there was noncompliance at their end and we were left with no choice but to cancel the agreement.
- Rohan Vora:** Right, right. And if I can just squeeze one more here. What was the reason for -- earlier you said that Rajkot would be operational by Q1 and now we are saying Q2 FY '25. So any reason for the delay?
- Vikram Shah:** No, there is no reason for the delay. It's just that -- we have started doing CANS and essentially, the soft launch is already being done. So we are going to -- I mean, the work has already begun, and we will have a full launch in Q2.
- Rohan Vora:** Okay. Okay. And any other franchises you're looking at and you can see them getting added soon, anything like that on the card?
- Vikram Shah:** So there are several in the pipeline but unfortunately, we are unable to share as you know there are still -- we are still in the discussions.

**Moderator:** The next question is from the line of Rajakumar Vaidyanathan, who is an individual investor. Please go ahead.

**Rajakumar Vaidyanathan:** Yes. Congratulations for the good set of numbers. Sir, I have 2, 3 questions. The first question is on the tax rate. So if you see the tax rate on stand-alone, it's about 34% and consol is about 50%. So that seems to be on the higher side. Just wanted to know what is driving this higher rate?

**Amit Pathak:** So basically, you can see that in the PAT level on the consolidated side, we had the 2 hits, basically, the hit from the Sanar and our implant business, which is coming around that. And if I'm talking about in terms of the interest and finance costs what we have, in Sanar, we have the finance cost of INR168 lakhs for the quarter. And in implant business, our finance cost is around INR370 lakhs, so which is reducing basically bridge between the EBITDA and the PBT.

**Rajakumar Vaidyanathan:** No. Sorry, sir. My question is on the tax rate.

**Amit Pathak:** Okay. Tax rate is around 33%, what we have.

**Rajakumar Vaidyanathan:** Yes. 33% on stand-alone 50% on consol.

**Amit Pathak:** Yes. So I'm coming to that. So tax rate on the stand-alone is around 33% and we are under the MAT. And MAT is getting utilized during this financial year. Now on the consolidated level, the tax rate is low because we used to create the deferred tax rates on both our implant business and also the Sanar business, which we have stopped. And we want to go conservative. So that is the reason we have not created the deferred tax on the assets.

**Rajakumar Vaidyanathan:** Okay. And so when are you moving to the new regime, you said the 25% tax rate on stand-alone?

**Amit Pathak:** So the tax rate, the MAT will be there -- MAT adjustment will conclude in the financial year. So from the next financial year, we are into the next -- new tax regime.

**Rajakumar Vaidyanathan:** Okay. So you're guiding similar rates for the subsequent quarters also for the tax rate, given -- I mean...

**Amit Pathak:** Yes, on the consolidated level, we're not going to create the deferred tax for these 2 entities.

**Rajakumar Vaidyanathan:** Okay. And can I know what is the DTA benefit not recognized till date, would you have the number?

**Amit Pathak:** So I don't have a handy number, but I will share with you later on.

**Rajakumar Vaidyanathan:** Okay. Great. Sir, the next question is on the COGS, if I look at the material plus opex to the sales, that has gone up to 58% in current quarter vis-a-vis the fourth quarter of FY '24. So -- but there was a talk on the previous call that you are planning to bring down the COGS. So just wanted to know what is driving this 3% increase in COGS? Is it more a mix change or...

