"Shalby Limited
Q1 FY2019 Earnings Conference Call"

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Moderator: Ladies and gentlemen good day and welcome to the Shalby Limited Q1 FY2019 Results 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 the 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 Mr. Desai!

Param Desai: Thank you Lizaan. Good evening and very warm welcome to all the participants on the Shalby Limited Q1 FY2019 earnings call hosted by Elara Securities. Today we have with us Dr. Vikram Shah, Chairman & Managing Director, Dr. Nishita Shukla, Chief Operating Officer along with the Senior Management of the Shalby Limited. Now I hand over the call to the management. Over to you Sir!

Dr. Vikram Shah: Good afternoon everyone. Thank you to everyone for joining the call, I appreciate your time and interest in our company. Before I talk about quarter one, I would like to introduce our CFO, Mr. Prahlad Inani, COO of the company Dr. Nishita Shukla, CHRO and Operations Head of the Group Mr. Babu Thomas and Mr. Shanay Shah, CFA Director International Business as well as Investor Relations.

Dr. Vikram Shah: This is Dr. Vikram Shah, Chairman and Managing Director of the Company and I was talking about opportunities for the hospitals in India and the way the middle class is growing and the way the aspiring class wants to spend for better health care. With the increasing longevity and income, people want to go for a better quality of life and better quality of treatment. And this opportunity is going to last in India for 10 -15 years to come because we do not have enough infrastructures in India to serve the growing population.

Also the insurances penetration is increasing very fast. As far as Ayushman Bharat is concerned, it will be adding on new group of patients most of which were never coming to corporate hospitals. Usually they were being treated in small nursing homes or very small facilities of the towns. So with having card in their hand they will have access to better facilities and get the treatment done.

As far as NPPA is concerned they have not reduced any further price the way they have reduced in the stent before six months and they have continued with the same price so it is a good news and as far as other things are concerned like NPPA covering the antibiotics and HIV related medical treatment, that is going to help more number of patient coming under treatment in a proper way.

Now if I go to quarterly results I am happy to announce that our revenue stood at 1,187 million, which grew by 31.32%, and EBITDA stood at 274.97 million, which grew by 7.5% on year-on-year basis. Both our revenue and EBITDA numbers are in line with our internal expectations; this is the result of our focus on ramping up operations at newer unit like Surat, Jaipur, Mohali and Naroda and introduction of new specialty areas in our mature hospitals like liver transplant, cancer surgeries, radiotherapy etc.

Our CFO, Mr. Prahlad Inani will talk more on financial numbers in detail.

As far as new specialties are concerned our surgery counts have increased by 48% year-on-year, more importantly share of non-arthroplasty surgeries has been about 58% showing our focus to grow other specialty areas also. We are continuously gaining the market share or improvising the market share for the joint replacement surgeries. I am also pleased to announce that in the last month, we successful carried out three liver transplants and further we will be developing it at all our units in coming time and we have started taking permissions for the same. Two renowned liver transplant surgeons have already joined us, Dr. Anand Khakkar and Dr. Vinay Kumaran. We continue to gain traction within the oncology area under the able leadership of Dr. Purvish Parikh who is our Group Oncology advisor and a leading onco specialist in Asia. In addition, we continue our focus on cardiology, cardiac surgery, and kidney transplants. We have also increased good number of bariatric and GI surgery in last quarter. This is helping our company to enjoy better utilization of our investment in hospital infrastructure and to maintain superior ARPOB and EBITDA.

As far as the ramping up of operations at newer units is concerned, Surat, Naroda and Jaipur has started becoming EBITDA positive and they now contribute 26% of total revenue and 13% of total EBITDA and three out of four units are EBITDA positive in last quarter.

As far as overall increase in utilization of operational bed is concerned, last year at this time which was 267 beds, has gone up to 419 beds showing 57% of growth at bed utilization level. And I would like to emphasize here that our strategy has been to have profitable growth and we consider into account various metrics such as high-end specialty areas where lower ALOS is required.

Now about strategy and unique business model, just to remind our existing and potential investors, our strategy is to strengthen Shalby brand through building the pan India presence through establishing multispecialty hospitals that has around 200 beds so we can utilize our equipment at optimum capacity, focus on secondary, tertiary and quaternary care surgeries, enjoy better ARPOB and better EBITDA and more importantly to keep operational cost low so that where most of the hospital industry player are able to keep between 10%, 12% or 14% EBITDA margin we are aiming at getting 20% to 25% EBITDA margins.

