

Shalby/SE/2024-25/105

February 11, 2025

The Listing Department
National Stock Exchange of India Ltd
Mumbai 400 051.

Scrip Code : SHALBY

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

Corporate Service Department
BSE Limited
Mumbai 400 001.

Scrip Code: 540797

Through : <http://listing.bseindia.com>

Sub.: Transcript of Earning Conference Call

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

Dear Sir/Madam,

Pursuant to Regulation 30 read with Schedule III and Regulation 46(2)(oa) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, enclosed please find Transcript of Earning Conference Call which was scheduled for Investors and Analysts on February 5, 2025 at 2:30 p.m. IST, wherein financial and operational performance on a Standalone and Consolidated basis for the quarter ended December 31, 2024 (Q3 FY25) were discussed. The said transcript is also available in the Investors Section of our website www.shalby.org.

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.: Earning conference call Transcript

SHALBY LIMITED

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“Shalby Limited Q3 FY '25 Earnings Conference Call”

February 05, 2025



MANAGEMENT: **DR. VIKRAM SHAH – CHAIRMAN AND MANAGING DIRECTOR, SHALBY LIMITED**
 MR. SHANAY SHAH, PRESIDENT, SHALBY LIMITED
 MR. AMIT PATHAK – CHIEF FINANCIAL OFFICER, SHALBY LIMITED
 DR. NISHITA SHUKLA, CHIEF OPERATING OFFICER, SHALBY LIMITED
 MR. DEEPAK ANAND – GLOBAL CHIEF BUSINESS OFFICER, SHALBY LIMITED
 MR. BABU THOMAS, CHIEF HUMAN RESOURCE OFFICER, SHALBY LIMITED
 MR. JIGAR TODI – INVESTORS RELATION & CORPORATE STRATEGY, SHALBY LIMITED

MODERATOR: **MR. KASHISH THAKUR – ELARA SECURITIES**

Moderator: Ladies and gentlemen, good day, and welcome to Shalby Limited's Q3 and Financial Year '25 Earnings Conference Call, hosted by Elara Securities Private Limited.

As a reminder, all participant lines will be in the listen-only mode. And there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing “*”, then “0” on your touchtone phone. Please note that this conference is being recorded.

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

Kashish Thakur: Thank you, Manav. Good afternoon, everyone. We welcome all the participants to the Shalby Limited Q3 FY '25 earnings call hosted by Elara Securities.

Today, we have with us Senior Management Representatives from Shalby. We will start with performance highlights from Mr. Amit Pathak – CFO, and Mr. Deepak Anand – Global Chief Business Officer. After that, we will open the floor for question and answer for all the participants.

I will now hand over the call to Mr. Jigar Todi for important disclaimers regarding any forward-looking statements that may be made in today's call. Thank you, and over to you, Jigar.

Jigar Todi: Thanks, Kashish. Good afternoon, everyone. Our Investor Presentation is uploaded on the Stock Exchange website and our Company website, www.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 #2 of the Investor Presentation for a detailed disclaimer.

Now, I would like to hand over the call to CFO – Mr. Amit Pathak, for his “Opening Remarks”. Thank you, and over to you, sir.

Amit Pathak: Yes, hi. Good afternoon, everyone. I am pleased to welcome you all to Shalby Limited's Quarter 3 FY '25 Earning Call.

Now, I will walk you through the “Financial Performance” of your Company for the 3rd Quarter of FY '25.

Consolidated revenue of Rs. 281 crores in the current quarter versus Rs. 221 crores in Quarter 3 of the last year. We have been grown by 27.4% on a Y-o-Y basis. EBITDA, Rs. 39.3 crores in this quarter versus Rs. 46.8 crores in the similar quarter of the last year, with a margin of 14% in the current quarter versus 21.2% in Quarter 3 of the last year. And it has been down by around 16.1%, mainly because in the current quarter last year we do not have the PK Healthcare where we are continuing with the EBITDA loss. And another thing, we have taken certain extraordinary hit on this Implant business of around Rs. 4.8 crores. PBT of Rs. 12.4 crores in Quarter 3 of this current year versus Rs. 30.8 crores in Quarter 3 of the last year, with a margin of 4.4% in this quarter versus 14% in Quarter 3 of the last year.

Now, on the overall basis for the nine months is Rs. 844 crores versus Rs. 704 crores in the nine months of the last year. And we have been grew by 19.9% on the Y-o-Y basis. We have continued to maintain the strong balance sheet with a low gearing ratio, even with the higher inclusion of the working capital in our implant. And currently we are at around 0.27x which is within the debt-equity ratio.

Now, I will be running you through the “Standalone Performance” of the Hospital business:

Standalone revenue of Rs. 227 crores in the current quarter versus Rs. 200 crores in Quarter 3 of the last year. And we have been grown by 13.3% on the Y-o-Y basis. EBITDA of Rs. 48.48 crores in the current quarter versus Rs. 48.4 crores in Quarter 3 of the FY '24, with a margin of 21.5% in the current quarter versus 24.1% in Quarter 3 of the last financial year. And we have been grew by around 0.8% on the absolute numbers. PBT of Rs. 35.8 crores in the current quarter versus Rs. 38.5 crores in Quarter 3 of the last year, with a margin of 15.8% in the current quarter versus 19.2% in Quarter 3 of the last financial year.

At a standalone level, we continue to maintain the strong balance sheets with a positive net cash balance of Rs. 66 crores. With the operating leverage kicked in and growing with the asset-light approach, our standalone ROCE resulted to 15% in the current quarter on an annualized basis. ARPOB and ALOS has shown the improvement of Rs. 42,704 and 3.62, respectively, compared to Rs. 37,342 and

3.79 in the same period of the previous year. ARPOB on Y-o-Y basis has been grew by around 14.4%.

