January 18, 2021

Shalby/SE/2020-21/99

The Listing Department **National Stock Exchange of India Ltd** Mumbai 400 051.	Corporate Service Department **BSE Limited** Mumbai 400 001.
Scrip Code : SHALBY Through : https://www.connect2nse.com/LISTING/	**Scrip Code: 540797** Through : http://listing.bseindia.com

Sub.: Transcript of earning conference call held on January 11, 2021 for Q3FY2021 financial results

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

Dear Sir/Madam,

With reference to earlier intimation vide our letter no. Shalby/SE/2020-21/92 dated January 8, 2021 and pursuant to Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, we are enclosing herewith transcript of earning conference call held on January 11, 2021 to discuss Unaudited Financial Results for Q3FY2021, which is also available in the investor section of our website.

We request to take the same on your records and disseminate the same to the members.

Thanking You,

Yours faithfully,
For **Shalby Limited**

JAYESH RAVJIBHAI PATEL
Digitally signed by JAYESH RAVJIBHAI PATEL
Date: 2021.01.18 09:43:47 +05'30'

Jayesh Patel
Company Secretary & Compliance Officer
Mem. No: ACS14898

Encl.: as above

“Shalby Limited
Q3 FY2021 Earnings Conference Call”

January 11, 2021

MANAGEMENT:	**MR. VIKRAM SHAH - CHAIRMAN & MANAGING DIRECTOR** **MR. SHANAY SHAH – PRESIDENT** **MR. PRAHLAD INANI – CHIEF FINANCIAL OFFICER** **DR. NISHITA SHUKLA - GROUP CHIEF OPERATING OFFICER** **MR. MURARI RAJAN - PRINCIPAL ADVISOR TO CHAIRMAN & MANAGING DIRECTOR** **MR. MAHESH PUROHIT - CORPORATE STRATEGY & INVESTOR RELATIONS**
ANALYST:	**MR. PARAM DESAI– ELARA SECURITIES**

Moderator: Ladies and gentlemen good day and welcome to the Shalby Q3 FY2021 Earnings 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. Param Desai from Elara Securities Private Limited. Thank you and over to you Sir!

Param Desai: Thank you Malika. Good afternoon to all the participants in the Shalby Limited Q3 FY2021 Earnings Call hosted by Elara Securities. Today, we have with us from the Shalby Management, Dr. Vikram Shah, Chairman & Managing Director, Mr. Shanay Shah, the President, Dr. Nishita Shukla, Group COO, Mr. Prahlad Inani, CFO, Mr. Murari, Principal Advisor to the CMD, and other senior management from the Shalby. I will hand over the call to Mr. Mahesh Purohit, who is the part of the Corporate Strategy & Investor Relation Team. Over to you Mahesh!

Mahesh Purohit: Thank you Param. Good afternoon everyone. Our Earnings presentation is uploaded on the Stock Exchange website and on our company website www.shalby.org. We do hope you all have had the opportunity to go through the presentation. Please note that some of the statements made in today's call maybe forward-looking in nature and may involve risks and uncertainties. Kindly refer to slide no. 23 of the Earnings presentation for a detailed disclaimer. Now I would like to handover the call to Mr. Shanay Shah, President for his opening remarks. Thank you and over to you Sir!

Shanay Shah: Thank you, Mahesh. Good afternoon everyone and a Happy New Year to each and every one of you. A warm welcome to the Earnings call of Q3 FY2021. I am pleased to announce that the company has recorded the highest ever Revenues and EBITDA in the company's history amongst such challenging times.

During the quarter, we saw beginning of normalization of the overall economic and business activity as the society develops a better sense of how to deal with the pandemic in a more effective manner.

In Q3 FY2021, we continue to deliver sequential improvement in key financial and operational performance indicators for the company. On a standalone basis our total income for the quarter was Rs. 1,317 million registering a robust growth of 17.8% on quarter-on-quarter basis, which is in line with the expectations. All our hospitals have contributed positively to the EBITDA and we expect this trend to continue going forward.

The quarter growth was supported by both increase in elective surgeries performed and treatment of COVID-19 patients. Around 2,700 COVID patients were treated during the quarter. For the month of December 2021 around 616 COVID patients were treated out of the 2,700 contributing to only 13% to the bed side occupancy, signaling a rapid decline of COVID work and substantial growth in the non-COVID and surgical counts.