- Amit Pathak:** Can you just repeat this? You're talking on the stand-alone or consol level?
- Rajakumar Vaidyanathan:** Consol level, if I add the material consumed plus opex, then that stock in trade change in inventory -- to the sales, it comes to 58%.
- Amit Pathak:** So look if you can see, if you just to give the guidance if you can see stand-alone, there is not much of the deviation on the Y-o-Y basis. On the consolidated basis, just to give the breakup of the two things, consolidated includes the Sanar business and also the implant business.
- Sanar COGS is in-line, or I can say slightly lower compared to our hospital business. So that is around close to 22%-23%. So the variation is not coming from there. The COGS is coming high in this year. Basically, if you can see there is not any change in terms of the movement of the inventories which has been there, and we are building up the inventory. So that is going into that and that is the reason that is impacting some of the COGS which is going out from the implant business.
- Rajakumar Vaidyanathan:** Okay. And sir, your other income has also gone up to almost 96 million. So can you just give the components? Is there any one-off sitting here?
- Amit Pathak:** It is for the -- a couple of things are coming from the Sanar point of view where we have taken certain kind of one-off discounts from the old receivable from all the vendors that we have been taken. And there are some rentals and other income and some promotion income is coming, so that has been increased.
- Rajakumar Vaidyanathan:** Okay. And sir lastly, the finance costs also going up. So just want to any guidance you can give on that number?
- Amit Pathak:** So finance cost is going up. Basically you can see is on the stand-alone level for the Sanar acquisition, we have taken the INR100 crores of loans. So that is the reason the finance cost on the stand-alone entity is going up.
- On the consolidated level, if you can see in this quarter, the finance cost has gone on Y-o-Y basis because as I mentioned, Sanar finance cost, the lease cost has been included into the cost. And apart from that, as we are building the -- our implant business, where we are building the inventory and a lot of working capital requirements right now is going on.
- So we have that kind of cost. In the current quarter, we have continued with that kind of finance cost. And from next year onwards, once the implant businesses will get stabilized, the working capital interest on this implant business will come down.
- Rajakumar Vaidyanathan:** So any guidance on this number? Will it be flat-lined at current levels or it will come -- taper down?
- Amit Pathak:** It will slightly increase. It will not be the flat line. In the implant we have to invest more in terms of the working capital for the next couple of quarters.

- Moderator:** Thank you. The next question is from the line of Saket Saurabh, who is an Individual Investor. Please go ahead.
- Saket Saurabh:** So my question is excluding Sanar in the hospital business, what has been our price hike at the blended level?
- Shanay Shah:** Sorry, can you repeat your question?
- Saket Saurabh:** Yes. So price hike -- price hike on a blended level?
- Shanay Shah:** Price hike for Sanar or for...?
- Saket Saurabh:** Not Sanar; excluding Sanar, the hospital business?
- Shanay Shah:** So we steadily look at price revisions, but it's not like the price revisions for all the areas happen at one go at one point in the year. So if we look at each segment once in a quarter and assess it once in a quarter. And if any revisions are required, then we take them. But approximately -- usually, it is in the range of between 6% and 8% in a year.
- Saket Saurabh:** Okay. Where I was coming from is like Arthroplasty, which is our parent business as the volume is also coming down. So -- and if I look at some other businesses also like home care, so is there something that we are trying to do to really enhance the volume growth?
- Because increasingly, if you look at even the competitors, they are saying that price hike is becoming -- getting much more difficult now, right? Given the increasing competition. And so, are initiatives really being taken to increase our volumes, which seems to be slightly on the lower side?
- Like, for example, our surgery count increased by 8%, where Arthroplasty which is our bread and butter, so a negative dip. Even home care business, the patient footfall has come down. So I was just wondering if certain initiatives are being taken to increase the footfall or volumes?
- Shanay Shah:** Yes. So you're right. But I think the way to look at it is that the inpatient growth on a year-on-year basis has grown 15% and the outpatient count has grown 13%. So these are high double-digit kind of growth numbers in mid-teens. So yes, of course we would want to do a lot higher. And the teams are definitely working on increasing the outreach in terms of the different programs that we do. But probably occupancy may not be the only measure by which we should assess the success.
- Saket Saurabh:** Okay. Now coming to FOSO and FOSM. So now if I look at currently they are contributing around, say, INR3 crores to the top-line, which is say, at around 1.5% to overall quarterly run rate. Now do you really think it is -- and on top of that, we have a business like implant, which is really doesn't seem to have operating leverage, at least as of now maybe in future it might deliver?

