May 01, 2025

National Stock Exchange of India Limited
Exchange Plaza,
Plot No. C/1, G Block,
Bandra Kurla Complex, Bandra (E)
Mumbai – 400 051

Symbol: LALPATHLAB

BSE Limited
Corporate Relationship Department
Phiroze Jeejeebhoy Towers
Dalal Street
Mumbai – 400 001

Scrip Code: 539524

Sub: Transcript of Q4 & FY25 Earnings Conference Call

Dear Sir/ Madam,

Pursuant to Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find attached herewith Transcript of Q4 FY25, Earnings Conference Call.

We request you to please take the same on record.

Thanking You,

Yours Faithfully,

For **Dr. Lal PathLabs Limited**

Vinay Gujral

Digitally signed by Vinay Gujral
Date: 2025.05.01 15:38:10 +05'30'

Vinay Gujral
Company Secretary & Compliance Officer

Encl.: As above

Dr. Lal PathLabs

Q4 & FY25 Earnings Conference Call Transcript
April 25, 2025

Call Duration	• 1 hour
Management Speakers	• (Hony) Brig. Dr. Arvind Lal – Executive Chairman • Mr. Shankha Banerjee - Chief Executive Officer • Mr. Ved Prakash Goel – Group CFO and CEO, International Business
Participants who asked questions	• Prakash Kapadia – Spark PMS • Karthik Chellappa – Indus Capital Advisors Hong Kong • Anshul Agrawal - Emkay Global • Shyam Srinivasan – Goldman Sachs • Bharat Celly – Equirus Securities • Raman Sivi – Sequent Investments • Divyansh Gupta – Latent Advisors • Amey Chalke – JM Financial • Deven Kulkarni – Marcellus Investment Managers • Sumit Gupta – Centrum Broking • Harshal Patil – Mirae Asset • Kunal Lakhani – CLSA

Moderator: Ladies and gentlemen, good day and welcome to Dr. Lal PathLabs' Q4 and FY25 Earnings Conference Call. 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 over the conference to Mr. Siddharth Rangnekar from CDR India. Thank you, and over to you, sir.

Siddharth Rangnekar: Thank you. Good afternoon, everyone, and welcome to Dr. Lal PathLabs' Q4 & FY25 Earnings Conference Call. Today, we are joined by senior members of the management team, including (Hony) Brig. Dr. Arvind Lal, Executive Chairman, Mr. Shankha Banerjee, CEO and Mr. Ved Prakash Goel, Group CFO and CEO, International Business.

I would like to share our standard disclaimer: some of the statements made on today's call could be forward-looking and actual results could vary from these statements. A detailed note is available in the results presentation on this, and the presentation has been circulated to you and is also available on the stock exchange website.

I would now like to invite (Hony) Brig. Dr. Arvind Lal to share his perspective. Thank you, and over to you, sir.

Dr. Arvind Lal: Thank you, Siddharth. Good evening, everyone, and thank you for joining us today on our annual earnings call.

I will share perspectives on diagnostics as an industry and the opportunities that it presents for Dr. Lal PathLabs. As we reflect on the strides made in India's healthcare sector during FY25, it is evident that both Government and private entities have intensified their commitment to enhancing health infrastructure and services.

The Union Budget for 2025- 26 has increased healthcare allocation by nearly 11% to nearly Rs. 1 lakh crore. Flagship schemes like Ayushman Bharat, PMJAY received increased funding. Concurrently, private equity investments in healthcare have reached $5-6 billion in 2024, nearly doubling pre-endemic levels and expected to maintain at these levels concurrently. Both trends point towards breadth and depth of opportunity in this space.

Demographically, India stands at a pivotal juncture. The working age population, that is 15 - 59 years of age, is projected to constitute 65.2% of the total population in 2031, offering a substantial demographic dividend. The population of seniors in the same period is expected to stand at 13.1%. Some estimates project that India shall have 34 crore seniors by 2050, accounting for approximately 17% of world's elderly population.

This dual demographic trend underscores the pressing need for a healthcare system adept at addressing both preventive and geriatric care. In this evolving landscape, the diagnostics industry plays a crucial role. The diagnostic sector, growing in double digits annually, is witnessing steady expansion. However, it is noteworthy that the organized segment accounts for only a fraction of this, highlighting significant opportunities for consolidation and standardization.

I would like to share a few important trends with you at this moment, given how the growth in testing is shaping-up, Tier-2 and Tier-3 towns and beyond are expected to account for a larger share of the diagnostic demand in the coming years.

Secondly, the burden of non-communicable diseases or NCDs or lifestyle diseases has significantly increased with cardiovascular conditions, diabetes and cancer estimated to impact about 23 crore people by 2030.

At Dr. Lal PathLabs, we are committed to serving this requirement for higher testing by leveraging technology, expanding our reach and ensuring that quality diagnostics are accessible across the country. Our brand has introduced a new test and overseeing the establishment of new laboratories with a view to enhancing accessibility.