Now I would like Mr. Prahlad Inani to take over from me and talk more about numbers in detail.

Prahlad Inani: Good afternoon everybody. This is Prahlad here. As you have got a great insight from our CMD, I would like to focus on the numbers, which is always a prime in the discussion.

As mentioned earlier, this quarter our revenue grew by 31.32% that is 1,187 million from the last year 904 million. The second thing is that EBITDA for this quarter stood around 275 million, compared to last year of 255 million, which is a 7.52% growth year-on-year.

EBITDA per se is coming 23.21% of our revenue. Our PAT for the current quarter stood as a 121 million compared to 75 million for the corresponding quarter. PAT margin stood around 10.22% compared to 8.37% of the quarter corresponding to the previous financial year.

Further I would like to say that our occupancy has grown nearly by 57% with 419 occupied beds this quarter compared to 267 occupied beds in the quarter corresponding to the previous financial year.

To give you a little bit more about the volume figure our surgery count has grown nearly 48% year on year and hence this quarter we did 5,480 surgeries compared 3,707 surgeries in Q1FY'18.

One good thing with respect to our patient count that it has grown by 53% year-on-year. This quarter we ended up with 82,791 outpatients compared to 54,214 patients in Q1FY'18.

Our operational efficiency with respect to ALOS stood at 3.11 days compared to 3.88 days in Q1FY '18, which is a very good indicator as ALOS flow is directly giving the contribution to the margin.

Further to this, if I say unit wise, this year our Indore and Jabalpur unit which are around two and a half year to three years old, are generating 11.34% EBITDA and 12.9% EBITDA respectively which has given a robust contribution to our EBITDA margin.

Jaipur, Surat, and Naroda unit has given a positive sign this year, all the units which started operations last year, all these three units were EBITDA positive.

We have bucketed our hospital as per the maturity profile, which was also mentioned earlier that we are in all about 11 hospitals, four of our hospitals are grouped under greater than four years maturity, two of the hospitals are grouped under two to four years maturity and four of our newer hospitals are grouped under less than two years maturity.

For greater than four year matured hospitals, our surgery count grew nearly 10% in Q1 FY'19 with 2,948 surgeries compared to 2,685 surgeries in the corresponding quarter. Our IP counts grew by nearly 25% in Q1 FY'19 with number of 4,490 IP patients compared to 3,604 IP patients in Q1 FY'18. The similar thing for our OP count, which has grown nearly 13% in this quarter, which is 29,157 OP patients, compared to 25,896 OP patients in Q1 FY'18.

The previous figure, which I mentioned was the total figure and this, is the figure, which I am mentioning here, is bucketing the hospitals as per their maturity level.

Further moving to our two to four years matured hospital. So the two to four years matured hospital on surgery count they have grown nearly 69% in Q1FY’19 with 1,182 surgeries compared to 698 surgeries from Q1FY’18. Our IP count grew nearly 53% in the Q1 FY’19 with 3,447 IP patient compared to 2,256 IP patient in the corresponding quarter of the previous financial year. Our OP count grew nearly 43% in Q1 FY’19 the number is 21,825 OP patients compared to 15,210 OP patients in Q1 FY’18.

For less than two years matured hospital our surgery count grew by nearly 317% in this Q1 FY’19 with 1,350 surgeries compared to 324 surgeries in Q1 FY’18 this was a humongous growth with respect to the surgery count.

Our IP count grew by nearly 988% this quarter which is 4,329 IP patient compared to 398 IP patients in Q1 FY’19 this was basically less than two years matured profile hospital. Our OP count grew by nearly 185% in Q1 FY’19 with 19,543 OP patients compared to 6,852 OP patients in Q1 FY’18.

Now we can open the line for question and answers.

Moderator: Thank you. Ladies and gentlemen we will now begin the question and answer session. The first question is from the line of Charulata Gaidhani from Dalal & Broacha. Please go ahead.

Charulata Gaidhani: Can you give me the EBITDA by maturity of hospitals?