The number of occupied beds:

We are operating at around 646 numbers in terms of the occupied beds in the current quarter, versus 590 in Quarter 3 of the last year. And it has been increased by 10% on the Y-o-Y basis at an occupancy rate of 46% in Quarter 3 of the current year. The payor mix for the current quarter is in-line with the historical trade and we are maintaining 35% of the self-pay, 42% for the insurance, and 23% for the government and others.

The revenue of Shalby Sanar for the current quarter is Rs. 24 crores, versus Rs. 25.74 crores in the last quarter of the current year, with a marginal decrease of 6.3% on the quarter-on-quarter basis. The ARPOB and ALOS Shalby Sanar is Rs. 85,529, and ALOS is 3.54, respectively, in Quarter 3 of the current year. Shalby Sanar is presently operating at 24% of the occupancy level, and it will increase gradually in the coming quarters. The current quarter, 55% of the contribution of Shalby Sanar has been come through the international business. The overall revenue in international business is remaining at Rs. 16.7 crores, the contribution for Sanar is Rs. 13.3 crores, and the other hospitals are Rs. 3.43 crores in the current quarter.

At Shalby, our undivided focus has been demonstrating our clinical excellence through successful execution of many diverse critical surgeries in several of our hospital units. We also take pride that Shalby has successfully completed 26 transplants, which include 11 kidney, 10 liver, 5 BMT, during Quarter 3 of the current year.

In January 2024, the Shalby Tissue Bank was successfully inaugurated by our Home Minister of India, Mr. Amit Shah. Further, our SOCE franchise business delivered an adequate performance in the current quarter. The total revenue from the FOSO business is Rs. 2.57 crores, which has grew by 82% on a Y-o-Y basis, and FOSM is around Rs. 0.71 crores, which has been grew by 4.4% on a Y-o-Y basis.

Now, to talk about our Homecare business:

Shalby Limited
February 05, 2025

We served around 7,217 patients in the current quarter versus 6,840 patients in Quarter 3 of the last year, which has been grew by around 5.5% in terms of the patients count. Revenue from the Homecare business is Rs. 3.6 crores in the current quarter versus Rs. 3.4 crores in Quarter 3 of the last year, which has been grew by 4%.

As a part of our social commitment, we continued to spread awareness about the importance of health and well-being through various social media platforms, and created 110-plus healthcare videos. We also conducted more than 310-plus healthcare camps and 120-plus healthcare talks across all our units during the last quarter, as a part of our various community outreach programs. Shalby also takes pride in nurturing young talent through Shalby Academy vertical, with thousand-plus registered in various healthcare programs during Quarter 3 of this current year.

We would like to inform that Shalby Academy has successfully completed 200-plus enrollment for Team Indore, and 50-plus enrollment for the Team Jabalpur in paramedics stream. Total paramedics enrollment for the current year is 385-plus enrollment as on December 2024. So far, 87 students certified through AHA & SCOELS Ahmedabad. Trained 30-plus D. Pharma for one-month students at our various under the guidance of pharmacists, general physicians, with a collaboration with Sharda School of Pharmacy, Gandhinagar.

Now, for our Implant business, our SAT implant unit at the U.S. has delivered the EBITDA profit of Rs. 74 lakh in the current quarter, due to the high sales and low cost. Our operational efficiency has improved quarter-on-quarter basis, with the optimization of the procurement cost. Shalby Advanced Technology U.S. has delivered a revenue of Rs. 26.8 crores in the current quarter, versus Rs. 21.5 crores in Quarter 3 of the last year, with a growth of 25% on the Y-o-Y basis.

Now, I will hand over the call to Deepak to share insight about the Implant business. Over to you, Deepak.

Deepak Anand:

Thank you, Amit. And good afternoon everyone.

Let me start by saying that during the 3rd Quarter of this Financial Year, our Implant business made significant progress. Shalby MedTech Limited generated a revenue of Rs. 22.6 crores, which is up by 58% on a year-on-year on a consolidated basis.

Shalby Advanced Technologies generated revenues of Rs. 27 crores, which is up by about 25% year-on-year basis, with contributions from U.S. and OUS at 33% and 67%, respectively. Like Amit mentioned, the EBITDA of Shalby Advanced Technologies in Quarter 3 is Rs. 7.4 million, which is Rs. 74 lakhs, was Rs. 19 lakhs in Quarter 3 of financial year '24, which grew by 290% year-on-year.

The total constructs sold has grown by 16% from 2,637 units to 3,071 units in Quarter 3, and grown by 56% from 6,227 units to 9,715 units on a nine-month basis. The average COGM, that is cost of goods manufactured per component excluding material, has decreased by 15% quarter-on-quarter basis, and 44% year-on-year basis.

Shalby Global Technologies Pte. Ltd. generated a revenue of Rs. 3.4 million from the Indonesian market. The components purchased and sold is 160 units in Quarter 3 financial year '25. We are actively focused on bolstering our team with skilled professionals, transitioning our sales mix to retail customers from wholesale, 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 in hospitals across all markets that we have launched has been highly positive, and we have been receiving additional orders from the Indonesian market. With our key strategies firmly 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.

The four different pillars that we focused for this whole year was; sales. Like we spoke a little bit about, Shalby Advanced Technologies' sales growth at 25% over last year Quarter 3. Indonesia, we have sold over 1,200 units in this year with a revenue of Rs. 30 million in the nine months of this year. Response has been great, and we will be adding more surgeons into the kitty.

India is growing at 253% over last year and 28% growth over the previous quarter. We have added more than 18 sales members in India across geographies and five new distributors in this quarter. U.S. business, five new surgeons doing their first

Shalby Limited
February 05, 2025

case in this quarter and we have onboarded seven new distributors in this quarter. As we speak, right now we are looking at Latin America in five countries, Russia, Iran, Malaysia as actively as our next growth phase with expansion in Japan.

