"Shalby Limited
Q3 FY2020 Earnings Conference Call"

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Moderator: Ladies and gentlemen, good day and welcome to the Shalby Limited Q3 FY2020 Results Conference Call hosted by Elara Securities India 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 Capital. Thank you and over to you Sir!

Param Desai: Thank you Ayesha. Good afternoon to all the participants in Shalby Limited Q3 FY2020 earnings call hosted by Elara Securities. Today we have with us from the Shalby management Mr. Shanay Shah, Director International operations; Dr. Nishita Shukla, Chief Operating Officer, Mr. Prahlad Inani, the Chief Financial Officer. I will hand over the call to Mr. Shanay for the openings remarks. Over to you Mr. Shanay!

Mahesh Purohit: Hello everyone. I am Mahesh Purohit and today with me are Mr. Prahlad Inani, Chief Financial Officer; Dr. Nishita Shukla, COO; Mr. Babu Thomas, CHRO and Mr. Shanay Shah, Director of Shalby Limited. Our director and CFO will make some formal comments and then we will take your questions. Please note that today's earnings release and slide presentation accompanying this call are posted on our website at Shalby.org under the headings investor presentation. During today's conference call, we will make certain predictive statements that reflect our current views about Shalby's future performance and financial results. These statements are based on certain assumptions and expectations of future events that are subject to risks and uncertainties. The actual numbers could differ materially from such statements. Shalby limited undertakes no obligation to public update or revise these forward looking statements. Hence, participants of this call are cautioned not to place undue reliance on such statements, it speaks only as of their dates. We believe, our plan for rest of the year appropriately balances our improved performance, our need to sustain growth and the uncertainties that exist in a fairly volatile world. Our outlook for the sector is quite positive. Health care service delivery will continue to grow at double digit rate for the next decade. Organized sector will grow at even faster pace thereby constantly eating away the share of unorganized sector as the insurance penetration is also shooting up. Healthcare sector is under the focus of central government. As we saw in the budget 2020 it got an increase of 10% in the budgetary allocation as compared to the last year. And here to give you his detail thoughts, is our director, Mr. Shanay Vikram Shah.

Shanay V Shah: Good afternoon everybody. On behalf of Shalby Hospitals, I welcome you all to the earnings call of Q3 FY2020. I hope all of you had the opportunity to go through our quarterly results and investor presentation. I am happy to inform all the shareholders of Shalby Hospitals that your company has been recognized with the medical value travel specialist hospital award in the category of orthopedic at 2019 advantage health care India summit.

Now, let me take you all through some highlights of the quarter. Q3 of FY2020 proved to be a healthy quarter for all of us on the operational and financial parameters. Corresponding to Q3 of the previous financial year we witnessed a 12% growth in our in-patient count at 9838, our out-patient count grew by 12% again at 80501, our day care patient count grew at 18% at 5701 and the surgery count for the quarter rose by 2% to 4738. On the financial front corresponding to the Q3 of the previous financial year our total revenues for the quarter grew at 7% to 122.9 Crores and the EBITDA grew by 13% to 24.07 Crores.

Our profit before tax increased to 13.9 Crores, this is a robust growth of 23% on a Y-o-Y basis. Our profit after tax for Q3 FY2020 was seen at 8.2 Crores, which is a fall of 36% and our CFO will throw some more light on this. I am also very happy to share that Shalby Hospitals has performed over 1500+ surgeries per month and recorded 32000+ patient footfalls per month for the quarter in review. This is a result of a continuous focus on a patient centric approach and the increasing operational efficiency. Now I would like our CFO, Mr. Prahlad Inani to take you through the numbers in detail. Thank you.

Prahlad Inani: Thank you Shanay. Good afternoon everybody. Now, I will show some more details regarding the financial for this Q3 FY2019-2020. In Q3 FY2020 our company achieved total revenue of 1229.1 million compared to 1151.1 million in corresponding quarter of the previous financial year and we have achieved a 7% growth on Y-o-Y basis. EBITDA for the quarter grew to Rs.240.7 million compared to 213.3 million in the corresponding quarter of the previous financial year implies a good growth of 13% on Y-o-Y basis. We were able to maintain strong EBITDA margin of 19.6% for the same Q3 FY2020 compared to 18.5% of the quarter corresponding to the previous financial year.