Dr. Vikram Shah: For our matured units the EBITDA margins would be in excess of 34% and all our new hospitals, which are in the bucket of less than two years is roughly 10% and the other buckets where the maturity is between two to four years it is around 12%.

Charulata Gaidhani: My second question pertains to I came across some article, which was saying that there will not be any cap on stent prices now but there will be a cap on margins?

Dr. Vikram Shah: Yes we are aware of this. Actually government probably wants to go away from capping things rather they do not want a very large trade margins so they want to limit the trade margins in all kind of devices and not to disturb the prices to the manufacturer. So manufacturers are not hurt. As far as these things are concerned, it does not matter to us much because 90% of our therapies like operations and other things are covered in packages. So a knee replacement or a hip replacement or bypass or angioplasty, these all surgeries are packaged. So it is inclusive of all charges, so whether trade margin is there not, we are getting the same amount.

Charulata Gaidhani: And in case of the improvement in margins would you attribute that more to the ortho surgeries or non-ortho?

Dr. Vikram Shah: Well our margins are more because of our operational efficiency rather than ortho or non-ortho. See in service industry, it is very important to be very efficient operationally, if you see airline industry where some of the players are operationally efficient with the same seat load they are able to make money and other people with the same seat load are not able to make money and that is only because of operational efficiency. Nowadays what has happened is topline for a given business in a given treatment is becoming fixed for a surgery. So you make money if you are efficient, you do not make money if you are not efficient. If you go to Delhi and you want a bypass surgery, it is done almost at same price in all the hospitals, but all the hospitals margins or all the hospitals are not working in a similar way and therefore some are losing and some are making money. Same way in Ahmedabad or Indore or Jaipur we are doing well where others are not because of our operational efficiency.

Charulata Gaidhani: And how much would your top three hospitals contribute to revenue and profits?

Dr. Vikram Shah: Well our two main units, one, which is 10-year-old near SG ROAD, and one is the Krishna Hospital which is 6-year-old both are having more than 35% of EBITDA margin. The SG Road has gained 38% EBITDA margin. As far as the topline is concerned both units combined topline would come to nearly about 260 or 270 Crores and as far as EBITDA is concerned about 90% EBITDA comes from these two units as of now. So basically about 77% of the EBITDA comes right now from the mature units.

Charulata Gaidhani: I will join back the queue. Thank you.

Moderator: Thank you. The next question is from the line of Damayanti Kerai from HSBC. Please go head.

Damayanti Kerai: Thank you for the opportunity. CMD Sir mentioned that compared to competitors you are obviously aiming for much higher EBITDA margin of around 22% to 23% where others are operating at 10% to 12% and you spoke about operational efficiency is the key reason. Sir can you describe a bit like what you are doing differently compared to competitors that you are able to make so high margins whereas others are not able to repeat similar kind of success in getting good EBITDA margins? Thank you.

Dr. Vikram Shah: Well I would put it in two parts. One is when we make our units, we design so intelligently that our overall cost of making it goes down and we make sure that operationally we are efficient. Now I will give you one example of operation theatre, most of the hospitals hire consultants to design the structure, however, we have in house consultancy team for projects, which designs the hospitals as per our requirements. If I give one example out of 100 things we do, like operation theaters, most of the hospitals have 22 x 22 feet Operation Theater and these are all class 100-operation theater. Now what we have known is probably only 10% to 15% of surgeries requires such large OTs otherwise 16 x 18 is okay for all small or medium size and secondary care surgeries where you do not need OTs like this. Now when you do this you save on expensive real estate and you also save on running cost. I would tell you that 22 x 22 feet OT, if you make it class 100, you require 25 tonne of AC. In 16 x 18 OT you require 15 tonne of AC, so 10 tonnes reduced, when in 6 OTs if you reduce 10 tonne it is 60 tonne reduced. So when the overall hospital is planned, about 200 bed hospital require 350 tonne AC where others require 500 tonne AC so we save on capital cost. At the same time our 30% saving is perpetual for lifetime in electricity bill, just in air-conditioning, likewise there are 100 areas we work on to reduce our revenue cost and all these hospitals are intelligently planned so that other than capex it brings in operational efficiency by 30% to 40%, that is one. Number two as far as the operational efficiency is concerned, we have a full time doctor model where in-house doctors do their OPD as well as the IPD. What happens due to this is that most of the work and patient flow remains within the system rather than going out, so we do not work largely on visiting doctor model at all. The second level of efficiency comes, where we do not work with middlemen for our foreign patients or for our national patients so we earn our own outpatients from 30 to 40 outpatient clinics we run all India and also about 10 to 15 outpatient clinic we run in Africa and Middle East. So we remove middlemen where they end up taking 20% to 30% and they affect your bottomline very badly. So that is second. Third thing is computerization system and processes that brings in lower cost of housekeeping, lower cost of attendance. Because the wages and the minimum wages are increasing day-by-day and unless if you are able to use your people force in a proper way you are not able to make money, actually your cost will increase every year. If you see our cost are going down year-on-year because we are becoming more and more efficient. So from last year our HR cost has gone down even though we have increased the pay of people. So this is all about efficiency so there are more than 100 things we do because lot of things are involved in healthcare running and it is not one thing.