Our second pillar was COGS reduction. Our COGM has gone down by 16% over the previous quarter and we are currently at \$65 against the \$77 of last quarter. This has been done by change in the vendors of raw materials and increasing our capacity in the plant.

Capacity increase and dual supply chain system is our pillar three. Our plant manufacturing has grown significantly from manufacturing 2,700 components in April to 7,500 plus components in September. This has allowed us to produce more to take care of the demand as well as drive the COGS down. Looking at more new vendors for raw materials coming onboard in quarter four, we will have a good capacity soon to expand for global business.

The last pillar being new products, the team has been working for today, next year, as well as two years down the lane. SAT India has been established, and we have hired more than 15 engineers. We received two weeks back the U.S. FDA approval for the well-awaited CKS TiNbN, which will be called as the Duraniom, and we are on track to launch many products soon.

Just 24 to 36 hours back, we have also received the CDSCO approval for launching robotic surgeries in India. We also received our bone cement approval in the previous quarter, and we have successfully launched our product in the Indian market. 15-plus engineers have been hired across the globe to get started on multiple new product initiatives.

That's it from the Implant business. Over to you, Amit.

Amit Pathak: Deepak, we lost you. Are you audible?

Deepak Anand: Yes. I am audible. I said that's it from my end and over to you, Amit.

Amit Pathak: Okay. Yes, thank you. So, we would also like to share a couple of clinical excellence, so Dr. Nishita will share in the call. Over to you, Dr. Nishita.

Nishita Shukla: Hello. Good afternoon, all. I am Dr. Nishita, and I will be happy to share some clinical excellence and procedures done in Quarter 3 at group level Shalby.

Shalby Limited
February 05, 2025

Clinical updates and research across units during Quarter 3 FY '25. Our commitment towards augmenting Shalby medical program has made notable strides in advancing our growth initiative for single specialty to multi-specialty by various brand awareness campaigns and through digital platforms. To share, we have been purchasing high-end equipment, equipment like EBUS, which is an endobronchoscopy, it does endobronchoscopy for lung cancer, flu test and inflammation.

Some of the excellent things or rare surgeries we have done is; one, we have found out with a donor with “Aend” blood group, a 20-year-old male donor presented with a rare “Aend” blood group, which previously diagnosed as an O-Negative blood group outside. A pedigree analysis was done, and then the sample was sent to Australia for molecular confirmation, and then it was discovered as Aend blood group. “Aend” is a very rare subtype of A blood group, meaning its incidence worldwide is less than 1% of the population, and in India, it is less than 10% till now.

Other than that, we have been doing a lot of interventional surgeries where the surgical procedures are avoided and they are done through our international invention. So, 122 interventional surgeries took place in Quarter 3. The 34 interventional surgeries took place in Shalby SG, 24 at Surat, and Naroda Hospital.

High-end procedures done by EBUS, TUBNA machines which we have recently purchased are thyroid microwave ablation, uterine angiography, embolism, and radial EBUS procedures. We have also operated a patient with 3D lobectomy where with a smallest incision, 2.5-centimeter minimum incision was done and the procedure was done, post-operative the patient was walking in four hours.

As already informed, we had done 26 transplants. And for the clinical research trial also we have done 13 ongoing research and 10 upcoming research for Quarter 3. Thank you.

Amit Pathak:

Thank you, Dr. Nishita. So, now we can open the forum for the Q&A.

Moderator:

Thank you. We will now begin the question-and-answer session. We have our first question from the line of Rohan Vora from Envision Capital. Please go ahead.

Rohan Vora: Hello, thank you for the opportunity. So the first question was on Sanar, so basically wanted to understand the profitability on Sanar. So what was the EBITDA this quarter for the nine months and what is the guidance on profitability for Sanar? Thank you.

Shanay Shah: Yes, I think Mr. Kapoor will be happy to take that question.

Naresh Kapoor: Hello. Hi. Good afternoon, everybody. Am I audible?

Moderator: Yes, sir. We can hear you.

Naresh Kapoor: Okay. So, EBITDA this time, as Amit has narrated earlier, the EBITDA was a slight reduction in revenue, that's why the EBITDA losses still continue. And the slight reduction in revenue was due to some changes in the doctors' profile, because we got a couple of doctors leaving and new doctors joining in place of them like liver transplant, bone marrow transplant and medical oncology. So we have got three doctors in these three specialties getting changed in the last quarter. And we have got the new replacements and they will take about a quarter or two to get stabilized as they have moved from large institutes to this place. And going forward, we expect maybe from the fourth quarter onwards or maybe the first quarter of next financial year we should be EBITDA positive.

Amit Pathak: Yes. And apart from that, as you have asked, the nine months EBITDA loss is close to around Rs. 4.3 crores for this financial year. And if you see on the 25% of the operating level where we are operating, we clock around Rs. 70 crores of the top-line in terms of the revenue from operations. And if you can see, we are going to achieve another 10% to 15% on the occupancy level where we are right now around 25%, we are going to become EBITDA positive. For Sanar, we are going to see it will become the EBITDA positive very shortly.

However, if we are talking about the EBITDA positive trend for the Sanar, we are hopeful it will come in this quarter and next financial year, we are very sure that we are going to deliver the positive EBITDA because now everything has been streamlined, as Mr. Kapoor has said. Due to the turbulence of the doctors we have seen the lower revenue which has hit the EBITDA.

Another thing I just want to share from my side, on the PBT level if we are talking about, PBT level we are at close to around Rs. 24 crores of the loss in the nine

months basis. Basically, if you can see, there are two components which is coming around after the EBITDA, one is the depreciation, another is the finance cost. So, depreciation is close to around Rs. 11.6 crores for the nine months and finance cost is around Rs. 8.6 crores.

Rohan Vora: Understood, sir. That was really helpful. And, sir, I just wanted to understand the overall tax, effective tax rate that we are looking at this year and the next year because on a positive PBT we reported tax expenses and loss. So, I just wanted to understand how that will transpire in future. Thank you.