Total number of surgeries performed were 3,082 a sequential growth from the previous quarter. During the quarter share of Arthroplasty surgeries to total surgeries count increased to 34% as compared to 27% in the previous quarter. Recovery in elective surgeries will be rapid, as patients are no more postponing their surgeries and the backlog over the last nine months is quite significant.

Patient footfall has also increased on a quarter-on-quarter basis. In-patients count was at 8,945, an increase of 18.1% on a quarter-on-quarter basis. Daycare patients were flat and the outpatients at 68,130 showed an increase of 20.3% compared to the previous quarter. We continue to see increase in bed occupancy levels, Q3 FY2021 occupancy stood at 537 beds as compared to 456 beds in Q3 FY2020 and 489 beds in the previous quarter driven by an increase in both of COVID-19 patients as well as the elective surgeries.

From the technology advancement point of view, our senior management remains fully committed in delivering highest quality of healthcare services with the use of latest technology. Recently in one of our main hospitals, SG Shalby became the first hospital in Gujarat to use Image Intensified Television in Spine and Orthopedic surgery.

Furthermore at our Mohali unit, we have recently collaborated with a renowned orthopedic surgeon, Dr. Manuj Wadhwa to enhance our Arthroplasty business over there. Overall, we have been taking various strategic initiatives at each hospital level to drive operational efficiency and occupancy levels.

Now moving on to our strategic initiatives, I would like to update you that our Homecare services and Care card are receiving good traction among patients, especially COVID-19 patients due to high quality and cost-effective solutions. Development of Franchisee business model is definitely one of our top strategic priority; however, the rollover is slightly delayed due to the ongoing pandemic. We have also setup a sizable in-house L&D (Learning and Development) team and focus of the team lies towards building people capability by ensuring continuous focus on patient care.

On the Information Technology front, we are also making great strides. We have recently concluded SRIT - the new hospital information system, implementation across all our units. Upcoming IT projects include, but are not limited to, the Chatbot, CRM, a new call center, a brand new website and mobile app as well as the implementation of SAP.

Now I will hand over the call to Mr. Prahlad Inani, our CFO to comment on the financial performance.

Prahlad Inani: Thank you Shanay and good afternoon everyone. I will discuss in brief financial performance and key indicators of the company for the Q3 FY2021, I will present comparison on both quarter-on-quarter, that is sequential basis and also on year-on-year basis to present holistic assessment of company's performance.

On a standalone basis the company registered total revenue of Rs. 1,317 million in Q3 FY2021 compared to Rs. 1,118 million in the previous quarter a growth of 17.8% quarter-on-quarter and Rs.1,232 million in the same quarter last year, a growth of 6.9% year-on-year. The third quarter is usually subdued part of the fiscal year due to various holidays and festive seasons falling in this period, yet we were able to deliver growth on both YoY and QoQ basis. This growth was supported by increase in patient footfall, number of surgeries and high bed occupancy level.

EBITDA for the quarter, as already mentioned by Shanay, is the highest ever EBITDA in the history of company which is Rs. 323 million compared to Rs. 314 million in the previous quarter and Rs. 243 million in the same quarter last year. EBITDA margin were 24.5% compared to 28% in Q2 FY2021 and 19.7% in Q3 FY2020.

The year-on-year margin improvement was due to higher occupancy from COVID-19 patients having lower usage of material and consumables. As the number of elective surgery increases, we will also see increase in the cost returning to the average levels.

Net profit was Rs. 163 million for the quarter compared to Rs. 242 million in the previous quarter and Rs.83 million in the same quarter last year. PAT margin for the quarter stood at 12.4% as compared to 21.6% in Q2 FY2021 and 6.7% in Q3 FY2020. It should be noted that there is tax reversal in Q2 FY2021 while we filed our tax returns due to specified and non-specified business categorization which resulted in higher PAT margin during that period.

Our average occupancy rate was 45% with 537 beds occupied which is also the highest ever occupancy till today. ARPOB was Rs. 26,660 in the quarter and our annual average length of stay for the quarter stood 5.52 days compared to 5.94 days in previous quarter, ALOS decline marginally due to change in the surgery mix, as number of Arthroplasty surgeries which required comparatively less hospitalization time increased.