On the Y-o-Y basis Q3 margins saw a growth of 105 bps this year. Profit before tax for the quarter stood at 139.1 million compared to 113.5 million for the corresponding quarter of the previous financial year. We achieved a strong growth in profit before tax by 23% on Y-o-Y basis. Corresponding to Q3 FY2019 our PBT margin expanded to for Q3 FY2020 by 146 bps say 11.3%.

Now, with respect to profit after tax for the current quarter stood at 82.8 million as compared to Rs.128.9 million corresponding Q3 of this year financial year. I would like to share that the base margin stood at 6.74% compared to 11.2% for Q3 FY2019 and this fall was mainly because of Q3 FY2019 150 million capitalization was done in Mohali unit and that was considered in the income tax block and the impact was given in DTA asset calculation that was adjusted on account of 35AD. Here I would like to state that this is not affecting our cash flow and this is deferred tax calculation, which was showed in our books entry.

The company clocked ARPOB of 29299 for the quarter compared to 31517 in the same quarter FY2019 depicting a slight decline of 7% on Y-o-Y basis. Occupancy grew by 15% in Q3 FY2020 with 456 occupied beds compared to 397 occupied beds in Q3 FY2019, which is a good sign over here. Our annual average length of stay for the quarter stood at 4.26 days compared to 4.15 days in Q3 FY2019.

Now let me provide details as per our maturity profile. Let me tell you here that our 6 years plus matured hospital, which include SG, Krishna, Vijay and Vapi that has contributed 46% of total revenue and EBITDA margin for the same bucket hospital stood at 31.9%. For the quarter, IP count for the 6 years plus bucket was at 3323, daycare count was at 975, OP count for the bucket was 33607 and surgery count stood at 2154. So this was really a good performance for us on all the operational parameters, we are able to clock an ARPOB of Rs.39139 for our 6 plus years bucket. Our four to six year matured hospital that is Indore and Jabalpur contributed 22% of the total revenue. EBITDA margin for the bucket stood at around 9.36%. IP count for the four to six years bucket was 2830, daycare count was 612, OP count was at 21503 and surgery count is stood 1131 for our four to six years bucket and our ARPOB was 21403.

Our two to four years bucket, which includes Jaipur, Surat and Naroda that has contributed 27% to our total revenue and EBITDA margin for the bucket stood around 16%. IP count for this bucket stood at 3330, daycare count stood at 4078 while OP count stood at 21762 and surgery count stood at 1233, which got us an ARPOB for the bucket at Rs.25761. Less than two years bucket which now it was just Mohali unit that has contributed 4% to our total revenue and EBITDA margin for the bucket is a bit negative 12.14%, IP count for the Mohali unit stood 355, daycare count at 36, OP count is stood 3962 and surgery count at 220 which, got an ARPOB of 31455.

I would like to add here that we are very positive about Mohali unit and going ahead since we are there at a growing on all the parameters and which should eventually turn EBITDA positive. This is all from my side. Now I would love to have questions from your side for further clarifications. Thank you.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Ashish Thakkar from Motilal Oswal. Please go ahead.

Ashish Thakkar: Sir could you explain the 300 basis point Q-o-Q drop in the gross margins for the quarter?

Shanay V Shah: See what has happened is that if you see the average revenue per occupied bed has slightly dropped and because of this, the high value added elective surgeries have been postponed because of a very heavy winter this time and essentially because of that, we have seen more emergency cases, more day care cases where the cost of material is usually as a percentage of revenue that you generate is more and that is the reason why that the cost of material has gone up by 300 basis points.

Ashish Thakkar: Given the fact that the winter was also prevalent in the month of January would you be like at similar levels or you feel you will be able to make up the ground?

Shanay V Shah: Yes, I cannot talk about January on this call, but yes, you are right that the winter has extended into the first half of January.

Ashish Thakkar: Okay, Sir and I would like to have your comments on peer mix on Y-o-Y I was just looking at a comparison so self pay contribution has decreased from 63% to 51% at the same time the corporate government part had increased from 18% to 25%, so would like to have some color on this side?

Shanay V Shah: What has happened is if you look at last year the same quarter, the self-pay component was higher, it was also because a lot of the insurance companies that we were still kind of negotiating with them, we were taking money on a self-pay basis and then we were asking the patients to recover that money from the insurance companies, now since the empanelment are in place you see that the insurance company's business has gone up but to be honest, it has been more or less the same.