So do you think how are we optimizing our management bandwidth so that we can really look -  
- so basically, are these franchisee businesses really bringing a bank for the -- given the kind of  
management bandwidth that these might be attracting?

**Shanay Shah:**

Correct. So in the past -- in the last 6 months, there had been a few leadership issues, and they  
have been sorted out in the last few months. So we have a very senior person who joined us,  
who's going to overlook the SOCE business. Having said that, SOCE business the capital  
employed is very minimal from the end of the company.

And however, it is a promising business because we are only trying to build on the orthopedic  
leadership that we have been able to create for the last 30 years under the leadership of Dr.  
Vikram Shah. And we will continue to do that. And we feel that this is highly scalable -- of  
course from the learnings of the last 2 years, we believe that franchisee-owned shall be operated  
-- that particular model will grow much faster for us than the franchisee-owned, franchisee  
operated model. So that is for the SOCE business. And I think from the implant business, Deepak  
can kind of take it from here.

**Deepak Ananthkrishnan:**

No. So from an implant basis, the management bandwidth is pretty well sorted. We have  
presence now in somebody who drives the U.S. business, the sort of U.S., we have someone in  
Indonesia, and we have an Indian leadership team. So the management of this team whoever is  
working on this particular thing, their bandwidth is completely dedicated only to this. So we are  
on track.

**Saket Saurabh:**

Now so if you look at the franchisee business and now that you have said that have had some  
learnings. Now if we look at the 3-5 years down the line, what percentage of top-line do you  
think this FOSO or FOSM, or the combination of these 2 are they likely to contribute to the  
hospital business? It is currently say at, 1.5% or something in that range. So within 3-5 years,  
what percentage do you see they would contribute?

**Shanay Shah:**

So it will still be a very small percentage because if you think of it, what will happen is that the  
hospital business will continue to grow like it has grown for the last 7 years, you've seen a 20%  
CAGR growth -- it will continue to grow 20% for the next 6, 7 years. So from the existing levels,  
you will see that this is growing multifold. And then the SOCE business is basically much  
smaller hospitals comparatively. So these are 20, 25, 30 bedded hospitals.

So they cannot individually contribute very significantly to the top line but it definitely helps  
you build a great brand equity in that particular city. And we should also consider the kind of  
patients that will be referred from those towns into some of our flagship hospitals. So I think if  
you look at it from that perspective and a slightly holistic picture it will create a lot of synergies  
for the hospitals' business also.

**Saket Saurabh:**

But it's when you look at this franchisee business, it is like more like a hub and spoke model  
there is a flagship facility and -- which caters to -- capabilities from where are really used to  
cater to say some of this franchise in and around that. Is that the model that we are looking at?

