Date: 01st June 2024

To,
Listing Compliance Department,
National Stock Exchange of India Limited,
Exchange Plaza, Bandra Kurla Complex,
Bandra East, Mumbai-400051

NSE Symbol: Madhavbaug

Sub: Transcript of H2 FY 2023-24 Earnings discussion/Conference Call

With further reference to our earlier submission on Earning discussion and conference call on discussion of Financial Results for half year ended 31st March 2024. The transcript of the earnings/conference call is available on the website of the Company at www.madhavbaug.org

This is for your information and records

For, **Vaidya Sane Ayurved Laboratories Limited**

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Abhishek Deshpande
Company Secretary & Compliance Officer

Vaidya Sane Ayurved Laboratories Limited
H2 & FY24 Earnings Conference Call
May 29, 2024

Moderator: Ladies and gentlemen, good day and welcome to the H 2 and FY24 Conference Call of Vaidya Sane Ayurved Laboratories 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.

This conference call may contain forward looking statements about the company, which are based on the beliefs, opinions and expectations of the company as on date of this call. The statements are not the guarantee of future performance and involve risks and uncertainties that are difficult to predict.

Today, from the management side, we have with us, Dr. Rohit Madhav Sane - Chairman and Managing Director; Dr. Vidyut Bibin Ghag – Whole-Time Director; Mr. Shripad Upasani - Chief Executive Officer; Mr. Yogesh Walawalkar - Senior Vice President, Marketing and Corporate Relationships; Mr. Shantanu Joshi - Assistant Vice President, Marketing and Sales; Mr. Narendra Pawar - Chief Financial Officer and Mr. Abhishek Deshpande - Company Secretary and Compliance Officer on the conference call. I would now like to hand the conference over to Dr. Rohit Madhav Sane - Chairman and Managing Director from Vaidya Sane Ayurved Laboratories Limited. Thank you and over to you, sir.

Dr. Rohit Madhav Sane: Thank you. Good afternoon, everyone, and welcome to Vaidya Sane Ayurved Laboratories Earning Call for the financial year ended March 31st, 2024. I would like to begin by expressing my gratitude to all for taking this time to join us today. I have with me on call Dr. Vidyut Bipin Ghag - the Whole-Time Director; Mr. Shripad Upasani - the Chief Executive Officer; Mr Yogesh Walawalkar - Senior Vice President, Marketing and Corporate Relationships; Mr. Shantanu Joshi - AVP, Marketing and Sales; Mr. Narendra Pawar - our CFO and Mr Abhishek Deshpande - the Company Secretary and the Compliance Officer.

We have shared our results, updated the presentation. I hope you all must have received it. A bit about the company. Vaidya Sane Ayurved Laboratories works under the brand of Madhavbaug, Madhavbaug is a unique medical service institution which blends traditional medicine with modern diagnostic techniques. We have more than a decade of expertise in disease reversal treatments for diabetes, blood pressure, heart diseases, post angioplasty, post bypass surgery, as well as pre-angioplasty and pre-bypass surgery and obesity also. Such kind of non-communicable chronic disorders treated with the help of ayurveda and lifestyle modification treatment. So, I found this whole organization in 2006 with the vision to reduce the mortality and morbidity of heart diseases and lifestyle disorders, so our approach to treatment using non-invasive multidisciplinary and innovative therapies has helped us establish Vaidya Sane as a dependable option for treating the chronic ailments.

We provide healthcare services through Ayurvedic Cardiac Rehabilitation Centers. As of March 31st, 2024, the company operates about 353 clinics across Jammu, Kashmir, Punjab, Haryana, Uttarakhand, Delhi NCR, Uttar Pradesh, Madhya Pradesh, Rajasthan, Maharashtra, Gujarat, West Bengal, Orissa, Goa, Karnataka and Chattisgarh. Out of these, 42 are company owned and 62 are OPD and mini clinics and 249 are the franchise clinics. We also operate 3 Cardiac Rehabilitation Hospitals in Khopoli, Nagpur and Visakhapatnam. We have been empaneled with more than 35 insurance companies to offer cashless facility at our hospital. I am excited to share with you several significant achievements and development from the past year that demonstrate our continued growth, innovation and commitment to providing effective healthcare solutions.

Firstly, I am thrilled to announce that our research paper entitled the impact of ayurveda based panchakarma therapy and the change or improvement VO2 Max in a congestive heart failure patient's cohort has been accepted for publication in the prestigious Asian Journal of Cardiology Research. This study provides compelling evidence that are ayurveda based panchakarma treatment can significantly improve exercise capacity and reduce mortality risk in patients with congestive heart failure. The acceptance of this paper in a respected medical journal validates the scientific basis of our approach and positions us as leaders in integrated traditional ayurvedic practices with modern research.