Ashish Thakkar: Would be helpful like from a forward perspective if you go to see the proportion of beds, which are falling in the two to four year bucket, so there are approximately 145 beds out of 1962, so that implies just 7% of the operational assets are in the two to four year bucket and the rest of the bucket is moving towards the maturity so would it be fair to assume that gradually the EBITDA margins would tend to move towards the 25% mark?

Shanay V Shah: Yes, so you are talking about the EBITDA margins, am I correct?

Ashish Thakkar: Yes.

Shanay V Shah: The EBITDA margins will continue to expand because as we see that most of the costs are absorbed by the existing units because there are doctors in place, there are employees in place, there are other paramedical staff in place, so essentially any incremental revenue that will be generated will have much higher margins because of these costs, which are already absorbed by the existing revenue.

Ashish Thakkar: Fair enough. I have more questions, but I will get back in the queue. Thanks.

Moderator: Thank you. The next question is from the line of Dharmik Prajapati from Prospero Tree. Please go ahead.

Dharmik Prajapati: Congrats on good numbers Sir. My question is about the Mohali unit, like Mohali by what time we are going to achieve the breakeven for Mohali unit, is there any timeline?

Shanay V Shah: We feel that I think in this quarter we have not been able to have a breakeven but we feel from now on about between three to four quarters from now we will be able to achieve operational breakeven.

Dharmik Prajapati: As we see in Q3 the ARPOB has gone down by 7% so any specific reason why the ARPOB is low?

Shanay V Shah: Yes, that is a fair point and you know as I said earlier this is because the number of surgeries have grown only by 2% and the reason is we had a very extreme winter and most of the elective cases have been postponed and essentially when you talk about you know daycare procedures or when you talk about emergencies, the ARPOB is usually lower so that is the reason why there is a dip in the ARPOB.

Dharmik Prajapati: My next question like in the government business just contributed about 25% in this quarter as we see so what is the management outlook for the growth in that business area?

Shanay V Shah: Yes, the business has been growing because a lot of our units are still very young, but having said that we feel that it will not grow beyond this level because we are focusing to be honest on Shalby and the insurance business the private insurance business, in fact one of the reasons why we have seen a lower growth is also because in one of our premier units in Ahmedabad we have stopped doing the CGHS business so that is another reason, so we are consciously working on this and we are constantly trying to work on profitable areas.

Dharmik Prajapati: What about the collections on the government in times like?

Shanay V Shah: So the collection from the government usually takes time, it takes longer than insurance companies so private insurance companies pay you in about a month and the government insurance business corporates pay you on time, but when it comes to these schemes it takes slightly longer so you can take an average of four to eight months.

Dharmik Prajapati: Anything guidance about the overall growth outlook?

Shanay V Shah: Well, you know honestly we have stopped giving any kind of growth guidance but we feel that we have a significant capacity and we are working and we are making a lot of marketing efforts so that we can continue to grow at the historical rates at which we have been growing, which is a high double digit growth.

Dharmik Prajapati: Fine, congratulations Sir. Thank you.

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

Swechha Jain: Sir I just had a followup question on the ARPOB you said it has declined this year because the growth in surgeries have been little muted so do you see this trend or where do you see the ARPOB settling at in the next few quarters?

Nishita Shukla: Usually winters we always observe this trend, you know year-on-year the surgeries are less because if you see in Mohali unit it was very cold and lot of surgeries, which were booked were cancelled due to this cold weather, so the trend is always there and we have seen it Y-o-Y. For the ARPOB I think, by next quarter, it will be there in line.

Shanay V Shah: It will be back to the normal levels that we have seen in the previous quarter.

Swechha Jain: Thank you.

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

Ashish Thakkar: Sir last quarter we did have some one time impact from Rajasthan right because of ongoing rains and we were expecting some recovery in the current quarter, but clearly the topline growth is not showing that so any comments here?

Shanay V Shah: So we believe that we have one unit in Rajasthan that is Jaipur and the Jaipur unit has been doing well, but what you see is the aggregate of all the three new units in the two to four year bucket. You are looking at Jaipur, you are looking at Naroda and you are looking at Surat, so you know for us one unit in Ahmedabad which is Naroda has not done too well, but the Jaipur unit had definitely outperformed.

Nishita Shukla: Yes, this quarter Jaipur unit has outperformed and that has contributed higher ARPOB for Jaipur unit this time.