Amit Pathak: So, you are talking about Sanar or the entire consolidated number?

Rohan Vora: Sir, overall.

Amit Pathak: So, overall, we have around 36% kind of tax rate. If you look on the standalone hospital, we are close to around 36%. Overall basis, if you can see in the consolidation, the tax rates are more than 100% kind of thing on the PBT level. This is because we have taken a very conservative approach where we have stopped creating the deferred tax. We have stopped recognizing the deferred tax currently on the loss-making entity, which is the Shalby Advanced Technology, which is a kind of breakeven, or PK Healthcare, or you can say Shalby also on the PBT level is a loss. Shalby Advanced Technology, PK Healthcare and MMDL. So it's a conservative approach, we do not want to create the deferred tax. And then after we will reverse when they will start generating the profit in the next year and year thereafter.

So, that is the reason you will see very abbreviated numbers in the tax that will continue for a couple of quarters. On the consolidated number, it will continue for the next two, three quarters at least. However, if you can see for the standalone, it will be ranging between 36% kind of thing.

Rohan Vora: Sure sir. And just in connection to this, when are we planning to move from this old tax rate to the new tax rates?

Amit Pathak: So, we are evaluating, currently we are under the MAT which is getting exhausted into the current financial year, and then after we are going to take a call into the next financial year.

- Rohan Vora:** So, the next year we will be in the 25% tax rate?
- Amit Pathak:** Definitely, that will be there.
- Rohan Vora:** Okay, sir. Thank you. I will get back in the queue.
- Amit Pathak:** On the standalone.
- Rohan Vora:** Understood, sir. I will get back in the queue.
- Moderator:** Thank you. We have our next question from the line of Yash Darak from RSPN Ventures. Please go ahead.
- Yash Darak:** Yes. Am I audible?
- Amit Pathak:** Yes, please.
- Yash Darak:** So, yes, could you please provide me a breakup of revenue from surgeries and revenue from non-surgeries on a consol basis, if it's possible?
- Amit Pathak:** Look, we should not see the surgery on the consol number, because standalone gives you the more appropriate numbers. Because in the consol from the hospital front, if you can see, we have just the PK Healthcare. However, if you want a ballpark number, how much is revenue from the surgery and revenue from the non-surgery business, we can give you the count. Right now we do not have the handy revenues from surgeries number. So surgery count, if you can see, we have the arthroplasty is close to around 3,123 and the non-arthroplasty is 4,342. The overall surgery is 7,400. If you can ask me just for your interest, if I will say, in terms of the revenue, if you are talking for the standalone Rs. 220 crores of the business what we have, Rs. 211 crores is coming from the different specialty and the remaining revenues is coming from the pharmacy, which is around Rs. 4.8 crores and the FOSO and FOSM and academy.
- Shanay Shah:** Usually, the split between the surgical and medical revenue is two-third and one-third, respectively.
- Yash Darak:** Okay. Got it, sir. Secondly, if you could give, if I missed it, you could provide me revenue from Sanar? If you could provide me revenue from Sanar and breakup of

other expenses as the other expenses have been increasing, what will be the ongoing run rate of the other expenses?

Amit Pathak: So, revenue from Sanar we have already mentioned, if you have seen for this quarter, that is revenue from operation in Sanar is close to around Rs. 23 crores kind of thing, and revenue from the other hospitals which are under the Shalby standalone, the revenue from operations are Rs. 220 crores. If you are seeing the other expenses, if you are talking about in terms of standalone entity, if you can see compared to the Y-o-Y basis where we have are at other expenses of Rs. 14 crores versus Rs. 20 crores in this quarter, the reason for this is the orthotrends event. I think you have seen, we have conducted the mega orthotrends events in the current quarter where we have spent close to around Rs. 2.3 crores in terms of the expenses. Another thing is coming in terms of the advertisement, marketing expenses, which has been increased by Rs. 1.1 crores on the Y-o-Y basis. And third thing, in terms of the repair and maintenance, which is close to around Rs. 1.5 crores on the Y-o-Y basis on our different locations.

Yash Darak: So, how much of this do we see as an ongoing run rate is my question.

Amit Pathak: So, orthotrends is a one-time event, so you have to factorize that expenses, which is in Quarter 3. So, that was Rs. 2.3 crores, you are not going to see into the forthcoming quarters.

Yash Darak: Okay. My last question would be with regards to the structure of Shalby business, that is the Shalby MedTech. Sir, that's my doubt, that the Implant business is Shalby Advanced Technologies or is it Shalby MedTech?

Amit Pathak: So, Deepak, can you take this question?

Deepak Anand: Sure. So, the way the structure is, Shalby MedTech is the parent Company which is the implant Company, and Shalby MedTech Limited is the 100% parent Company of Shalby Advanced Technologies, which is in the U.S. So, Shalby MedTech Company happens to be the parent implant Company.

Yash Darak: Because when we report revenues from Implant business, I think they are from Shalby Advanced Technologies in the financials, when we provide the segment information.