Next, I want to highlight the completion of the first production batch of our Madhavshakti Atta and the Premeha Diet Kit at our UV Ayurgen Plant, a wholly owned subsidiary of Madhavbaug. The state-of-the-art facility incorporates cutting edge green technology and sustainable manufacturing practices, setting new standards for eco-friendly production. The successful completion of this initial batch marks a major milestone in our journey and reflects our dedication to responsible and efficient manufacturing. I am also excited to share the recent inauguration of our Madhavbaug Vishakhapatnam Hospital in Andhra Pradesh. It was established in partnership with Andhra Pradesh MedTech Zone Limited, the state government owned company. This hospital represents a strategic expansion into a new geographical area. We anticipate that this facility will greatly enhance our opportunities within the government sector and serve as a stepping stone for further growth in Andhra Pradesh.

I am also pleased to report that we have completed the acquisition of Dynamic Remedies Private Limited and UV Ayurgen Pharma Private Limited. By integrating these companies into our operations, we expect to achieve greater economies of scale, implement stricter quality control measures and expand our product portfolio to reach new customer segments. This strategic move strengthens our market position and enables us to deliver even greater value to our customers. Additionally, we have collaborated with Pooja Patil under her company Aaharshastra Foods Private Limited, which will focus on conducting workshops and training to promote healthy eating habits and recipes for our patients and consumers. This initiative aligns with our holistic approach to health and well being, recognizing the critical role that nutrition plays in overall wellness. I am excited to update you that we have joined our hands with Medulla Communications, one of the renowned marketing agencies in pharma and healthcare sector for landscaping better branding and focused treatment marketing to our patients which has helped us to reach more effectively and engage more number of patients.

In conclusion, this has been a year of significant progress and expansion for Vaidya Sane Ayurved Laboratories. Our commitment to blending ancient ayurvedic wisdom with modern research and technology is yielding tangible results and opening exciting new opportunities. We remain dedicated to our mission of providing effective holistic healthcare solutions that improve the lives of our patients. Thank you for your continued support and trust in our vision. We look forward to sharing more updates on our growth and success in the future.

Just to give a brief about the overall industry, healthcare has become one of India's largest sectors, both in terms of revenue and employment. Healthcare comprises hospitals, medical devices, clinical trials, outsourcing, telemedicine, medical tourism, health insurance, medical equipment and many things more. The Indian health sector is growing at a brisk pace or due to its strengthening coverage services and increasing expenditure by public as well as private players.

Here is a look at the key trends in healthcare for 2024. In 2024, several key trends are shaping the healthcare sector, particularly the context of Vaidya Sane Ayurved Laboratories and the broader Ayurveda segment in India. The expansion and integration of Ayurveda into mainstream healthcare are increasingly evident, driven by its proven efficacy in treating chronic illnesses like diabetes, arthritis and obesity. Hospitals are now incorporating Ayurvedic treatments into their services, reflecting a growing recognition of its holistic benefits. Concurrently, the Ayurveda hospital market is projected to reach about US $3.2 by 2030. Fueled by rising demand for holistic treatment, modalities and Ayurveda effectiveness in managing chronic conditions, technological advancements are further enhancing Ayurveda healthcare delivery. With AI powered analytics facilitating personalized treatment recommendations and telemedicine expanding accessibility particularly in the rural areas. Additionally, Ayurveda has increased global acceptance and regulation in countries like UK, Hungary and Brazil signal broader recognition of its medicinal value promising continued growth and integration into healthcare systems worldwide. These trends underscore a robust convergence of traditional Ayurvedic practices with modern healthcare infrastructure and technology augmenting the accessibility and accuracy of Ayurveda based treatments on a global scale.

Now, coming to our financial performance, the half year FY24, the H2 part, revenue from the operations is Rs. 48.23 crores which was against about Rs. 53.58 crore in H2 FY23. Year-on-year decrease of 9.99% due to higher share of non-diseased patients in overall footfall led to lower sales of our care plans. EBITDA excluding the other income was about Rs. 1. 82 crores in H2 FY24 as against Rs. 3.69 crore in H2 FY23. The profit after tax was Rs. 0.81 crore in H2 FY24 as against Rs. 2.10 crores in H2 FY23. The basic EPS stood at 0.76 in H2 FY24. Full year FY24 in the full year ended 31st March 2024, our company achieved net revenue of Rs. 99.33 crores, an increase of nearly 0.16% year-on-year due to sales towards non-diseased patients coupled with successful marketing campaign helps to maintain revenue level. EBITDA excluding other income was Rs. 4.50 crores in FY24 as against Rs. 7.86 crore in FY23. Profit after tax was Rs. 1.99 crores in FY24 as against Rs. 4.83 crores in FY23. Basic EPS stood at 1.88 in FY24. This is all from our side and we can now take questions. We are open for it.