Damayanti Kerai: That is very helpful Sir. Sir going ahead which are further areas, where you can bring in more if you can see and that, can show up in even better EBITDA margin?

Dr. Vikram Shah: This process is a continuous process, we are getting it and we will be getting it.

Damayanti Kerai: Sir any target for EBITDA margin where you would like to reach some years down the line from current level?

Dr. Vikram Shah: Well we never thought that we will reach at 38% madam, but now we are at 38% in our main unit so there is no target but yes there is always an opportunity to cut down the cost if you keep on thinking about it.

Damayanti Kerai: That is very helpful Sir. Thank you very much.

Moderator: Thank you. The next question is from the line of Rajesh Kothari from AlfAccurate Advisors. Please go head.

Rajesh Kothari: Good afternoon Sir. My first question is can you elaborate on less than two years, slide #14, you have mentioned that average occupied beds are 111 as we move to second quarter, third quarter and year end how this 111 number will look like?

Dr. Vikram Shah: Well the four new units you are talking about Jaipur, Naroda, Surat and Mohali. Now Jaipur, Surat and Naroda are ramping up very nicely and the occupancy is increasing very fast. Mohali has just started so it will be contributing bit more because it has just started in for couple of months, so that is the lowest occupancy at the moment so if you ask me these four units will be growing at, at least 50% from last quarter.

Rajesh Kothari: No what I am trying to understand is that if I look at your two to four years Jabalpur and Indore unit the total operational bed it shows 361 and the average occupied bed shows 143, it is about roughly about 40% - 50% kind of a ratio, is that the right way to look at it?

Dr. Vikram Shah: No actually this occupancy thing is very limited because these are all night time occupancy, actually this doesn't include daytime occupancy, because day care beds is usually 15%, 20% or more, so actually the right way to see is Total Revenue and total EBITDA. Another thing what is happening in today's medical field is the way the new innovations are coming, slowly the number of day's patient staying is also going down. That is the very reason we are not making 500 or 1000-bed hospital because you cannot run those and slowly patients are going to go in a day or two for most of the cases.

Rajesh Kothari: Sorry I completely understand and that is the reason my actual question is slide #9, that while we keep talking about there were new hospitals will come and therefore they will start contributing and decently to EBITDA but actually our EBITDA growth is less than 10% despite in last four quarters number of hospitals and units have started few are ramping up well?

Dr. Vikram Shah: Our new four units until last year were negative. So they have become positive or nearly positive just in last quarter. So they are ramping up very fast so you will see overall EBITDA margin to go up in coming quarter.

Rajesh Kothari: Whether the 25 Crores includes the losses, means last year first quarter FY2018 whether any of the hospitals, which are right now contributing were there because right now we are talking about Y-o-Y we are not talking about Q-o-Q. I think what you are referring is Q-o-Q that in third quarter the new hospitals they were contributing negatively correct, from negatively they started contributing positively, but I am looking at Y-o-Y picture your 25.5 Crores EBITDA is just 27.5 Crores despite number of units which have started contributing positively to your EBITDA?