- Amit Pathak:** Yes, you are correct. We are reporting the number of the Shalby Advanced Technologies U.S., because that is the manufacturing unit.
- Yash Darak:** Okay. So the MedTech implant Company, it also sells the implants, and what does the Shalby Global Tech do?
- Amit Pathak:** So the parent Company imports the implant from the U.S. entity, that is a Shalby Advanced Technologies, and they are selling into the Indian market.
- Yash Darak:** Okay. Got it sir.. Thank you.
- Moderator:** Thank you. We have our next question from the line of Aagam Shah, a shareholder. Please go ahead. Mr. Aagam, are you there?
- Aagam Shah:** Am I audible?
- Moderator:** Yes
- Aagam Shah:** Just one question, the gross debt has been increasing reasonably on a frequent basis. If you would just give the reasons with regards to reduction in debt, how do you see the gross debt progressing hereon?
- Amit Pathak:** So, you are not very clear, can you just repeat your question again?
- Aagam Shah:** So, the gross debt has been increasing quite reasonably, if I am not wrong, around Rs. 50 odd crores. If you could give the reason for the increase in gross debt and the increase in finance cost, and how do you see it progressing forward?
- Amit Pathak:** So, look, the thing is gross borrowing if you can see, is mainly increasing in our implants Company. As Deepak has just said that, we have got the approval for CKS Gold approval we have just received, and there are a couple of products which are also into the pipeline which approval is pending. So as you can see, the implants business is expanding heavily. We are doubling our revenue, we are very aggressive in terms of the revenue forecast for the next year. We are investing into the inventory. So the major investment, if you can see, for the Shalby Group point of view, hospital per se, we do not have the debt. The Hospital business is cash

rich, we are not borrowing anything for the hospital. But for the next couple of quarters, we have to keep investing into our Implant business.

Aagam Shah: Okay. Got it. Yes.

Moderator: Thank you. We have our next question from the line of Rajakumar Vaidyanathan, a shareholder. Please go ahead.

Rajakumar Vaidyanathan: Yes. Good afternoon. Thanks for the opportunity. Yes, I have about three questions. So the first question is on the Implant business, why quarter-on-quarter it has shown only flat, there is no growth at all? And in the previous call you mentioned that you are expecting significant jump in revenue for Q3 and Q4. So if you can just give some color on this.

Deepak Anand: The Implant business at a consol level has grown by 58% from previous quarter. And it has also grown by 25% year-on-year. So, I mean, if you can tell me exactly where is the thing, I can come back to you. Because from a growth standpoint, there is a growth in the business.

Rajakumar Vaidyanathan: No. I am talking about the segmental revenue that you are showing, manufacturing of implants, Rs. 267 million revenue in the current quarter vis-a-vis Rs. 277 million revenue in the September quarter.

Deepak Anand: Yes. That is not the view. Okay, so that is standalone Shalby Advanced Technology. So that's primarily because of, in the U.S. market there are two things. The plant also had a little bit of low in terms of manufacturing because of Christmas holidays. In the U.S. market Christmas is usually a dull month, so that's the reason why you see revenue debt, which will get picked up in this quarter.

Rajakumar Vaidyanathan: Okay. And where do you stand, I think you gave like a five-year outlook of \$100 million business from this business, do you still stand to that number? Because that number looks very ambitious considering your current numbers.

Deepak Anand: It is ambitious, but I think we are on the right path towards this. And, I mean, it's a very large market, that's a globally \$30 billion market. So \$100 million coming in from a \$30 billion market is not that difficult. It's just that the base needs to be strong. So, right now, as an organization what we are doing is to build the right base, right? Our COGS have come down, coming down quarter-on-quarter, our

revenues have started growing, we are starting building our new portfolio, we have a dual supply chain system now in most of the places. So, unless and until we do not bring that up very strongly pressing the accelerator for scaling up may not be the right thing to do. I think we are on the right track to build the base very strong in the next six to eight months' time. And from there, I think acceleration can happen quickly if we get our act together. So, what I am saying is, \$100 million is still an ambitious number, but it is still a possibility.

Rajakumar Vaidyanathan: Okay. And any path to breakeven, because you continue to lose about Rs. 8 crores of money every quarter, so what is the path for breakeven for this business?

Deepak Anand: So, basically if you look at it, the money is being spent majorly on three things, right? One is in terms of building inventory, we have to put up a decent amount of money on capital expenditure. We have to spend money on marketing. There is a good amount, because this is not known to people, unless and until we go out and tell people we are present there, it will not happen, right? So, in this thing there's a function of only two things, just to keep decreasing the COGS and keep increasing the sales, and we will match up there. So I think that's the track that we are, right? I mean, if you look at quarter-on-quarter, you will see the COGS going down. If you take quarter-on-quarter, the sales is going up. And that's the only way it will happen.

This is a medical device business, so for, like any healthcare, for people to start using it, for the patient to start feeling, unless they see those results, unless the surgeons start feeling those products, the takeoff will not happen. But the good part is that there is a lot of positivity on our product. People are happy, the surgeons are happy, they are getting positive response from wherever, whichever country, whichever market that we have launched.

Rajakumar Vaidyanathan: Okay. So, when do you expect this business to breakeven?

Deepak Anand: I think we will touch end of next year close to solid single to double-digit EBITDA. And that's what I think. Next year, same time, I feel we should be in a good single to double-digit EBITDA.

Rajakumar Vaidyanathan: Okay. Yes. So, the next question is on the Hospital business. Sir, your performance for this current quarter, if I compare with the previous similar quarter,

even we have not kind of matched with that performance. So, would you like to give any color on that, why the bottom-line performance is not in line with the previous year's quarter? Because last call you mentioned that you had some floods, because of the floods many of the planned surgeries could not be executed in Q2. And you said that you were expecting a significant bump up in Q3, but that has not kind of played out. So, if you could just give like some color on this current quarter performance.

Amit Pathak:

Sure. So, before I will highlight the couple of things about the hospital, I just want to add a couple of questions which we have asked for the implant, which Deepak has answered. So I will just touch upon two things where you are talking in terms of the segmental revenue for the implant also. If you can see on the nine months basis, the revenue for Shalby Advanced Technology has improved from Rs. 52 crores to Rs. 79 crores. So, which is a substantial increase if you are talking in terms of the growth of the sales where we have just received the approval for our new products. So you can understand, once the new product registration will be there in India, from the quarter of the next, I mean to say, after the quarter one of the next financial year we are going to see the leap in terms of the sales for Shalby Advanced Technology. So that will be there, definitely we are going to see.