We continue to maintain a strong balance sheet with net cash of Rs.598 million at the end of December 2020.

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

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Swechha Jain from ANS Wealth. Please go ahead.

Swechha Jain: Thank you for giving this opportunity to me. I have couple of questions. Sir, first one is with respect to the Asha Parekh Hospital, I think we are planning to do a capex of close to Rs. 200 Crores in that hospital and also there is some capex lined up for the setup in Nashik. So can you throw some light as to how do you plan to raise funds for both these structures?

Shanay Shah: See the thing is I would like to make a small correction there, we are looking to spending around Rs. 150 Crores in the Asha Parekh Hospital and another Rs. 30 Crores are basically put aside for the Nashik Hospital. As our CFO mentioned in the call earlier we are sitting on Rs. 60 Crores of cash reserves as we talk, as of December 31, 2020 and over and above that we believe that because this investment will be in a stage wise manner, we will be able to fulfill most of the requirements through our internal accruals only.

Swechha Jain: So, we do not plan to take any debt for this?

Shanay Shah: It seems that it would not be required the way things are going on.

Swechha Jain: Sir I think there is a revenue sharing model with respect to Asha Parekh Hospital. So can you share some more details about it?

Shanay Shah: So basically, we have signed an agreement so all our revenue share arrangements are such where there is a pure revenue share and there is no minimum guarantee i.e. no minimum guarantee payments that are required to our partners. So most of the agreements are very low single digit numbers, so across the hospitals they are all lower single digit numbers.

Swechha Jain: That helps. Sir another question I had was can you give us some guidance or throw some light on where are we with respect to reducing promoter holding?

Shanay Shah: We have received all the necessary approvals that are required to be taken from the board, so we are good to go with that and the documents are also ready from the company's perspective, even the investment banker is on-board and whenever there is additional information, we will be reporting the same.

Swechha Jain: Sir I have last question then I will join back the queue. Sir on a YoY basis if I look at the numbers for a daycare patients in OPD surgeries and ARPOB all have reduced to a certain level. So how do you see this trend going forward and can you throw some light on this Sir?

Shanay Shah: See, the daycare patients saw the lowest dip even during Q1 and Q2 compared to some of the other works, because most of that is very essential work that has to be done like chemotherapy or dialysis or something like that. So essentially, what we have seen is that we are at 90% levels compared to pre-COVID. So compared to last year we are at 90% already, so the dip has not been big compared to last year, so even if you look at our Q2, the previous quarter, we have done the same numbers as Q3.

Swechha Jain: Sir how many hospitals are dedicatedly taking COVID patients?

Shanay Shah: All our hospitals except SG Highway, the main hospital, are taking COVID patients; however, as I mentioned earlier the number of COVID patients that are admitted, as we talk, are not even 5% of the occupancy that we are having. So basically it is a very negligible number, so we have reduced the number of COVID allocated beds, the reason being that the emergency footfalls that has been coming to the hospitals in Q3 has been significantly higher, three or four times compared to Q1 and Q2 and hence all of these patients, most of them in fact require intensive care unit facilities, which is the reason why we had to convert that.

Swechha Jain: Thank you Sir. I will just join back the queue. Thank you.

Moderator: Thank you. The next question is from the line of Pushkar Jain from Sequent Investment. Please go ahead.

Pushkar Jain: Sir my question is regarding because of COVID, is there any shift from tier II or tier III hospitals to branded hospitals like yourself, as patients are more aware about the healthcare facilities, any visible trend there?

Shanay Shah: I will tell you what, if you talk about Gujarat and if you take out Ahmedabad, Surat, Rajkot and probably Vadodara, the number of ventilators and the number of Bipap machines across the other districts are not sufficient for that particular population. So what you said is absolutely true that during the pandemic we treated a lot of patients from across Gujarat, Madhya Pradesh, Rajasthan, as well as Punjab from the other towns over there and because of which it has given us a good branding across these five states where we are have operated in.

Pushkar Jain: Thanks a lot.

Moderator: Thank you. The next question is from the line of Swechha Jain from ANS Wealth. Please go ahead.

Swechha Jain: Sir can you give us a breakup of surgeries and OPD patients for nine month FY2021 and nine month FY2020, if I can have that figure?

Shanay Shah: I think what we will do is we will take this question offline.