Ashish Thakkar: Fair enough. Sir any update on Asha Parekh Hospital and the Nasik one which is also going to get operational?

Shanay V Shah: Yes, the Asha Parekh hospital – we are very close to obtaining the permissions that are required and after which we will demolish the building so we have a target of three to six months for that and then I think it will take about two to three years to make the building, I think it will be operational after 36 months from now, so we have some time before we can start operations on that unit. Nasik will be operational most likely in the next three to four quarters.

Ashish Thakkar: This is the two assets that we have with us, so any other major capex that might come up?

Shanay V Shah: No, so we do not have anything in the pipeline as of now, there are lot of opportunities that come to us because as you are all aware there is a lot of consolidation happening in the sector so we do get a lot of opportunities but we are not talking to anyone at advanced stages as of now.

Ashish Thakkar: Fair enough so putting this Asha Parekh and Nasik hospital together what are the number of beds that we might head up?

Shanay V Shah: See Nasik will be 150 beds and Asha Parekh will be close to 160 to 180 beds so those will be major capex areas, but what we are working on right now ARPOB areas as well so we have two business heads now who are looking at two opportunities one is the home care business where we have clocked about 75 lakhs in last quarter and that business is growing fast for us for which there is no additional capex required as such and we use the existing resources to build that business and the second one is of course we have build a franchise model where you know we are anyway the number one player worldwide when it comes to knee replacement, so the idea is to capitalize on this niche that we have and work on a asset-light model with existing infrastructure in towns and geographies where they are not currently present in. So, this is something which is going to be kind of additional revenue generator for us where we will be sending our doctors who we have in-house and they will be going and operating in the existing infrastructure and they will be taking away that doctors revenue from the total package and they will be helping to build the orthopedic practice here so this is another thing that we have already worked on and we will hear from the partners very soon and as and when there are announcements to make, we will do that.

Prahlad Inani: So to add to Shanay, saying that already three to four places like Pune, Varanasi, Nagpur and Kolkata are being planned to have this asset-light model and we are hopeful that within this quarter itself something will happen and in next year also we would like to do that type of business model where we do not have to invest into this more so this is the way we will be just growing and then margin and revenue will be coming and adding to our kitty.

Ashish Thakkar: These asset-light models are typically they would achieve the breakeven in a faster time?

Prahlad Inani: There is no break-even right? Because the doctors are anyway by the hospital Shalby and this is only going to be an additional revenue generator for us.

Ashish Thakkar: Got it. So last question from my side, I would like to hear from you on the Ayushman Bharat because also during the budget the government has emphasized on this program into open more of such hospitals your comment and what is the current contribution of this program to our overall revenues?

Shanay V Shah: See Pradhan Mantri's Jan Arogya Yojna has already allocated about 6400 Crores this year to budget and that number is growing, However having said, that they have still not come up with the new rates, so we are already working with Ayushman Bharat and of course it is not a very big part of the revenues that we generate. We believe that we are confident that in some point of time the doctors will I mean the yojna will come out with much better rates for private hospital, which makes it very lucrative for private hospitals to take up the scheme patients.

Ashish Thakkar: Fair enough Sir. That is all from my side and all the best. Thank you.

Moderator: Thank you. The next question is from the line of Dharmik Prajapati from Prospero Tree. Please go ahead.

Dharmik Prajapati: So as I can see there is a growth in OPD, which is less remunerative than the surgery, which is higher remunerative so when we can see the growth in the surgery count?

Shanay V Shah: See what is happening is that as a multispecialty tertiary care hospital we accept all kinds of patients with acute and chronic problems, so what happens is that there are months in a year where you have more surgical cases, there are months in a year where you have more acute kind of cases and you have more emergency cases, as we see that this trend has been going on for several decades now and we will see the uptick in the number of surgeries from Q3 onwards.

Dharmik Prajapati: One more question on the EBITDA level, now like four to six years back and two to four years back at what time we can expect them to contribute for more than 20% of EBITDA?

Shanay V Shah: See as we said in the previous call that there were management level issues that we were facing at Indore and Jabalpur about four quarters back, which has kind of been resolved in the last two to three quarters so by the time we see an uptrend here we will take about one or two quarters, but having said that we have improved quite a bit if you look at the numbers of the first nine months of the last year and the first nine months of this year we have done much better than last year, so things are on the positive side and when we talk about the company as a whole we have seen that the OP numbers as well as the IP numbers have gone up by 12% and 18% for the day care patients so from that perspective the company has done well for this quarter.