And another thing, if you can see the profitability, definitely you can see that we have Rs. 6 crores of loss into the last quarter of the same financial year. This quarter you can see the loss of Rs. 8 crores. I have already given in my commentary that we have made a provision against certain implants, which is the slow-moving kind of thing, which is close to around Rs. 4.8 crores. So, you are going to see the impact around that also.

Now, see, if we come into the hospital, if you can see, the hospital on the Y-o-Y basis, because Quarter 3 is always a seasonal business for us. So we have done Rs. 195 crores of the top-line from the Hospital business. And this quarter we have delivered Rs. 220 crores. So there is a double-digit growth, which is historically we have given into the normal pace. So the pace has continued in terms of the growth in terms of the top-line.

But when we are talking for the bottom-line, definitely 24% to 21% of the bottom-line, which slightly has been reduced, which is mainly one thing is because of around 1.7% increase in terms of the COGS, because of the peer mix and other things that has been increased. And during the quarter, I have already highlighted,

we have already have around Rs. 2.3 crores of the orthotrends event. If that will not be there, then our OpEx has not increased by 1%. So, that delta of 2% to 3% is because of that.

Rajakumar Vaidyanathan: So, totally, what is the amount of one-off you have in this quarter, sir, for the hospital segment?

Amit Pathak: Can you repeat it again?

Rajakumar Vaidyanathan: For the hospital segment, what is the total amount of one-off that is dragging the bottom-line?

Shanay Shah: The one-off would be in the range of Rs. 6 crores to Rs. 8 crores in this particular quarter. See, I think what is important to note is that, for the implants business, what we did in the full financial year of FY '24 in terms of the revenues, in terms of the constructs sold, all of these we have been able to achieve in the first nine months of this year. And this quarter, the additional quarter is going to bring in an additional 35% to 50% kind of growth on last year's number in the Implant business.

On the hospital front, as Amit bhai mentioned, I mean, we have already achieved a 15% kind of growth. If you look at any parameter, whether it is inpatient growth, whether it is outpatient growth, whether it is the surgery count. And if I include the acquisition, the growth is more than 18% on a year-on-year basis. So, that is that.

The numbers, of course, because of the losses of Sanar Hospital in terms of EBITDA, as Mr. Amit bhai mentioned earlier, essentially it's a Rs. 3 crores EBITDA loss for the quarter, and a total of Rs. 9 crores loss at the PBT level. So all these numbers of Delhi have been affecting the total hospital performance for us. But we are expecting that in the coming few quarters, as Mr. Kapoor mentioned, we should be able to come out of this.

Rajakumar Vaidyanathan: Okay. Great, sir. Sir, lastly, this Slide #19, which you have given, maturity-wise hospital performance, this is a very good slide sir. Only request is, if you could also give comparative number for the previous quarters, it would be easier for an investor to understand how the progress has been in each of the buckets, because the slide is just standalone so we cannot see are we improving or, so the comparative slides if you had given, that would be helpful.

Amit Pathak: Sure. We will.

Rajakumar Vaidyanathan: Yes. And lastly, this ROCE number, which you are giving, again, you are giving only for the standalone Hospital business, sir. Again, from an investor standpoint, we are looking at the overall business. So, it would be better if you give the ROCE performance also on a consol basis.

Amit Pathak: You can refer our slide. We are giving for the consolidated also. Even the five-year spend on the ROCE is also being given for consolidated, as well as standalone basis in our investor presentation.

Rajakumar Vaidyanathan: No, so the return on capital employed is given only for standalone, sir. It's not given for consol.

Amit Pathak: So, I would suggest you to go to Slide number 4. The ROCE is given for the quarter. If you go to slide number five, you can see the ROCE for the last five years, six years has been given there.

Rajakumar Vaidyanathan: Okay. Okay, sir. I will go through it. Maybe I missed it. Okay. Thank you, sir.

Moderator: Thank you. We have our next question from the line of Bino Pathiparampil from Elara Capital. Please go ahead.

Bino Pathiparampil: Hi. Good afternoon. Couple of questions, one on this profitability and EBITDA margin on the standalone business. You made a few comments. So, going forward, should we look at this 21%, 22% at the sustainable levels?

Amit Pathak: Yes. So, we are going to sustain the profitability. As I mentioned, there is one-off kind of OpEx has been there in terms of the orthotrends event. And apart from that, as an organization, we are always going at it with a lot of cost optimization process where we are optimizing in terms of the cost and other things. So, we are going to see the improvement going forward also.

Bino Pathiparampil: Yes. Okay. And sir, comment on further bed expansion plans, anything you look forward to?

Shanay Shah: Yes. So, expansion plan, I think there are -- I am sure the question is around what are the potential growth areas for us. And the potential growth areas really are that

in the existing bed capacity, we are going to be able to nearly double, more than double the top-line. We have that kind of capacity within the existing facility with a very minimal CAPEX of between Rs. 50 crores to Rs. 100 crores. We will be able to generate this kind of revenue in the coming years.

So, we are expecting a double-digit growth going forward for the next four to five years. And as I said, increasing our in-house capacity will give us that growth on the hospital side. On top of that, we are adding two LINAC bunkers, one in our facility in Ahmedabad, another one in our facility in Surat. So, again, they will be providing high-end radiation within the oncology segment. That is another area of growth that we are expecting.

The third is, we are also planning and we are already working on introducing high-end bone marrow transplants in some of our other units outside Delhi. So, that is going to be another area for us. Besides that, as we have announced earlier, we have the potential to expand, in our existing facility in Delhi. So, the works on that are going on in terms of, how much FSI is left and what can be used on that. And essentially, we are optimistic we will be able to add significant capacity, from the existing setup. And of course, the last one is, the Asha Parekh Hospital in Mumbai, which is -- which has been announced earlier. And basically the works for that are also going on. So, that is another one on the hospital side.