- Shanay Shah:** No, that's not the model. They will be completely self-sufficient. But then what happens is at times when somebody goes to an orthopedic surgeon for some kind of treatment and he's a geriatric patient there might be other comorbidities that the patient might be suffering from and they can always refer to some of our flagship hospitals.
- Saket Saurabh:** Okay. So just one of the -- last question. So the manpower that we have at these facilities, these are all full-time stationed at that place or -- and owned by Shalby? Is that a fair understanding?
- Shanay Shah:** Yes. So I think we have Mr. Babu Thomas, who I think who is basically the Group CHRO. And I think what he also kind of discussed a little bit about the Shalby Academy and the kind of programs we run there.
- Babu Thomas:** Thank you. A lot of questions. Thanks for touching the HR space. We have overall around 3,155 full-time employees and also, we have around 378 full-time consultants along with around 900 employees on contractual basis, which contains our entire pool of employees across all verticals. Which also caters to the subsidiary and all our main business in India. And U.S. we have around 100-odd employees in the U.S. stationed at our manufacturing facilities.
- And other employees in the field in U.S. and other indices like in Kenya and also in Malaysia and a couple of other centers. This is our employees' strength. So as far as employees, talent development, training internally, we have a pool of around 20 trainers across the centers here under one Assistant Vice President and we also have a simulation lab established in Ahmedabad to train our clinical team for catering to entire 16 hospitals based out of Ahmedabad and other centers in India. And also, the Academy division suggested by Mr. Shanay, we are catering to around 2,000 students are undergoing various programs and we have a partnership with around 6 universities in India.
- And recently, as first time of its kind, we got our affiliation to run around 8 courses in our centers in Ahmedabad from Kaushalya - The Skill University. So in terms of HR, we are deploying most of the best practices available in the industry to drive a better retention of employees, attracting good talent and take this business and support all the business entities to the next level. That's what we are all doing from our side. So a lot of good work happening in the Academy sessions and other HR and training and development across. Any specific questions out of this, you can go ahead please.
- Saket Saurabh:** No. I think I really appreciate the comprehensive response. So just 1 small question. So how much -- so regarding the franchisee model. So do you have a separate team that looks after this franchisees that you are managing across India?
- Babu Thomas:** Yes, we have a separate team.
- Saket Saurabh:** Okay. Thanks for patiently answering all the questions. Best of luck for your future quarters.
- Moderator:** Thank you. The next follow-up question from the line of Rajakumar Vaidyanathan who is an individual investor. Please go ahead.



- Rajakumar Vaidyanathan:** Yes, so thanks for the follow up. Sir, I'm looking at your slide number 11 of the presentation. Sir, there you've given the ROCE annualized ROCE is about 16%. So I just want to know is there a similar metric that you have -- if you can give that at a consol level also it would be helpful, sir. And also, there is some note that is missing. You were referring to some Note 1. I couldn't find what is that Note 1.
- Amit Pathak:** We will get back to you. We don't have the handy presentation in hand. So we'll tell you after.
- Rajakumar Vaidyanathan:** Yes. And sir, if you can also let me know what is the guidance for the ROCE for the upcoming year? Do you have any number range can you give?
- Shanay Shah:** So the hospital ROCE will continue to expand from here. And since the implant business is not yet contributing to the ROCEs they will -- it will start contributing to ROCEs meaningfully in 3 to 4 years down the line. But yes, you will see that number grow year-on-year to get to that level.
- Rajakumar Vaidyanathan:** Okay. And sir, lastly, on the regulatory update, so I mean as you all know that the Supreme Court has asked center to kind of work with the hospital and standardize all the charges. So just wanted to know is there any update on that item?
- Shanay Shah:** Update on -- no. So the next hearing, I think is in the next few months. I think it's in September.
- Rajakumar Vaidyanathan:** Okay. No, you haven't heard anything from the government on that point?
- Shanay Shah:** Yes, the hearing is in September.
- Rajakumar Vaidyanathan:** I think it is in August, if I remember.
- Shanay Shah:** Sorry, come again?
- Rajakumar Vaidyanathan:** Yes. To my knowledge, I think it is in August. So just wanted to know, are you working with any of the committees with the government? So any progress made on that?
- Shanay Shah:** We are not working with any committee for this.
- Rajakumar Vaidyanathan:** Okay. So what is the sensitivity currently we have? Do you think our charges are already kind of -- we are on par with the market or we are more on the premiumization range? Just wondering what is the sensitivity of the bottom line? Is there is any change that is brought in the account? .
- Shanay Shah:** See, the first thing is that it is very unlikely that something like this will actually translate into practice. So that is the point number one. And number two, if you assess the ARPOB of most of the listed companies and if you have access to unlisted companies if you look at ARPOBs, we are anywhere on the lower side compared to most of them yet generating higher EBITDA margins, right? So, I think we will be the least affected amongst most of our peers.
- Rajakumar Vaidyanathan:** That's all I wanted to know, sir. Thank you.