Shanay Shah: So Mr. Kothari you have a valid question there. So what has happened if you know last year in this quarter these four units were not operational and they have not affected the EBITDA having said that the fixed cost for these units is much higher in proportion to the revenue compared to the other units and the reason being that these new units are at a very low occupancy compared to the other units right now. So the incremental revenue now that will be generated will be generating much higher EBITDA as a percentage compared to what the EBITDA percentage is at present.

Rajesh Kothari: No, but your revenue per bed is also coming down.

Shanay Shah: Yes the revenue per bed is coming down and the reason for that is the specialty mix more than anything else and that has nothing to do with the earnings per bed. The reason being that some of the specialties might have a lower ARPOB but they might have a higher EBITDA margin also.

Dr. Vikram Shah: Another point there is when we start new units basically what we do is to promote it we lower the rate of the packages and all those things, so even OPD we do is free, we provide concessions to promote it and take it to the public in a better way. It is a promotional thing that we do to start a new unit, that is when the ARPOB is really low but when we stop all these things again ARPOB goes up.

Rajesh Kothari: Sir how to understand your business because on one end you said that do not look at occupancy that is not right way to look at it so on other way you said that do not look at the revenue per bed because that is again the mix is changing it will not impact your EBITDA per bed. So how to look at your company I am still trying to understand your company?

Shanay Shah: Correct. So the way to look at it is you should look at what our CFO mentioned while he was talking about the growth in number of inpatients, the growth in number of outpatients and the growth in number of surgeries. That is the right way to look at the company.

Rajesh Kothari: Which is slide number you are talking about slide #7.

Rajesh Kothari: Yes I understand so slide #7 talks about inpatient 96% growth, outpatient 47% growth but your revenue growth is 30% only.

Dr. Vikram Shah: Yes that is why that is what I told you that initially for promotion we keep low pricing so that people start coming in and then we will move the concessional part, just like what Jio did, so it is promotional thing to start and then we will slowly remove it.

Rajesh Kothari: So how do you see full picture now in FY2019 how do you see full year?

Dr. Vikram Shah: That you can see in mature units, you cannot see full picture in a newly built unit where things are getting ramped up. See full picture cannot be seen in a new facility because everything is dynamic, new doctors are coming in.

Rajesh Kothari: No, what I am trying to ask is how do you see FY2019, of course FY2019 will not be the full utilization of all the new units but considering the current ramp up in terms of inpatient, outpatient growth in terms of your ultimately get translating into the revenue growth by when do you think that will start.

Shanay Shah: Our new units have started so basically if I say that the newer four units are less than 12 months old and we have already reached a double-digit kind of EBITDA margin that itself is a decent accomplishment considering the industry standards of operationally breaking even between two and three years now.

Rajesh Kothari: So out of your 118 Crores revenue how much is new units revenue which have just 10% and probably not at the average reported margins of the company?

Shanay Shah: Yes, so the newer units, that have started they have done a 30.3 Crores kind of revenue.

Rajesh Kothari: Should we put it like this then that 75 Crores is your old units and about 30 Crores or something like that is your new units and the new units would have what EBITDA compared to old units?

Shanay Shah: I will give you the breakup so greater than four years the revenue contribution is 52% between two to four years the revenue contribution is 22% and less than two years the revenue contribution is 26%. Wherein I come to EBITDA 75% plus of the EBITDA has come from the mature units about 12% has come from the three units, which are less than two years and about 10% has come from the units, which are between 2 and 4 years.

Rajesh Kothari: So while 22% in revenue but it only contributes 10% in your EBITDA and of course this might have too many one is your older units are anyway are very, very profitable so right way to look at it is what operating profit per bed?

Shanay Shah: Until about 30% of occupancy we do not make any operational EBITDA. The operational EBITDA comes in from that incremental occupancy of over 30% usually so currently that is the reason why the 22% revenue is coming from between two to four years and that is contributing around 10% to the EBITDA having said that every incremental revenue that is generated will be giving a much higher EBITDA percentage and when these units go to the level of our mature unit they will be contributing significantly higher EBITDA margin.

Rajesh Kothari: Can you tell me in terms of operating profit per bed slab 1, slab 2, and slab 3 in a four years two to four and less than two.

Shanay Shah: Can we take this off the line Mr. Kothari if that okay?