Moderator: Thank you very much. We will now begin the question and answer session. Our first question is from the line of Manoj Rajani from Rajani family Office. Please go ahead.

Manoj Rajani: Sir, just wanted to ask the reason that the revenues have been flat during the year, so what reason could it be?

Dr. Rohit Madhav Sane: The reason has been that in the first half, we had certain marketing strategies which were directed towards the product that is Madhavprash and due to which the whole strategy of having those product marketed did not get the actual diseased patients inside the clinic. And as a result, we had the good number of footfall inside the clinic, but mostly they were for prevention modality of the kind of treatment which has a very lower kind of ticket size. So, that has led to the flat revenue. So, in spite of this, the clinic has maintained their collection to a very good level and hence that has led to the flat revenue for the full year.

Manoj Rajani: But sir, at the same moment we can see that the EBITDA has declined as well, it seems like a 35%-40%?

Dr. Rohit Madhav Sane: I will try to explain. The reason for this was increase in the human resource that we had planned to get more patients inside and hence the whole human resource cost had increased and that led to reduction in the EBITDA, but the action has already been implemented for it. And the corrective things and corrective actions are already now in place.

Manoj Rajani: So, this can be considered as a onetime cost or it will be continuing in the next year as well?

Dr. Rohit Madhav Sane: No, it will not.

Moderator: Thank you. Our next question is from the line of Sameer Sachdeva from ValueQuest. Please go ahead.

Sameer Sachdeva: So, I have few questions. I was just seeing that the short term borrowing has increased quite a lot from around Rs. 13 lakhs to around Rs. 1.5 or 1.6 crores. So, what is the reason for this?

Dr. Rohit Madhav Sane: There were two-three reasons to this, one was the acquisition of the UV Ayurgen Factory as well as Dynamic, the wholly owned subsidiary that you can see. The acquisition of this product has led to this. That is one. Second, we have also invested in UV Ayurgen Company and there is a transaction that is happening between both these companies and due to which there has been that borrowing that we had led to. That was the reason.

Sameer Sachdeva: And our cost of debt would have also increased. So, can you comment on that?

Dr. Rohit Madhav Sane: Yes, cost of debt has increased because of these reasons itself that we had utilized our OD for the same purpose and that has led to the cost of debt.

Sameer Sachdeva: And can you quantify like what will be our total cost of that right now?

Dr. Rohit Madhav Sane: Which percentage you meant to say, our CFO would answer that. Narendra, do you have those things.

Sameer Sachdeva: Sir, what would be your total cost of debt?

Narendra Pawar: Actually, at present our cost of debt, we have utilized Rs. 1.5 crores right now, whatever is in the March that is continued.

Sameer Sachdeva: Sir, PPE, your plant, property and equipment has also increased. So, is acquisition the reason for the same or the company has bought any new assets?

Narendra Pawar: No, it is acquisition effect and after 2-3 months, I think we will reduce that cost.

Sameer Sachdeve: And sir, the inventory has also increased from around Rs. 3.5 crores in FY23 to around Rs. 4.1 crores in FY24, so what would be the reason for the same?

Narendra Pawar: Actually, our UV Ayurgen started production. So, initially we have to keep the stock of 2-3 month. That is why the reason at March, we have a stock increase.

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

Pushkar Jain: I was wondering what would be the management be confident about the growth trajectory for the FY24?

Shripad Upasani: We are currently we are 20% growth. Actually we are increasing after tie up of Medulla as a media partner, we are sure we will to increase the new patient footfalls which made since last year, but we are sure that now company is starting from tomorrow actually and we are confident now, we will bring the disease patient in the clinic the new patient, as we **(Inaudible) 20.47**, That is why our business is dependent on new patient could cause proportionate with new footfall actually. So, we have already taken a state with Medulla actually.

Pushkar Jain: What percentage we are like?

Shripad Upasani: 20%?

Pushkar Jain: And what would be the EBITDA margin that we are targeting for FY25?

Dr. Rohit Madhav Sane: I will take it over. So, the EBITDA margin that we expect is more than 10% of EBITDA that we expect with this increasing topline. So, 10% of EBITDA is what we are targeting in the year end.

Pushkar Jain: And money coming from warrant in the next one year that would be pay off short term debt?

Dr. Rohit Madhav Sane: Yes, it can be, but we will be using it in a more constructive way also, so one of the factors would be the debt that you see. But major, we will be utilizing for various different initiatives that we are planning for.