Dharmik Prajapati: Okay fine.

Moderator: Thank you. The next question is from the line of Dixit Doshi from White Stone Financial Advisors. Please go ahead.

Dixit Doshi: Thanks for the opportunity. Two, three questions, firstly you mentioned that payment from government due typically comes between four to eight months, so what would be the outstanding amount as of now?

Shanay V Shah: The total outstanding amount as of now is close to 100 Crores.

Dixit Doshi: Historically have you seen cases where you need to write off any amount usually we get it even though it is late?

Shanay V Shah: Yes, these are usually very small amounts because we take care of what we billed to our clients. Having said that even out of 100 Crores, a lot of the money is not yet overdue, so essentially we have to look at it from that perspective because the government agencies anyway they say that they will give in three months so ultimately the money is not overdue. The private insurance companies they say they will pay in about 30 days so until 30 days that money is not overdue, so to that account this number will go down.

Dixit Doshi: Secondly you mentioned about the four projects in Pune, Varanasi, Kolkata and Nagpur AIIMS franchise model so in this our doctors will go and do only the knee surgery or we take the entire hospital on a franchise model?

Shanay V Shah: They will take up the entire orthopedics segment over there so they will be doing hip replacement, they will be doing knee replacement, they will be doing spine surgeries, they will be doing trauma, they will be doing ankle replacement, anything to do with orthopedics they will be doing.

Nishit Shukla: We are also going to go with oncology department, where as per the requirement by that place we will be adding oncology and orthopedic together.

Dixit Doshi: In these cases only our fees will come as a revenue right?

Shanay V Shah: Yes, the fees will come in as revenue. We will be having fulltime orthopedic surgeons placed over there as well because there are lot of emergencies trauma cases that need to be dealt with and a lot of screening can happen for the senior surgeons when they come down to our facility so yes, we will be basically helping them with, of course we will be taking a doctor's fees and as well as we will be helping them with the supply chain because the kind of economies of scale that we are operate in, in the orthopedic segment we get really good rates, all the materials and consumables that are used including implant so the idea is to kind of make sure that our partners also benefit from this.

Dixit Doshi: Thirdly you mentioned something about homecare business can you just explain a bit?

Shanay V Shah: Yes, so homecare business is basically where we have four, five segments in this business, so we basically provide pharmaceutical products at home, we are also giving the diagnostic business at home beyond that what we are also doing is we are providing equipments, nurses and other paramedic staff and we also have MBBS doctors who are medical officers who basically kind of also go to the homes to provide treatment. Beyond this we also can have a setup where we are providing the entire ICU care at people's home, so this is another segment, which we are working on and this is again essentially in the seven to ten kilometers radius of the hospital to begin with.

Dixit Doshi: You mentioned in this segment we did around 75 lakh of revenue.

Nishita Shukla: Yes, this was with the homecare segment only the 75 lakhs of earning which we said.

Dixit Doshi: Last question from my side. When we see our six years plus hospitals the average revenue per bed is almost Rs.39000 and the margins are 32 obviously we have some advantage of SG where we have a very strong hold, strong brand name everything, so in a long run let us say in three to five years time horizon can this four to six year hospital and even a two to four year hospital can do these kind of margins or these hospitals will may be peak out at 25% kind of margin?

Shanay V Shah: See we will have to be quite selective, so our Ahmedabad units will continue to do this kind of margin because of the arthroplasty versus the rest of the specialty mix right. Another thing is there are two major factors why there is a higher EBITDA margin in certain place, one is of course the specialty mix because that drives the ARPOB and second thing is the schedule of charges because in a metro city you will have much higher rates than a Tier-I, Tier-II cities so in four to six years we have Jabalpur as well as Indore, so in Jabalpur you can go up to 20%, in Indore we believe we can go up to 25% and in some of the mature units in Ahmedabad with some kind of continuity in this kind of specialty mix we can continue to do between 30% to 35%.

Dixit Doshi: What about Jaipur, Surat and Naroda may be not in the next couple of years, but three to five years?

Shanay V Shah: All these places in maturity we can do 25% of EBITDA margins.

Dixit Doshi: Thank you. That is it from my side.

Moderator: Thank you. The next question is from the line of Rikesh Parikh from Barclays. Please go ahead.