As mentioned earlier during the commentary, we have launched our bone bank, which was inaugurated by the honorable Home Minister of India, Mr. Amit Shah, in January this year. Essentially, that is going to be another major area for us in terms of growth. The reason being that today in India, largely doctors are using the synthetic bones. And these are not only expensive, but also imported into the country and with much lower clinical outcomes compared to the natural bone which is preserved. So, this is a very high-end bone bank that we have set up. It is the largest bone bank in India and it is the most comprehensive bone bank of Gujarat. And with this, we will not be -- we will not only be supplying and working with our other units, but we will be partnering with a lot of institutes in India as well.

So, these are the potential growth areas for the hospitals business. I am sure Deepak wants to add, in terms of how, we are going to be looking at growing the implants business because there are a lot of initiatives we have taken, as he has mentioned. But over to you, Deepak.

Deepak Anand: Thank you, Shanay. From a growth standpoint, multiple things, one is going to be driven through a lot of sales and marketing activities with our current portfolio that we have. But we have just launched bone cement about two months back into the market, getting really good response for that from the Indian market. We are also looking at some partnerships with the country-specific, whether it is to do with Indonesia and with India, where we can introduce some products which can generate revenue profitability as well as go-to-market faster, which could be our cementless stem, cemented stem, some of the robotic as well as power tools and dual mobility.

Having said the same thing, we also just received a week back our U.S. FDA for the awaited CKS TiNbN knee, which is going to be branded as Duraniom, so that has the -- that would drive a lot of growth for us at a global level in almost every country. So, we are pretty gung-ho about what lies in the future, including Ambition Knee, ready for launch by the end of this year. So yes, so pretty much kicked up. So, a lot of growth across geographies, across products, across markets are going to come our way in the Implant business.

Bino Pathiparampil: Understood, sir. Thank you.

Moderator: Thank you. We have our next question from the line of Ankur, an individual investor. Please go ahead.

Ankur: Yes. Good afternoon to everyone.

Amit Pathak: Good afternoon.

Ankur: Yes. Sir, my first question is that, what kind of growth can we expect in the financial year '26, sir, in terms of revenue and profit and EBITDA?

Amit Pathak: Look, as I earlier mentioned, we continue to deliver the double-digit growth for our Hospital business. So, the trend will continue, because apart from that, there's a lot of activities which we have found that we are going to start in terms of the radiation and other things. So, we are very optimistic we will continue to deliver the double-digit growth in terms of the hospital. Implant, as you mentioned, we are good effort -- growing very fast. And with this approval of this CKS Gold, it is going to deliver the multi-fold growth in terms of the Implant business into the next financial year.

- Ankur:** Okay. Sir as of now, what is the debt level, sir? And any plan to reduce the debt?
- Amit Pathak:** So debt level is around 0.27% on the consolidated basis, which is well within the reasonable level. As I mentioned, the debt, we are not going to expand the debt, except the two things. For the radiation, we have already taken the line of credit of close to around Rs. 40 crores, which will come into the, at the end of the quarter one. Apart from that, for this implant, we keep investing in terms of the working capital. So that will continue on the trend what you have seen into the earlier quarter that will continue for the couple of one or two quarter more.
- Ankur:** So can you expect that now EBITDA level will improve in coming quarters?
- Amit Pathak:** So debt is not impacting the EBITDA also. So EBITDA will definitely improve into the coming quarters and we are going to see the growth in terms of the reduction of losses in terms of the PBT level for our Implant business into the next financial year.
- Ankur:** Okay. Thank you, sir.
- Moderator:** Thank you. We have our next question from the line of Rohan Vora from Envision Capital. Please go ahead.
- Rohan Vora:** Hello, sir. Thank you again. So I was just looking at the absolute occupied beds. We are at 646 beds for this quarter. We were at 690 in the second quarter. So how do we see this number, I mean, the volume basically of number of beds occupied, which has degrown sequentially? Thank you.
- Shanay Shah:** So the way we would want you to look at it is what really has been the outpatient count growth, what has been the inpatient count growth. And essentially, if you look at that, we have delivered double-digit growth on both fronts. So depending on the specialty, what happens is that the average length of stay differs. So it could be from 1 day to 10 days, sometimes 20 days as well. So occupancy will be driven by all those factors. The way I would -- we would request you to look at it is what has been the inpatient growth, the outpatient growth, the number of surgeries growth and in our case, it has been double-digit plus if you look at if you include the Sanar acquisition, it is high double-digit.

Rohan Vora: Got it, sir. And going forward, you said that we look to grow at double-digit. So what -- so how much of it would come from ARPOB growth and how much would come from increase in occupancy? What could be the ballpark breakup there?

Shanay Shah: See what happens is that ARPOB growth is usually on an annual basis, we are seeing that the ARPOB growth is between 3% to 6% and then the volume growth is another 8% to 10%. So usually this is what we see, but this could differ based on any particular year.

Rohan Vora: Right, sir. So on a longer term, we can expect this occupancy to grow at 8% to 10%. I understand it would differ on quarter-to-quarter, year-on-year basis, but on a longer term this can grow by 8% to 10%?

Shanay Shah: Yes, the inpatient count and outpatient count you can expect double-digit growth on those numbers, yes.

Rohan Vora: Okay. Thank you.

Moderator: Thank you. We have our next question from the line of Tanya Kothari from AUM Capital. Please go ahead.

Tanya Kothari: Yes. Good afternoon, everyone. I appreciate the insights shared so far by the management and lovely to see the progress in key segments like oncology and joint replacement. I have just a couple of questions with oncology surgeries that shall be increasing by 32%. How do you see the exemption of basic custom duties on 36 lifesaving drugs and government plans to establish around 200 cancer day care centers impact the Shalby's oncology segment? Will these initiatives create new growth opportunities for the Company?