Swechha Jain: Sir and the second follow-up I had was, if you could give me a breakup of occupancy rate if it is possible, between the COVID-19 and elective surgeries for nine month, I know you said for Q3 currently it is less than 5% is occupied by COVID, but if I can have that breakup of 45% which is for Q3 and if you could give me the same breakup for nine month FY2021?

Prahlad Inani: Q3 it has been 65% non-COVID, 35% COVID and in terms of Q2 it has been 55% non-COVID and 45% COVID.

Swechha Jain: Obviously, as we go ahead this will increase, is it right? I mean non-COVID will definitely go up?

Shanay Shah: Non-COVID will increase and in Q1 we did not treat a lot of COVID patients I mean we did but compared to Q2 and Q3 the numbers were very small. But as I was saying in the ongoing quarter the COVID percentage of beds are 4% or 5% so that is very, very small compared to Q2 and Q3 and more importantly the absolute occupancy has been more than the entire year of FY2020, so you can just imagine that some of the backlog that was created over the last nine months has started coming back in a big way.

Swechha Jain: Sir and also in your commentary you mentioned that people are really not fearing now and they are coming back for surgeries and there is lot of backlog. So do you see the proportion of pent-up demand being huge or how do you see the trend for next two, three quarters, do you think it is going to be lot of pent-up demand or do you think the proportion of business as usual is going to be higher as compared to the pent-up demand?

Shanay Shah: What is going to happen overtime is that you will see that the backlog that was created over nine months will be well spread out over the next six to nine months, and you will see a significant growth from the previous year as well as the year before that in the ongoing year. The other thing is most of this impact will be driven by the fact that everything is opening up, flights have started, railway system has opened up and a huge portion of our revenues used to come from the patients who are not living in the same town where our hospital is, so now all these patients will be traveling, will be coming and availing the treatments.

Swechha Jain: Sir we had a senior doctor, Dr. Ranjit Singh. I believe he is no more associated with the organization, so can you just let us know when did he move on from our organization and with which hospital he is associated and do you see an impact of this?

Shanay Shah: The doctor that you mentioned was not kind of contributing a big deal to our topline and what we have done is as I mentioned in my commentary earlier, Dr. Manuj Wadhwa has joined us and I just want to give you an idea that he is among the top five orthopedic surgeons in the country, in terms of volume. So the Mohali unit will be benefited by this in a very big way.

Swechha Jain: I was just reading somewhere that in terms of technology the knee replacement is happening more towards computer navigated kind of program, robotics and all. So how do you see this overall industry shaping up and where do we see ourselves in this entire gambit of play?

Shanay Shah: That is a good question. We have Dr. Vikram Shah with us, so he will answer this.

Vikram Shah: Good afternoon everybody. You might be aware that I am the pioneer of knee surgeries, hip surgeries in this part of the world and we do joint high number of joint replacement in entire world and as far as computer navigation is concerned in the joint replacement surgery it is a definite marketing tools and it has not reached to the level that it can surpass the surgeons feel, but in coming time, in five to ten years' time, there will be some aid by the Artificial Intelligence and actually we have started to work on that and you will be again hearing that but the present tools available are nothing more than marketing tools.

Swechha Jain: Thank you Sir. That helps a lot.

Moderator: Thank you. The next question is from the line of Sabyasachi Mukherjee from Centrum PMS. Please go ahead.

Sabyasachi Mukherjee: Good afternoon. I have a very basic question when I see the YoY numbers, your inpatient count, daycare patient count, outpatient count, surgeries, ARPOB everything has saw a decline on a YoY basis. But I mean the Revenues and EBITDA both, I mean EBITDA margin as well has seen a jump on YoY basis. So is it fair to assume that or fair to conclude that COVID ARPOB is little lower that is what pulling the blended ARPOB down, but I earn higher margins when I treat a COVID patient that is why my margins are better is it a correct understanding?

Shanay Shah: Essentially, what you have noticed is right but on the other hand the ALOS is up by 30% compared to last year so it was 4.3 last year and it is 5.5 in the ongoing year. So essentially which is why you see an increase in revenue because even though the IC count has gone down slightly and ARPOB is also lower slightly, even then the Revenue has gone up and that is largely due to the average length of stay which is 30% higher. Now what you mentioned is right that the COVID patients generally give you a much higher EBITDA and ARPOBs are generally lower so which is why if you see the Q2 ARPOB was ~ Rs. 24,000 where the COVID contribution was about 50%. Now then the COVID contribution is 35% in Q3 we were seeing an ARPOB of ~Rs. 26,700 and as we basically see this COVID revenue coming down we will continue to see the ARPOBs going up significantly inching towards ~ Rs.30,000 and you will see that the EBITDA margin from 28% will basically consolidate at around 24% or 25%.