Rikesh Parikh: Thanks for the opportunity. My question is regarding this Ghatkopar hospital, so when is it expected to be operational?

Shanay V Shah: See the Ghatkopar hospital is a management contract and basically this hospital will be operational in the next two to three months.

Rikesh Parikh: So we can expect the numbers from the first quarter next year?

Shanay V Shah: Yes, you can expect but this is a management contract so we will be getting an operational management fee for this, so the topline of that hospital and the bottomline will not get added. We will get a revenue share from the hospital and there is EBITDA share when the hospital turns breakeven. Apart from that as we are talking about the franchise model we will work on with this management contract hospital in Ghatkopar we plan to generate a lot of revenues in orthopedics also, in arthroplasty so that doctors fees from that business will also add to the kind of revenues that will be generated from that unit from our perspective.

Rikesh Parikh: Second question is relating to our six year plus hospital, if I look at it our six year plus hospital still our occupancy ratio on operational bed is just 36% even after being a mature hospital, where do you see going forward, because I think the occupancy ratio seems to be very low relatively?

Shanay V Shah: See the way you should look at is that the main two units in Ahmedabad that is SG & Krishna we are generating about 60%, 65% of occupancy, so we are operating at almost 80% you can say because this is a night-time occupancy, and when you talk about six plus years unit you also have Vapi unit and Vijay unit, which of course have not been adding to the occupancy in a very big way because these are more of daycare centers, of course Vapi, yes we have not been able to generate lot of occupancy over there, there occupancy remains low while the capacity there is pretty big it is about 125 plus bed so that is why the aggregate percentage that you see is low, but ideally we should not look at it from that perspective because the capital is not allocated in that perspective, the capital is allocated more towards SG & Krishna where 85% of the capital is allocated within the six plus year unit.

Rikesh Parikh: If I look at I think the occupancy ratio is good in the four to six year at around 42% and which have been improving if I look at Y-o-Y, the ARPOB and EBITDA is lower over there and one year down the line when I see that a number of fixed share will increase it will lead to over the dilution in the overall EBITDA margin, so do you think that will be incrementally going forward we should be looking at a lower EBITDA on an average basis as such?

Shanay V Shah: No, the EBITDA there will continue to rise as the occupancy goes up because we are at a very low occupancy as compared to what can be achieved in these units. Yes, there are quarters where we might not see a very big growth because there are a lot of different government schemes, a lot of different kinds of government corporates where we do not want to kind of take up that business, we stop that business after doing it for sometimes, so essentially it is to do with that, but we do believe that these numbers will continue to improve going forward and we will be working as I said more towards the self pay and TPA business because when the hospital is new you want to do all types of business because again that is a kind of marketing for you, when you take a government schemes also patients with the hospital their relative visits the hospital so it is a kind of marketing for you also the doctors also need to see patients because in the beginning the hospital is not known to people you again do not have a lot of patients for doctors, so when you take up these government schemes also initially you start informing people that you are out there.

Rikesh Parikh: The question related to 'MAA yojna' and the 'Ayushman Bharat' so my understanding is Gujarat only and which is relatively compared to Ayushman so how that is shaping up for us?

Shanay V Shah: See honestly as I said we are trying to work more on the self pay and the TPA business, I will be continue to do Ayushman Bharat and MAA yojna as schemes, but honestly our focus remains on the self pay and the TPA business.

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

Moderator: Thank you. The next question is from the line of Priyankar Sarkar from HSBC Global Asset Management. Please go ahead.

Priyankar Sarkar: Good afternoon. Thanks for the opportunity. Shanay I had a specific question regarding to the ALOS average length of stay, so if we look at the average length of stay for six plus years bracket that has remained at 4.66 as of this quarter whereas for the overall company it is about 4.26 right, so just wanted to figure out where can this actually go to because even in a matured hospital I was expecting it more to be range of 4 or 3.8 somewhere there because one of the competitors obviously they have made a difference which are 3.5 so what is the best case that we can get to in terms of ALOS?