Pushkar Jain: And the reason for the fall in EBITDA margins in this current quarter is mainly because of the employee code, right, which we are planning?

Dr. Rohit Madhav Sane: Yes.

Pushkar Jain: So, the action has already been taken to like?

Dr. Rohit Madhav Sane: Yes, the action has already been initiated last about a month or 2, the action is already implemented.

Pushkar Jain: How is the employee cost, like we are reducing the headcount, or we are like change the payment or how is the?

Dr. Rohit Madhav Sane: We have worked on the headcount. We have reduced the headcount.

Pushkar Jain: So, like we are planning 20% EBITDA margin, I just wanted to confirm?

Dr. Rohit Madhav Sane: Yes.

Moderator: Thank you. The next question is from the line of Deepak Poddar from Sapphire Capital. Please go ahead.

Deepak Poddar: Just I wanted to understand what is the growth looking in FY25?

Dr. Rohit Madhav Sane: So, as Mr. Upasani just mentioned, we are looking out for a 15% to 20% growth in the topline in the coming year.

Moderator: Thank you. The next question is from the line of Aman Goklani, who is an Individual Investor. Please go ahead.

Aman Goklani: Sir, the question I had was, this year we have expanded from about 300 odd clinics to about 350 clinics. We have added 50 clinics. We had a guidance of 1% growth with similar margins that are being guided the next year to about 8%, 9%, 10%. So, my question is now when you move from 350 clinic our Mission 2025 states that we would have 1000 clinics, 10 hospitals. So, in 12 to 18 months, we plan to go from 350 odd clinics without 1000 clinics. How will we maintain our profits or how will we maintain our margins, quality, what kind of food do you have to take on this kind of scale expansion because when we move from 300 to 350 odd clinics, we have not been able to the topline and bottom-line growth, when we scale to this level, how are we planning to maintain all of this?

Dr. Rohit Madhav Sane: Yes, I can understand this question, but the only thing is that this year we will be screening not towards 1000 clinics, but we will be having more 50 to 60 franchise clinics in this coming whole year because we will be consolidating, and your question is absolutely right that we will be working on the improvement in the topline itself by adding more number of new patients to this clinics. So, feeding the new patients to these clinics is the only task that we are supposed to concentrate on. And once we do that, I think the topline will be achieved in a very better way than what we have presented in the last year.

Aman Goklani: But your presentation says that you have a little Mission 2025 of 1000 clinics. So, now does that get?

Dr. Rohit Madhav Sane: No, that will be a bit delayed, but I am sure I will be able to reach that in the next 3 to 4 years.

Aman Goklani: So, why are we stating in the presentation that we need by 2025?

Dr. Rohit Madhav Sane: That should be an older presentation, I guess.

Aman Goklani: I think it was uploaded last where it says Mission 2025, 1000 clinics, 10 hospitals and also an expansion in the bed in your existing hospital. So, it is a very strong guidance in a year, year and a half. Now, clearly mentioned it is not going to be the case, so just wanted to get clarity on that, so you are saying that we take it out for 5 years from now?

Dr. Rohit Madhav Sane: Yes.

Aman Goklani: My second question, sir, is that previously, you mentioned your biggest competitor or competition comes from allopathy itself, however, why wouldn't you consider Jeena Sikho as a competitor because when I hear, they also have hospitals, clinics, they are also in Ayur treatment, how is that are different from us?

Dr. Rohit Madhav Sane: I will explain you, like as of now our target audience is absolutely about diabetes and heart patients. While the competitor that you spoke about, Jeena Sikho, they are into general Ayurveda treatments for all those disorders, whatever the patients are normally looking out for in Jeena Sikho, but in our case, we majorly concentrate on our proprietary panchakarma therapy wherein the patient joins up with us for the whole year. So, these are 2 major differences. One is our Ayurvedic proprietary therapy, the panchakarma therapy that we perform for the patients in our clinics and the hospitals. That is one and second one is the retention period of every patient who stays with us for about a year. So, if you directly try to compare the model to model, it would be an Ayush model, it would be a clinic model, then Jeena Sikho and Madhavbaug would be competitors, one, but if you talk about the actual positioning, actual market that we are looking out for, we are looking out for reversal of those diseases and for this we expect the patient to stay with us for the whole year. So, when the patient stays with us for the whole year, the reversal happens for the disease itself and hence our audience is those kind of disciplined patients who would like to reverse their diseases back towards normal. So, that is how, we are a bit different from the Jeena Sikho company.

Moderator: Thank you. The next question is from the line of Rohan Mehta, who is an Individual Investor. Please go ahead.