Sabyasachi Mukherjee: That is helpful. Second thing on this business for big understanding of your operations actually, when I look at the hospital business update with revenue contribution and number of beds occupancy in the presentation that you mentioned, so I see that there are a number of hospitals where the occupancy level is somewhere between 30%, 40% or 45% in spite being into operations probably in five years something and somewhat eight years but they are still there into more 45%, 46% kind of a occupancy level which is lower than the industry standard as far as my understanding goes, what am I missing here, I mean, why so low occupancy level?

Shanay Shah: I think first of all, all the hospitals have their own way of calculating the occupancy, number one. The other thing which is important to note is that all the hospitals, if you look at it maturity wise beds as a percentage to total beds, are different. We are one of the, I would say, youngest hospital groups where about 1,000 beds out of the 2,000 have been added only three years back and we all know that the gestation period of hospitals is typically longer which takes around 6 to 7 years easily. The other thing is that the occupancy that you see is a nighttime occupancy and generally it should be seen as 20% higher because you have daycare patients who are getting treated during the day and then they are allowed to leave by the end of the day so that does not gets captured in the occupancy. The other thing is very important which is the seasonal effect because most of the corporate hospitals rely a lot of quaternary and tertiary care operations and because of which all of these can be planned as most of them are elective and because of this also there are seasonal effect because of which the numbers go down. Having said that I think we see this as an opportunity that we have such a big leeway to grow over the next three to four years. What are we doing differently to ramp up this occupancy is something very important. So we are now attaching ourselves to top consultants across all the different specialties over and above the full time doctors who are already operating at the hospital, so this is going to drive the occupancy going forward from now.

Sabyasachi Mukherjee: Yes, I mean, I kind of sense that probably from a longer-term outlook, I was about to ask you that I wanted to understand that probably we have around 2,000 beds and 1,200 of that is operational and we have occupied beds of 500 and we have done the capex, I mean, the major chunk of the capex is behind us only few hospitals roughly is probably Rs. 150 plus Rs. 31 plus Rs. 80 Crores is there, so major chunk of the capex is being done, I sense that large amount of operating leverage is sitting idle which will probably come into effect when we kind of ramp up all these hospital beds so to that point my question here is when do we see this occupancy number to move somewhere between 60% and 65% of the total beds. How much will it take time and what kind of stable operating margin we are looking at on a blended basis?

Shanay Shah: See across corporate hospitals in India, you will generally see a double-digit growth every year. Shalby has always been one of the highest EBITDA generators, we have the highest EBITDA margins in the industry, number one. The other important factor here is that we are taking various initiatives to ramp up this currency occupancy so I think it would be safe to assume that we will continue to grow at 15%, 20% year-on-year for next four to five years and this is without any additional capex that will be required because we already have the capacity to grow at that level.

Sabyasachi Mukherjee: 24% margin would be fair to factor in, in my estimates, for the stable long-term?

Shanay Shah: Yes.

Sabyasachi Mukherjee: Thank you so much. That is all from my side.

Moderator: Thank you. The next question is from the line of Tushar Sarda from Athena Investment. Please go ahead.

Tushar Sarda: Thank you for the opportunity. My question was on actually similar line to the previous participant and you have given a very detailed answer. I just want to know what is the return on capital employed in the hospitals which are in smaller towns like Indore, Jabalpur or the one coming up in Nasik, Surat, Vapi, because the occupancies are low, contribution to revenue is low how much money we would have invested in this and what is that return that we are earning on these hospitals?

Shanay Shah: At the group level we have shown you in the investor presentation where we stand in terms of ROCEs, and essentially I think what is important to note there is that there was a major capital infusion into the company in 2017, which is why and after that you see a dip in the ROCE; however, they are still at about ~7% in the last two years. The way we see things we believe that we will quickly go on to double-digit ROCE numbers in FY2022 and further grow from there so I think one thing needs to be appreciated that even though we are basically a cash rich company and even though we have come out with good results of over the last few years, we have not made any major additions over the last three years in to our capacity reason being that we do know that any additional capex will bring down to the ROCE numbers so our focus will remain towards driving the ROCE and ROEs going forward. We believe that in the existing capacity we have the potential to reach about 20% to 25% ROCE and ROE levels.