Rajesh Kothari: No problem but I think what you have said is something interesting and so next time in case in your presentation itself if you also mention because otherwise the company will never look high profitable growth despite you might be doing lot of efforts. So the right way to look at it is the start up cost or something like that to be differentiated otherwise despite so much bed growth and despite few units are actually doing well your EBITDA growth and profit growth is not going to tell the complex story.

Shanay Shah: That is correct I think that is a very valid point. Thank you.

Rajesh Kothari: Thank you Sir.

Moderator: Thank you. The next question is from the line of Dimple Kotak from SKS Capital. Please go head.

Dimple Kotak: Sir just want to understand why the EBITDA margins has fallen from 28% to 23% Y-o-Y?

Dr. Vikram Shah: As we explained earlier we started four new units over the last nine months and because of this there is a high fixed cost coming in, because you need to hire certain number of staff, nurses, paramedics, technicians, doctors, attendants etc., to operate the hospital to start the hospital basically. So essentially what happens is that as the occupancy goes up as the revenue start coming in these costs get absorbed and then from the marginal costing perspective we will make a much higher EBITDA margin as the occupancy get ramp up and the revenue grows.

Dimple Kotak: Sir as you said that the growth in the topline is 50% as far as the previous participant said and whereas the EBITDA is showing only 8% so going ahead what do you think again because already we are targeting 22% to 23% of our EBITDA margin so what could be the growth in the topline and EBITDA per se going ahead?

Dr. Vikram Shah: We have among the best EBITDA margins in the industry in the corporate healthcare sector and these are slightly suppressed EBITDA margins for us because as we understand almost seven hospitals out of the 11 hospitals are kind of newer units or semi-mature units. So as and when these go to higher maturity level they go to the stage of over four years we will see the EBITDA margins go up as the occupancy ramps up.

Dimple Kotak: No Sir, I was asking in terms of EBITDA growth like this quarter we saw 7.5% or 8% EBITDA growth on a Y-o-Y basis, sir for full year what kind of growth do we have as per our internal target?

Dr. Vikram Shah: As I said as the fixed costs are absorbed by the current revenue, and we are already making EBITDA margins of about 10% in the new hospitals and about 12% in the semi mature hospitals. As the revenues will grow the EBITDA percentage will grow. We are not able to share a particular number but it will definitely grow from here.

Dimple Kotak: Sir the strategies, which you highlighted like not visiting doctors more in-house doctors and how you save with the cost on AC and all would it not be difficult for any other players to replicate this right?

Dr. Vikram Shah: It is very, very difficult in a healthcare industry. It is like changing the wheel in a running car. If we are working with one model you cannot change it, if you are working with a visiting doctors model you cannot change it, you have to empty the hospital and restart it again. So you cannot change the way you are operating in a running hospital. It is very, very simple, I will tell you one more example like one hospital group started trust hospitals and then they renovated and started corporate hospital and they miserably failed because those corporate hospitals were having class of patients and type of patients different in such a way that they started signing out and the other new customers never came in and they reasonably failed. So healthcare industry is very different than hotels or airline industry. This is a business of reputation whereby you cannot change the model. You have to work with the same model which you have started with and that is one more reason why we are shining from other up and running hospitals.

Dimple Kotak: Sir what about the competition from unlisted players?

Dr. Vikram Shah: To be very honest with you Madam in healthcare there is no competition. You go to any hospital in Delhi, Mumbai, Hyderabad and Bengaluru which are loss making but you go there they are 70% filled. It is the problem, that they do not know how to run that is why they make loss. It is not the problem of the patients, there are so many patients that no hospital is empty.

Dimple Kotak: Yes agree Sir.

Dr. Vikram Shah: Now people who are able to understand this business they are able to make money and those who understand this business better they make better EBITDA.

Dimple Kotak: Thank you so much. That is all from my side.

Moderator: Thank you. The next question is from the line of Rohan Dalal from B&K Securities. Please go head.

Rohan Dalal: My question was actually regarding a sequential improvement because I know the new operationalize those facilities in the last fourth quarter I think that was in third quarter of FY2018. So the fixed cost then were about 12 Crores in other expenditures, I was wondering why it has fallen so much like what are the exact cost efficiencies that have been taken that have reduced these other expenses in absolute terms.

Shanay Shah: So Rohan which cost are you talking about can you refer to which slides you are talking about?