Rohan Mehta: Sir, are you looking at the business model sort of a rejig in the business model in terms of franchisee versus the hospital business? Is the hospital business going to be more of a focus area for us?

Dr. Rohit Madhav Sane: Yes, Rohan, you are absolutely right. Hospitals are being accepted by the patients very well. And the reason behind it is the insurance companies also have been empaneled with it for cashless treatments. So, that is a sector which is booming in Ayurveda. So, yes, we will be concentrating on the hospitals, so whatever expansion this year we will be doing will be for the hospitals itself. So, you are right that we are trying to relook at this whole model in a different way in which hospitals can give much more higher EBITDA as compared to clinic, but at the same time clinic have presence in the local residential area of the patients vicinity. So, that again gives the patient a good comfort and convenience to visit to the clinic every time and come back. Clinics are support to the hospital in a way in which patients who cannot reach the hospital every time in the year, they can go to the clinics and get them served very well. As well, when it comes to compliance from the patient side, clinics is always a good model. So, right now, we are a combination of clinic and hospital, and this is going to be our strength in the future because as of now, if at all you see with the competitors they are many times online and kind of disease management with their online presence and they don't have a physical presence. But we are into this whole sector in which we will be having online as well as offline presence due to which, treating those patients is going to be much more easier in the hospitals as well as in the clinics.

Rohan Mehta: Sir, what is the margin profile that we are getting from the hospital business versus the clinic business? And as you are saying that the focus would be to expand the hospital business more, so what kind of revenue mix in terms of percentage do you see as optimal ratio between the business, the revenue coming from hospital business versus the clinic business?

Dr. Rohit Madhav Sane: I will try to give you a brief idea. If at all you talk about the whole revenue breakup, 18% to 20% of the revenue comes from the hospitals, while about 82% of the revenue comes from the clinics, about 82%-83% comes from the clinics. Out of these clinics, only about the clinics that what we talk about, it is about 85% to 90% of this clinic contribution comes from the franchise clinics, while about 5% to 10% of this whole revenue contribution comes from the company clinics. So, that is the breakup of the whole thing.

Rohan Mehta: And sir, do we get the different margins from both of these, hospital and clinics?

Dr. Rohit Madhav Sane: Yes. We do get different margins. The margins in the hospitals are fairly good, if at all we don't allocate the common expenses. Then in that case, the margins from the clinics that we get is somewhere about, just give me a minute, I will just recollect, if at all we talk about the hospital as such, the EBITDA margins that we get is about 20% to 30% while if at all we don't allocate the total expenses, the annual expenses on the clinics, the unallocated expenses, I am talking about, then the EBITDA of the clinics also reaches to about 30% to 40%.

Rohan Mehta: But sir, just a little bit of anomaly here, we fail to understand that over this quarter and the last few quarters, expansion has been more on the clinic front than the hospital, so is it safe to assume that this will change?

Dr. Rohit Madhav Sane: Yes, this will. See, as I mentioned in the earlier answer, I will try to explain you once again. We are now looking out for expansion in the clinics only through the franchise mode, so we will not be investing on these clinics from our pocket. But as I mentioned, we will be investing, the company will be investing majorly in the hospitals to increase the existing capacity in these hospitals. So, that is what will help us to increase the margins also.

Rohan Mehta: So, speaking on margin, sir, you mentioned earlier guidance of around 10%. So, if the hospital business increases in terms of share of our revenue, shouldn't the margin also increase a bit further or is it?

Dr. Rohit Madhav Sane: You are absolutely right, it will.

Rohan Mehta: So, sir, would it be correct to say that 10% is a very conservative estimate?

Dr. Rohit Madhav Sane: Yes, very conservative.

Rohan Mehta: So, just a couple of other questions I had, in general the quarter and the period has been relatively muted for us. So, especially compared to the competition that is happening, you touched upon the competition, what is if you could just shed some color on why this has been the case and apart from this strategy which you mentioned, how are we sort of looking to grow in the new facility?

Dr. Rohit Madhav Sane: Now, what have we done is in the past the strategy that we had adopted was for the product marketing strategy, which did fetch more number of new patients inside the clinic. But those new patients who came inside the clinic were majorly non-diseased people who were opting for preventive kind of treatments and hence the ticket size of those patients was quite low. So, that actually affected the whole topline, but now the whole strategy has again been placed and maybe in a couple of days or so, we will be starting with the new campaign, which is going to directly target the diseased patients only. So, now with this strategy and the positioning being very clear about having diabetic and heart patients inside the clinic, once this campaign hits the market, I am sure that the whole strategy will be very well visible to everybody and the things will change immediately with the topline as well as with the EBITDA.