Tushar Sarda: That I understand that at overall level you will achieve and that probably will be driven by your flagship hospital in Ahmedabad. I am asking about the smaller towns are they really viable because I spoke to another hospital group and they said in the smaller town the issue really is they do not get good doctors. Doctors do want to stay in smaller towns and therefore those hospitals do not generate so much revenue, so I am actually asking from that point of view?

Shanay Shah: That is a valid question, but unlike some of the other hospitals, most of our hospitals are either in metros or tier I's are maximum tier II's and where, except for Vapi, we have made our first acquisition in Vapi and that is a very small town and we did find lot of challenges to attract good doctors over there and henceforth after that we have largely gone to the towns where the population is in excess of 2 million people.

Tushar Sarda: Because this hospital like the previous participant also asked, they have been in existence for seven, eight years and I think eight years is a long enough time for hospitals to ramp up and start showing good occupancy, which has not happened and therefore this question on what is really return on long drawn investments in this town and now we are going into Nasik also which is another small town. So from that point of view if you can provide a little bit of clarity to the investors on how much money has been put in these hospitals and separate ROCEs as compared to say your flagship hospitals that would be helpful. That is all from my side. Thank you.

Moderator: Thank you. The next question is from the line of Mitesh Shah from ICICI Securities. Please go ahead.

Mitesh Shah: Thanks for taking my question. Congratulations for the good set of number. I just have a one question about, you have said that you can see the pent-up demand in your elective surgeries, but in Arthroplasty I can see it is just a 17% of total sales and even absolute amount I can see then it is a Rs. 22 Crores compared to a Rs. 50 Crores in Q3, so can we see it in normalizing the absolute amount of revenues in at least Arthroplasty from the next quarter onward as you see the pent-up demand on this?

Shanay Shah: I think as you will see in Q4 FY2021 where the COVID count is very less and COVID occupancy is very less, you will now see that the Arthroplasty number which has itself been growing month-on-month since March will now start contributing between 30% and 40% of our revenue. So we are already at, I would say in the month of Jan the way things are going, at a 75% to 80% levels of pre-COVID.

Mitesh Shah: Thanks a lot. That is it from my end.

Moderator: Thank you. The next question is from the line of Swechha Jain from ANS Wealth. Please go ahead.

Swechha Jain: Sir I think in the last call or last to last, we had mentioned that we are setting up some equipment manufacturing facility and we had purchased a land already for this, I am not sure if I am correct on the land part but I think we had spoken about setting up a subsidiary for this. So, can you throw some light on this as to where are we?

Shanay Shah: So, Mr. Murari Rajan who is the Principal Advisor to Chairman is also on the call if you can please take this question.

Murari Rajan: With respect to this, what we are currently doing is we are evaluating opportunities and there are some very interesting developments which we are now basically looking at very closely and I think most probably in the next couple of months we should have something to share with you with respect to this. I think this will be something which will be very well received by the investors and more importantly will place Shalby in a different place from its competitors.

Swechha Jain: Can you throw some light as to like what kind of investments are we looking to make into this and where are we in terms of the entire structure, I mean, as in the subsidy structure is in place, I believe, but with respect to the land parcel, so you could just share something about it Sir?

Murari Rajan: There are two different parts to it. One is something that we are looking with respect to OMCs where the subsidiary will most probably be setup up at an appropriate time in order to capture this opportunity and with respect to the subsidiary in India once we are able to identify and execute the transaction in overseas, from there on through technology transfer the subsidiary in India will start to benefit from that. In all likelihood now that facility will be setup somewhere in Gujarat and will take into account the technology at the US to be used in the manufacturing plant in India.

Swechha Jain: Just one last thing, it is a follow-up question from our previous participant with respect to the hospital units and the revenue contribution and the occupancy rate, so I think we did discussed about Vapi but if you look at one more hospital which is the Vijay Shalby Hospital in Ahmedabad, I think, it is in existence for 26 years, even if I look at the data the revenue contribution that we have from this hospital is just 0.4% and the occupancy is just 11% so can you share some details around it as to what are our plans of this hospital and why do we see such lower numbers?