Rohan Dalal: I am looking at your result the actual result that has been released in March 31, 2018 actual debt was 12 Crores of other expenditures and now it is 8 Crores. In the March quarter the other expenses were 12 Crores and in this quarter it is 15 Crores so I was just wondering how this improving?

Shanay Shah: See initially what happens Rohan is when you basically start some of these newer hospitals the initial one time marketing costs are typically higher and that is the reason why the other expenses look seems to be higher in the quarter ended March 31st.

Rohan Dalal: And just strategically on that point so in your new hospitals when you stop them off you have this marketing expense that you incur and also do you focus first on our arthroplasties and then you move into other specialties or do you stop them of now it is full-fledged multispecialty units?

Shanay Shah: Basically we start all the specialties together. The idea is to enroll all the different specialty doctors on board and start as a full-fledged multispecialty hospital and the way we go about it is even the expenditures that you earlier asked about, which have kind of gone down to about 8.3 Crores from 12.5 Crores previous quarter, it is mainly because of marketing and mainly the launch expenses because there are very high launch expenses that needs to be incurred when you operationalize these hospitals.

Rohan Dalal: If I can just squeeze one last in, you give a standalone result what is all the every quarter I was just wondering on the consolidated front how the margins been?

Prahlad Inani: Since this Shalby unit is the major unit and we do not have much subsidiaries, so the standalone and consolidated with respect to topline is not changing much and EBITDA also. We are seeing a couple of lakhs here and there. So you can say that we do not merge or we are not having any JVs and other things where the big things are merging with us. So majorly standalone versus consolidated will not have a big difference, if percentage wise if you want to know it will be 1% or 2% impact that is all.

Rohan Dalal: So I am just asking only for one reason is that if I see your FY2018 release where you do put a consolidated figure the PAT actually was at 44 Crores and the PAT in the consolidated was lower is about 40 Crores so it is not much but is there some losses that you are incurring there.

Prahlad Inani: Correct, so some subsidiaries reported some losses, other than that the basic difference was only deferred taxation and deferred taxation liabilities was there. So this was basically this FY if you see 2018 majorly due to the adoption of Ind-AS and restatement those things came into the picture. So still I just say the same thing that it is not having big impact as such.

Rohan Dalal: Thank you so much and congrats on a great quarter.

Moderator: Thank you. The next question is from the line of Charulata Gaidhani from Dalal & Broacha. Please go head.

Charulata Gaidhani: My question pertains to the other specialties that you have introduced over the last one year how much has been the capex incurred on that?

Dr. Vikram Shah: Sorry you are referring to the new specialties?

Charulata Gaidhani: Yes.

Dr. Vikram Shah: Well largely if you ask me for liver transplant we have not incurred more than 2 Crores in equipment and facility up gradation. As far as cancer is concerned, we have put up three Onco Radiotherapy Centers each about Rs.10 to Rs.12 Crores at Naroda, Indore and Jaipur. Other than that we have not incurred any further cost in ramping up the facility for starting more surgery specialties. As far as minor surgeries are concerned we had all the equipment so we have not incurred any capital expenditure. So all these surgeries we have already started and ramping it up. As far as doctors are concerned these doctors are on largely fee for service kind of things so it is not any large cost to the company in a way that would impact our profitability.

Charulata Gaidhani: How much capex do you propose to spend going forward?

Dr. Vikram Shah: Well we have already done whatever required capex is concerned in all our units so further capex is not required minor upgradation are usually done with some or other new equipment in some hospital which is not more than 50 lakhs to 1 Crores in total per hospital so it is not more than 5, 10 Crores in total per year.

Charulata Gaidhani: Thank you.

Moderator: Thank you. Ladies and gentlemen that was the last question. I now hand the conference over to the management for their closing comments.

Dr. Vikram Shah: Well it was very nice talking to all of you and it was nice having you guys here taking keen interest in our company and working of our company. I assure you that we had been doing very well for last 25 years and last 10 years we have been growing more than 30% year-on-year and we hope, we wish and we work hard to achieve more than that in coming time. Thank you very much.

Moderator: Thank you. Ladies and gentlemen, on behalf of Elara Securities Private Limited that concludes today's conference. Thank you for joining us. You may now disconnect your lines.