Rohan Mehta: Just touching upon, you mentioned the product business, are there going to be any more marketing expenses or OPEX in this direction especially since Madhavprash has been success, so are we looking at more such products and diversifying?

Dr. Rohit Madhav Sane: No, as of now, only Madhavprash would be the one in which we are trying to push that through the subsidiary of Dynamic Remedies, but we will be majorly concentrating on our core products of diabetes and heart patient treatments inside the clinic through the care plan.

Rohan Mehta: Sir, you mentioned earlier that care plan sales have been relatively lower because as you said, the non-diseased patient footfall was higher compared to diseased patients. So, what can we sort of, ballpark guidance on this number of footfall of patients if you can give for this quarter in our hospitals as well as the other segment?

Dr. Rohit Madhav Sane: I will give you the annual figure, so that you will get to know. In the last year, we almost sold about 38,000 care plans in the whole year, and the earlier year we had sold about 39,000 care plans, so there was a dip of about 1000, 1200 care plans altogether, which led to this whole dip in the topline.

Rohan Mehta: Sir, any other new products wouldn't be on the pipeline like, honey, ghee or any other such products?

Dr. Rohit Madhav Sane: There are few products like the ghee kind of thing, we are into it, but majorly these products will be sold inside the clinics itself. And once it is done, once we are totally sure about the product and its quality and its utilization for the masses, then we will be planning to have it in the offline retail, but I don't think so in this year we will be doing that.

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

Pushkar Jain: Sir, I have just one question about the competitors we were talking about Jeena Sikho, so in last year doing a margin of 30% and they are doing this general Ayurveda while they are doing specialized treatment and diabetes and obesity, so why are margins so lower and what do you think is sustainable EBITDA margin for this business in the long run?

Dr. Rohit Madhav Sane: As I mentioned, the sustainable EBITDA margins which will be expecting in the coming year will be about 12% to 15%. Conservatively, I am trying to be on 10%, but about the topline, if at all we talked about, there is a whole big market of diabetes, blood pressure, obesity out in India and I am sure that with this new marketing campaign, we should be able to reach to that target audience because the earlier year we had tried to address the product marketing strategy in which we expected the patients to come down inside the clinic, the diseased patients, we expected to come inside the clinic, but there is where the whole thing did not work and due to which the patients did come in, but they were not as disease, they were not as suffering as what patients we had expected and hence the growth was not same, but in the coming year as we target ourselves towards the diseased patients itself, I am sure that the numbers will seem to be changing as we go ahead.

Pushkar Jain: Once our assets are aged what that number should be I am just asking you like for the next 3, 4, 5 years and this is what is there, not for the next year, but like what is our sustainable EBITDA margin at the time?

Dr. Rohit Madhav Sane: According to what steps I have taken right now, the sustainable EBITDA margin will be about 15% to 20% is what we are into target for.

Moderator: Thank you. The next question is from the line of Santosh from Vouchers Capital Limited. Please go ahead.

Santosh: On the consol basis we have the employee expenses of Rs. 21.99 crore on FY23, which went down to Rs. 26.88 crores for FY24 and you have just told us about the cost cutting measure that the company has taken or been taking for last couple of months, so as such for this current financial year, what is the salary expenses you are having on monthly basis?

Dr. Rohit Madhav Sane: We have seen that the monthly expenses on this manpower has been about Rs. 1.7 crores every month.

Santosh: From April onwards, April 23.

Dr. Rohit Madhav Sane: Yes, and that will boil down to about Rs. 20 crores of annual total salary, but I usually consider some form of incentives, so about 1% more I will be contributing to it, so about 21% to 21.5% is what I will be looking out to control these expenses too.

Santosh: But then, do you need to say that even on a similar line if we are able to achieve top-line of what you have achieved for last financial year and permanently, we are able to curtail down our expenses to salary, does it boil down to increase in the EBITDA margins and profitability for the company also?

Dr. Rohit Madhav Sane: Surely, very much.

Santosh: On the similar lines. This 23.88 crores on consol comes down to Rs. 21 crores, this is a saving of Rs. 5.5 crores to Rs. 6 crores or more than that?

Dr. Rohit Madhav Sane: Yes.

Santosh: If that is the case and what that is, I mean actually from our side. So, it will be affecting our bottom line accordingly?

Dr. Rohit Madhav Sane: Yes, it will. It will directly help the bottom-line to grow. And the actions have already been implemented since last 2 months.

Santosh: In that case, our EBITDA margins will definitely improve a lot compared to what you have been able to guide us?

Dr. Rohit Madhav Sane: Surely.

Santosh: In that case 15% to 18% EBITDA that you are able to achieve that will be industry margin right?

Dr. Rohit Madhav Sane: Yes.