Shanay Shah: See Dr. Shah used to practice in this hospital from 1994 to 2007 and in the meanwhile he also started practicing at some of the other corporate hospitals. Now once this hospital started operations in 2007 for the SG unit, what happened is that most of the work shifted here and that particular hospital acted as a feeder for some of our Ahmedabad Hospitals. So Vijay Shalby is a feeder for SG unit, it is a feeder for Krishna and it is a feeder for our Naroda Hospital in Ahmedabad, across all the specialties.

Swechha Jain: Thank you Sir. So that helps a lot. Thank you so much.

Moderator: Thank you. The next question is from the line of Ankit Pandya from Elara Securities. Please go ahead.

Ankit Pandya: Thank you for the opportunity. Sir I had two questions. The first question is in the last call you did mentioned about the visiting doctors across all the facilities. Sir can you give any update on that front?

Nishita Shukla: We usually are into multispecialty, so when doing tie-up with brand specialty also we go multispecialty wise, either it is neuro or onco surgeon which are leading doctors in market so we are in process of doing tie-up with such specialty doctors.

Ankit Pandya: The second question is on the cost front. Now like the things are getting back to normal. So how much of the cost compared to second quarter in the first half, how much would of the cost has come back in this quarter and like, and what can be expect in the coming quarter as well in the Q4?

Nishita Shukla: Operating cost usually is as per the occupancy and the doctor payout. I think it would be remaining same. Once the occupancies is increasing and with the same doctors or adding few doctors the operating cost remains the same it would not be going high.

Shanay Shah: I will just add to that, in the current quarter you have seen an increase in the material and consumable cost the reason being that a lot of elective work has come back. Also you would have seen that the doctor costs also would have gone up because their contribution to the revenue apart from COVID also has gone up and for some of the other HR costs, we had basically done a lot of streamlining in the operations and the essentially because of which we were one of the only companies in the healthcare sector to be EBITDA neutral in quarter one whereas most of them suffered huge losses and those efficiencies continue to remain with that.

Nishita Shukla: That is helpful. Thank you Sir.

Moderator: Thank you. The next question is from the line of Ashish Thakkar from Motilal Oswal PMS. Please go ahead.

Ashish Thakkar: Thanks for the opportunity. Sir on the medical devices part you had earlier said that you are expecting commercial operations to start soon and you had also given a guidance of around Rs. 30 Crores EBITDA coming from this part of the business. So by what timeline can we get to see this contribution panning out?

Murari Rajan: Again, as I have just mentioned earlier with respect to the medical devices, we are in the process of finalizing an opportunity and I think once that gets done, most probably we should look to the next two to three months to having completed the transaction and at that point in time when it gets integrated into the Shalby group, one will start seeing the revenues and profitability coming from that in this operation.

Ashish Thakkar: But would it be fair to say that the first year of operation itself would be EBITDA positive?

Murari Rajan: Well, one would certainly hope that it would be EBITDA positive because clearly we are looking at a situation where there is significant potential for operational efficiencies to be achieved, so it should be in a situation where it should be EBITDA positive, yes.

Ashish Thakkar: This was very helpful. Sir just one last question on the guidance just wanted to course correct myself you said a 25% EBITDA margins and double-digit ROE, ROCE so that is the vision you have for the company right?

Shanay Shah: Yes, that is right.

Ashish Thakkar: Just one more if I may squeeze in. Sir on the joint replacement side, if you could help what kind of utilizations we are currently working at?

Shanay Shah: The hospital beds that are used for joint replacement are also used for some of the other specialties, so as I said earlier we are at around 70% to 75% pre-COVID levels when it comes to the number of joint replacements that are done and we are very confident that in Q4 we will inch towards almost the same levels as pre-COVID.

Ashish Thakkar: This is helpful. Thank you so much and all the best.

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

Shanay Shah: Thank you everyone for joining our Q3 FY2021 earnings call. If you have any further questions, please feel free to connect with our investor relations team and please continue to stay safe. Wish you all a Happy New Year once again. Thank you.

Param Desai: Thank you.

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

Notes:

1. This transcript has been edited for readability and does not purport to be a verbatim record of the proceedings
2.