Shanay Shah: Look, oncology is a fast-growing segment and one of the important specialties for the group. And essentially, from a lower single-digit kind of revenue share in terms of our total revenues, it is now, I would say, the highest after the joint replacement. So -- and we are continuously investing in this segment across the medical, the surgical, as well as the radiation oncology part. So, we have one of the strongest teams in Western, Central and Northwestern India across all these three segments.

And as I mentioned earlier, we are investing further in two more linear accelerators, and the third one as well after this, which will make us, I mean, which

will help us get to about six LINAC machines across. So essentially, we are extremely bullish on the segment and what happens is that the coverage of whether it is the government or whether it is the private insurance companies, the coverage is there for, all the different kinds of treatments across oncology. So again, that will be an additional benefit for us and it will be a high volume growth for us.

Tanya Kothari: Okay. Sir can you provide insights into the division of patients between domestic patients and international patients which are being serviced in Shalby, like number of patients?

Shanay Shah: Sorry, I didn't get the question.

Tanya Kothari: Yearly basis and quarterly basis?

Shanay Shah: Sorry, I didn't get the question.

Tanya Kothari: Sir, I was asking the division of patients between domestic and international, like how many domestic patients are getting their treatment in Shalby as well as in international segment, like in quarterly basis and, yearly basis. Can we have the data?

Shanay Shah: See, in our Delhi hospital, the mix is very healthy, about 50% of the patients coming in are from outside India and the balance 50% are from within India. From the, I mean, among the rest of the hospitals that we run, because of the lack of international flight connectivity, the numbers are not as significant as a proportion to the revenue. But I can tell you that in all these different places like Ahmedabad or say, Jaipur, we are being awarded every year on the Medical Tourism Hospital Facilitator for the Year. So we are doing the highest volumes for international business in Ahmedabad as well, beyond Delhi.

Tanya Kothari: Okay. And the last question, that is like increasing adoption of robotic surgeries and specialized treatment. What percentage of revenue is now derived from high-end procedures? And how do you see this evolving?

Shanay Shah: Yes. So I think there are a lot of developments across robotics, on the orthopedic front. I think Deepak will be able to throw some light on that.

Deepak Anand: On the robotics front, basically there are multiple robotics that are coming in, but from our side, we are doing two things. We already have, I have got the approval

to sell Robo in India, which is in partnership with a Company in South Korea. So we have our first installation that is happening this week in Shalby Hospital. And parallel to that, we are also on a -- we initiated a clinical study with American orthopedic robo Company called Monogram Orthopedics. That clinical study should get kick-started in this quarter and post that, we would be looking at furthering our robotics. So what we are trying to look at is, there have been robotics in the market for a long time, but as an organization, we are looking at new technologies in the robotics space to come in from there.

Tanya Kothari: Okay. Thank you, sir. That's all from my side.

Moderator: Thank you. We have our next question from the line of Virish Tangwan, an individual investor. Please go ahead.

Virish Tangwan: Hi. Thanks for the opportunity. I have a question on our, the low cost model, which is the Shalby managed or operated. So what's happening on that front? Like I have not, the initial plan was like a very, I would say to take the hospital count to around 40 plus, but there's nothing much happening on that front. If you can just tell like what's happening there.

Shanay Shah: Yes. So, we have five franchises which are operational already and what we have shown I mean in our presentation is that there has been a growth on that facility, I mean in all these facilities. So there has been a significant growth although at a much lower base. We are assessing certain things like for example, we dealt with a couple of FOSM models, earlier and we realized that, for us to be able to keep a control on the quality, et cetera. It is very important to go more on the Franchise Owned Shalby Operated models. So, going forward, our focus will be a lot more on that. And as a group, as a kind of conservative group, we also want to kind of make sure that, we consolidate what we have first before we venture out because we have a lot of underlying opportunities but we will take them up as and when we are able to kind of get enough management bandwidth as well as, kind of grow in the existing hospitals that we run.

Virish Tangwan: Okay. So, nothing in pipeline in near future, is that a correct understanding?

Shanay Shah: Couple of things in the pipeline, but no announcements to be made as of now.

Virish Tangwan: Okay. And another question I had was on the devices business. I am pretty new to Shalby but just wanted to know like the, what I understand the Company is U.S. based and we are importing the devices from there but is there any possibility to start developing offshore at least for the South Asian regions? So, is there a possibility and if yes, are there any plans?

Deepak Anand: So, yes, just to answer that, there are two, three things behind this. The first thing is the kind of quality and the precision that we have in terms of the manufacturing in our plant there and the quality systems as well as U.S. FDA approvals and stuff like that is very extremely important to build up credibility, to ensure that the quality of the product is high because at the end of the day, we are in the business of healthcare ensuring that the products are, I know, top standard in terms of quality is our first fundamental belief, right?

Having said the same thing, also the second part of it is the plant right now is now getting into its full capacity and there is still some way to go, right? So, if you look at the manufacturing that is happening month-on-month, quarter-on-quarter, we are increasing our components which I mentioned and we still have scope to increase our capacity inside the plant by adding more shifts, adding more labor, and unless we don't get to that space where we have completely come out of that, we do not want to add another plant which would just drive extra CAPEX at this moment. So -- but there are plans. But I think once we are able to streamline the whole thing, if we are -- when we are able to prove manufacture quality at scale, then we will have the same thing replicated in some part of maybe India or some other country. But as of now, the plan is to maximize what we have and bleed all our assets to the maximum.

Virish Tangwan: Yes. Makes sense. Thank you.

Moderator: Thank you. Ladies and gentlemen, that was the last question for today. And I now the -- I now hand the conference over to the management for closing comments. Over to you, sir.

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 our investor e-mail ID. Thank you.

Moderator: Thank you.

Amit Pathak: Thank you.

Deepak Anand: Thank you.

Moderator: On the behalf of Elara Securities, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.