Santosh: And any other outlier expenses in our component?

Dr. Rohit Madhav Sane: Yes, there were few expenses which were eating out the bottomline. So, we have started working on those expenses also, like we have directly got into touch with the vendors due to which the purchase cost, the consumption has also improved. That is one. The second work that we have done on reducing down these expenses is there was a fairly good amount of professional fees that we have with our partners where we have reduced down those headcount in those professional fees due to which again the expenses will be reduced down. That is more important. As well as other expenses like travelling, repair and maintenance, all that will be controlled to a very good level. So, all these points will accumulate to improve the bottom line and the EBITDAs will improve that is of no question to me.

Santosh: But sir, one more and last question from my side. I was watching that timely disclosure from our company on NSE website, right? Can you put some light on the strategy to acquire these 2 companies and how this strategy is going to pan out going forward and how this is going to be a help to the company like we have invested like to really appreciate that input coming from the management side of it?

Dr. Rohit Madhav Sane: We have acquired 2 companies. One was UV Ayurgen and the second was Dynamic Remedies Private limited. These two companies, Dynamic Remedies, we used to manufacture our medicines and the UV Ayurgen, we will be using it to manufacture our food products. So, as of now, the food products purchase that we used to go ahead with, the whole purchase cost will reduce down by about 20% to 30% due to this acquisition as well as in the medicines, the improvement in the whole margin that is there with the Dynamic Remedies will be again applied to the whole company as well as the quality of products that we used to manufacture earlier, those quality will improve due to this that will again help to improve the patient improvement and that will in turn help to increase the word of mouth. So, as of now, the word of mouth is so strong that in the last couple of months, though we are restructuring our whole marketing communication, the word of mouth has helped the clinics to feed with the new patients without any extra things that we have done. So, now, when we go ahead with quality medicines and quality therapy kits also that will again help as well as the food products that will be manufacturing in-house, the quicker response of manufacturing, the quality that will improve as well as the margin that we will get from these food products is going to help the bottom-line and EBITDAs will improve.

Santosh: You mean to say this acquisition will help us to have better control from margin and quality aspect of it, right?

Dr. Rohit Madhav Sane: Absolutely.

Santosh: But, sir, one last question, there are two line-items which is predominantly visible in your financials that is the employee run rate what you are really guided from Rs. 27 crores odd to the Rs. 21 crores here and other expenses of around Rs. 42 crores, any guidance on this and what exactly constitutes other expenses, sir?

Dr. Rohit Madhav Sane: Yes, I will give you the explanation, out of this Rs. 42 crores, if at all we talked about, there are 2 major expenses that it comprises of Rs. 42. One is Rs. 14 to Rs. 15 crores of marketing expenses that was in Rs. 42 while the remaining about Rs. 27 odd crores was for the other expenses that I will explain you. So, this Rs. 14 to Rs. 15 was marketing and Rs. 27 was the others. In this Rs. 27, if at all you see, rent and taxes goes to about Rs. 7 crores while more Rs. 10 crores was the professional fees that we used to have our association with various different cardiologist, medicine players with all those people with the professional fees. And the remaining Rs. 10 crores was for various different points like travelling, training, repair and maintenance, electricity, fuel, phone, internet, all those things more Rs. 10 crores we used to spend for. So, if at all, we are talking about improving our margins, I would like to speak about this, that this Rs. 10 crores of professional fees, we have already started acting upon it and from Rs. 10 crores, we are trying to get down that to about Rs. 6 to Rs. 7 crores of professional fees. As well the rent, now few of these company clinics are being now taken up as franchise clinics by various new doctors and franchise owners that are approaching us, so the rent in all will also reduce down to a certain extent, but as of now I will consider it at Rs. 7 crores itself, the Rs. 7 crores which includes the GST as well as the rent and taxes. So, Rs. 7 crores, I will keep the same, but the remaining Rs. 10 crores, which includes travelling, training, repair, maintenance, phone, electricity, fuel, all these things, so I plan to reduce down this Rs. 10 to about Rs. 7 crores. So, on a whole, if at all we see out of these Rs. 27 crores odd, out of this 42, the Rs. 27 crores odd, I will be planning to reduce down about Rs. 5 to Rs. 6 crores in this also.

Santosh: Any guidance on marketing front?

Dr. Rohit Madhav Sane: Marketing front, as I have realized now that we are a growing company and we are supposed to reach to the people more and more often with higher visibility, higher reach and higher amount of impressions on the digital as well as the offline media. I am planning to scale up this Rs. 14 crores, Rs. 15 crores odd budget to about Rs. 18 to Rs. 20 crores budget for marketing, which will directly help us to increase the topline and other cost control mechanisms that I just mentioned will help us to maintain our EBITDA to a very healthy level.