Shanay V Shah: See there are two to four years unit you will see that the ALOS is lower right and the reason also is that between two to four years unit you have two hospitals out of the three where you have a radiation therapy unit and whenever you have a radiation therapy unit you will see the patient and the inpatient but you know the patient does not stay overnight, so that is why the number is lower. The six plus years unit do not have radiation oncology so what happens is that typically the average length of stay goes up because these patients you do not have the daycare patients who are counted as inpatients over there so that is the main reason why you see that. If you ask me from a macro perspective yes, as the time is passing as the technology is driving this medical profession we see the ARPOB is coming down. When Dr. Shah started doing the surgeries about 25 years back the ALOS was about 14 days now it has come down to about 3 days, so it will continue to go down, some of the countries in the western world are at one or two days, so we will slowly get to that stage and another focus for the hospital group is really the shortcut procedures like you can talk about appendix, hernia removal, all of these kind of procedures including laparoscopic procedures are very high ARPOB generators because the patients gets discharged in the first or second day and not only that will drive the ALOS down but also drives the ARPOB up.

Priyankar Sarkar: Fair enough. So can you quickly drive me through what are the parameters, which contribute to ALOS improvement?

Shanay V Shah: See one is of course how we can do high value added procedures like transplants, etc., and the second thing is to try and drive down the number of average days of stay so as I said these laparoscopic procedures dialysis, chemotherapy, radiation therapy, appendix removal, hernia removal so basically most of the procedures which are in the secondary care would be the areas of focus for us and that will drive down the ALOS because the patients typically stay for one or two days. See if we talk about the cardiac procedure the patient pays you about two lakh rupees and stays for 8 days, now what happens is that ARPOB is 25000, but if we talk about the delivery of a baby ARPOB of about Rs.40,000 because they pay you about 60,000 to 80,000 rupees and stay for two days.

Priyankar Sarkar: Yes, I understand that. Fair enough and just one book keeping question, on slide #19 for the overall company have reported ALOS as 4.26 for the quarter excluding daycare right, now when you comparing this bucketed ones in different hospitals is that also excluding daycare?

Nishita Shukla: Yes, everything is excluding daycare.

Priyankar Sarkar: Okay Madam. Thanks a lot for that.

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

Swechha Jain: A few followup questions, one was regarding the homecare business, which we are trying to establish and get into so what geographies are we targeting and what hospitals and units like what is our strategy around it, are we doing it on a pilot basis or we are going to do it across locations?

Shanay V Shah: See we have always been doing the homecare business but now we are doing it in a lot more organized way and we have a head of business for that particular vertical and area of focus initially will be to capitalize in the seven to ten kilometer radius of the hospital after which we will think about how we want to extend ourselves to other geographies.

Swechha Jain: So in terms of locations this home care currently we give in each of the geographies where we have existing unit or it is only can find to a certain unit?

Shanay V Shah: No so we do it and give it in all the units as of now.

Swechha Jain: Second question was regarding the franchise model where you said you would also be having visiting surgeons right who would be visiting your partner hospital and perform the surgeries and you would also have full time surgeons there, so with respect to the visiting doctors, just like I want to understand pay structure all your doctors are on fixed pay basis or there is a component of variable pay also included in it or you have some additional incentives that would be given to these doctors who would be visiting the other centers?

Nishita Shukla: No madam. With the franchise model there are two things, one doctors or two doctors will be placed at that unit from that location and other doctors will be travelling from the main unit, so two doctors will be there to do all OPDs and as Shanay had already told they will be handling all trauma and they will be on a fixed salary and that the team for doing surgeries over there, the team that will be traveling from different units, which are nearby.

Shanay V Shah: All the doctors in the system have fixed plus variable components so that will continue to remain.

Nishita Shukla: These are all our full time doctors so they are experts with us, so they are getting the fixed salaries and variables.

Swechha Jain: Just the last question, Sir with respect to competition do you see any particular feel whether oncology, I know in orthopedic probably you know we would face no competition but in any other field or any other geographies do you see competition?

Nishita Shukla: See honestly of course there is competition there, there are other players in the market but really where we see a lot of competition is the unorganized sector because essentially it is like all of us corporate hospitals on one side and the unorganized sector on the other because today the corporate hospitals contribute to about 5% for 7% of the total health care service delivery so the idea is that all of us fighting whether we see this pie because there is much higher growth in increase in this pie rather than fighting amongst the corporate hospitals.

Swechha Jain: Okay Sir that helps. Thank you and good luck.

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

Prahlad Inani: Thank you everybody. Thank you for joining this earning call and we are really happy and we are just going towards the sustainable growth over here and if any further question you can please e-mail and you can get in touch with us through our website also you can just go with that and thanks for participating in this investor call. Thanks a lot.

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