- Moderator:** The next question is from the line of CA Vikash Vijayvargiya from AcornTree. Please go ahead.
- Vikash Vijayvargiya:** Sir, one thing I wanted to understand. This one is one of the announcement in November '23 regarding having an agreement with the Santacruz, Mumbai 175-bed hospital. So, we already paid a security deposit of INR37.5 crores. So, what is the update regarding this one?
- Shanay Shah:** Are you talking about the BCJ Hospital in Mumbai?
- Vikash Vijayvargiya:** Yes. Santacruz, 175.
- Jigar Todi:** Yes. So, the trust was responsible for getting the approval from the Charity Commissioner's office in Mumbai. And they put in the application in the month of January this year. And they are hopeful and optimistic that we should be able to get the approval in the next couple of months. And after that, we will be taking the required approvals from the BMC and then proceeding with the building and constructing the hospital.
- Vikash Vijayvargiya:** Then it takes another -- after everything is goes well, then it takes 2 years to 3 years, time?
- Shanay Shah:** Yes. So, I think from the time they are able to hand over the hospital to us, which seems very likely in quarter 2 or quarter 3 of this years. From the point of handover, we think we should be able to deliver the project in 28 months to 30 months.
- Vikash Vijayvargiya:** And one thing also I wanted to understand that regarding this one is -- our occupancy is somewhere is less than 50% in the last 22 years 22, 23, 24. And it still is in the downside? And in the same time, with my -- this one is the speaker also ask this one there, we going to be because our ARPOB increase from the 35,000, 38,000 to the 43,000. This is not an issue or because whatever the ARPOB method would be comparable with the listed players, but our occupancy is still less than 50%?
- Vikram Shah:** See, These are a couple of things. I think one, is that I don't think we should assess the success only based on occupancy because over the years, the average length of stay has been coming down significantly. So, that will affect your occupancy number if patients are getting discharged faster, right? This is one.
- The second point is that as we keep adding beds, for example, we added Delhi, right? Now when we add Delhi, you would have seen that we've added the number of -- we have increased the bed capacity, right? And at the same time, the operational beds over there are much lower and the occupancy there is much lower. So, you will see that because of these additions, there will be a kind of a slight dip in the overall occupancy percentage levels, right?
- But if you look at the overall growth, the way I would look at it is that the inpatients have grown -- inpatient count has grown by 15%. The outpatient count has grown by nearly 15%, which I think is a very healthy growth, along with an average 4% to 5% ARPOB growth, which is giving you a near 20% kind of top line.

- Vikash Vijayvargiya:** So, surgery count is already increased because there was 7,700 total, right now it almost is 9,000. Surgery count has drastically changed in the quarter-to-quarter?
- Because whatever the self-pay 35% in our case, your 65% is the government and the insurance patient is there. That means it is likely increase on prices is there, as for my understanding, sir?
- Shanay Shah:** Sorry, what's your question? I'm not able to get it.
- Vikash Vijayvargiya:** No not an issue sir, okay. Thank you.
- Moderator:** The next question is from the line of Kashish Thakur from Elara Securities.
- Kashish Thakur:** Mostly all of my questions have been answered. Just 1 question. What has been our percentage of international revenue from the international patients, excluding Sanar?
- Amit Pathak:** So for this quarter, it's around INR2 crores.
- Kashish Thakur:** So this is excluding Sanar, right, sir?
- Amit Pathak:** Excluding Sanar.
- Kashish Thakur:** And including it?
- Amit Pathak:** It's around INR15 crores.
- Kashish Thakur:** Thank you so much.
- Moderator:** Thank you. As there are no further questions, I would now like to hand the conference over to the management for closing comments.
- Jigar Todi:** 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 investor e-mail ID. Thank you.
- Moderator:** Thank you. On behalf of Elara Securities Private Limited, that concludes the conference call. Thank you for joining us, and you may now disconnect your lines.