Santosh: So, you need to say like, even though there will be expenses on other front, there will be growth in expenses towards marketing should be more productive for the company?

Dr. Rohit Madhav Sane: Yes.

Santosh: Rs. 42 crores odd figure expenses is there this will be next year on a consol basis. Can you expect it to around Rs. 38-Rs. 39 crores?

Dr. Rohit Madhav Sane: Yes, we will surely plan for it and the actions have already been taken into implementation. So, I am sure that we will reach that level.

Santosh: I just expect your company to come out with regular updates on the financial, like the topline and target on a quarterly basis, it will really help us understand what the company is going on quarter-on-quarter basis?

Dr. Rohit Madhav Sane: We will try our level best.

Moderator: Thank you. The next question is from the line of Rohan Mehta, who is an Individual Investor. Please go ahead.

Rohan Mehta: Sir, just building on the hospital business, the Vizag hospital that we opened, what kind of revenue next can be expected, then the total number of patient footfall that we have seen right now and if you could guide us on overall return on investment in the Vizag hospital?

Dr. Rohit Madhav Sane: I will give you a brief. Vizag hospital has just opened last 3 months ago and it is doing good as compared to the newer territory that we are functioning in. We have a mix of about 70% to 80% of medicine sale as of now and 20% of the revenue comes from the care plan enrollments. So, we have a footfall of more than about 350 odd patient's football since inception. And currently we are obviously in the incubation period. So, the people getting enrolled into the therapies for about the whole year are still challenge that we are trying to address to, but till that time the medicine that we are trying to prescribe to the patients and patients who are trying to buy that that is helping us to reach to our operational breakeven. So, I think in next about 6-7 months, we should be able to reach the operational breakeven also.

Rohan Mehta: Are there any more hospital tie-ups in the pipeline? Any target number of hospitals that we may have in mind this year coming in?

Dr. Rohit Madhav Sane: As of now, we are also planning to have some franchise hospitals in which the expenses will not be borne by us, but the share of their revenue will be coming down to us, so such kind of deals are already in pipeline and I am sure that in the coming few months, we should be able to address them also to the exchange. So, that is up to come over.

Rohan Mehta: Just one last question, sir. We noticed that the other expenses have increased quite significantly, so where was the spike and any plans on how we are going to control this and the other part was if you have any specific strategy for good cash utilization for the cash that we have on our books?

Dr. Rohit Madhav Sane: I will answer both of your questions. I just answered the first question that you asked. I just answered in the last question itself, but I will again give you the specifications. The other expense that you see is about Rs. 42 crores is what you see in the books, out of which Rs. 14 to Rs. 15 is the marketing expense, while Rs. 27 is the other expenses that I call it the other. But those 27 comprised of Rs. 7 crores of rent and taxes, while Rs. 10 crores of professional fees and Rs. 10 crores of other expenses in which electricity, fuel, gas, training travelling, phone bills, internet, all those things come in those Rs. 10 crores. So, effectively this Rs. 27 crores, we are planning to reduce it down to about Rs. 22-Rs. 23 crores. That is one. While this Rs. 14-Rs. 15 crores of marketing, we plan to invest this Rs. 14-Rs. 15 crores into marketing plus about Rs. 3-Rs. 4 crores more in the marketing effort so that we also increase the topline beyond what we have done till now. So, this is how we are going to effectively improve the EBITDA margin also as well as improve the topline as we will be investing more in marketing. Now, talking about the second question that you asked, the money that we have in our books, how are we going to utilize, majorly I see that to be utilized in the hospital expansion, the existing hospitals that we have. Those existing hospitals, we plan to have expansion because we have a space now available with us in which we will be able to improve the hospital, existing we have the Mumbai Khopoli Hospital that we have that is about 53 bed at the hospital as of now and in the future, we have a plan in next 12 to 18 months in which 100 more beds have been already planned and given to the MSRDC for approval. Once the approval in place, we will be investing this money to increase the hospital accommodation picture.

Moderator: Thank you, sir. That was the last question. I now have the conference over to Dr. Rohit Madhav Singh - Chairman and Managing Director from Vaidya Sane Ayuved Laboratories Limited for closing comments. Thank you.

Dr. Rohit Madhav Sane: I would like to thank you all for taking the time out and attending this call. I am also thankful to each member of the Madhavbaug family as well as our clients, patients, banks, investor, financial institutions and all other stakeholders. For any other queries or information, please get in touch with our Investor Relations team. So, once again big thank you to all of you.

Moderator: Thank you. On behalf of Vaidya Sane Ayurved Laboratories Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines. Thank you, sir.