Investments have continued in digital technologies in order to streamline operations and improve patient experiences. This includes implementation of advanced laboratory information systems and usage of AI to enhance diagnostic accuracy. As we navigate these transformative times, our focus remains steadfast on innovation and excellence. Together, we can shape a healthcare ecosystem that not only meets the current demands, but it is resilient and responsive to future challenges.

Thank you for your continued trust and partnership. I now hand over to Shankha. Over to you, Shankha.

Shankha Banerjee: Thank you, Dr. Lal. A warm welcome to everybody on our Q4 & FY25 earnings call.

On the operational front, we sustained a strong growth trajectory in Q4 driven by volume growth and mix improvement without taking any price hikes. Sample volumes grew by 9.5% to 20.9 million, while patient volumes increased by 3.8% to 6.8 million. Our bundled test program, SwasthFit, also delivered robust growth of 22%, contributing meaningfully to the overall performance.

During the year, we added 18 new labs, expanding our presence in Tier-3 and Tier-4 markets, while strengthening our network in Metro and Tier-1 cities.

On the system side, we have successfully implemented Microsoft D365, Starlims and the full IT stack in Suburban, creating a unified digital infrastructure across both brands.

I also want to take this opportunity to share my perspective on the overall direction for Dr. Lal PathLabs. India remains vastly unorganized in terms of diagnostic testing. Thus, it is our primary objective to develop the market, expand our reach and enhance our impact across healthcare landscape of India.

We are strengthening our network in Metro and Tier-1 cities, ensuring we remain the trusted partner for diagnostics in places where we are already well regarded. We also continue to develop our presence across Tier-3 and Tier-4 cities, primarily in North and East. We have built a strong brand preference in the North and East, but we continue to work on building brand reach and strength in the West and South.

Our vision also includes a relentless focus on expanding our test portfolio. We are strategically growing our capabilities in specialized verticals such as genomics, reproductive diagnostics, autoimmune disorders and other advanced tests. In line with this, we recently launched an advanced Amyloid Typing Test. We are proud to be the first diagnostic chain in South Asia to offer this highly specialized test under the guidance of the National Amyloidosis Centre, London, UK.

Our bundled test program, SwasthFit, is a potent instrument to gain scale while providing value to patients. We are extending the bundled test philosophy into the illness segment, ensuring we provide comprehensive and cost-effective diagnostic solutions across the healthcare spectrum. As we progress strongly into the hinterland, here too we are strengthening SwasthFit.

Integral to our future success is digital transformation. We are leveraging technology across our value chain from enhancing patient experience through user-friendly digital platforms to streamlining our operational efficiencies through sophisticated logistics and data management systems. This digital backbone is a strategic tool for scalability, security and for delivering innovative services.

We believe that this clear strategic roadmap coupled with focused execution will lay a strong foundation for sustainable and scalable growth in the years to come. We are cognizant about the opportunities and challenges ahead and remain dedicated to our mission of providing high quality accessible diagnostics to all.

With that, I now hand over the call to Ved.

Ved Prakash Goel: Thank you, Shankha. Good evening, everyone, and a warm welcome.

I will now proceed to share the financial performance for the quarter and the full year 2025.

- Revenue for Q4 FY25 came in at Rs. 603 crore compared to Rs. 545 crore in the same quarter last year, reflecting a growth of 10.5%.
- Revenue for the full year stands at Rs. 2,461 crore against Rs. 2,227 crore in FY24, a growth of 10.5%.
- Revenue per patient for Q4 FY25 is Rs. 887, up by 6.4%, compared to Rs. 833 in Q4 FY24. This is mainly due to improvement in test and geographic mix.
- Test per patient for Q4 FY25 stood at 3.07 compared to 2.91 in Q4 last year, and 2.97 for the full year FY25 against 2.83 in FY24.
- EBITDA for Q4 FY25 came in at Rs. 169 crore compared to Rs. 145 crore in Q4 FY24, registering a growth of 16.9% with the EBITDA margin of 28.1%. For the full year, EBITDA stands at Rs. 696 crore compared to Rs. 609 crore in FY24, registering a growth of 14.2% with a margin of 28.3%.
- PBT for Q4 FY25 came in at Rs. 154 crore compared to Rs. 120 crore in the same period last year, registering a growth of 28.1% with a margin of 25.5%. Full year PBT stand at Rs. 625 crore against Rs. 505 crore in FY24, registering a growth of 23.6% with a margin of 25.4%.
- PAT for Q4 FY25 came in at Rs. 156 crore compared to Rs. 86 crore in Q4 FY24, registering a growth of 81.4% with a PAT margin of 25.8%. Please note that in Q4 FY25, we have a one-time deferred tax benefit of Rs. 40.8 crore on account of voluntary liquidation of Suburban Diagnostics. For the full year, PAT stands at Rs. 492 crore against Rs. 362 crore in FY24, registering a growth of 35.9% with a margin of 20%.
- EPS for Q4 FY25 is Rs. 18.6 compared to Rs. 10.1 in Q4 FY24. For the full year, EPS stands at Rs. 58.5 compared to Rs. 43 last year, registering a growth of 35.9%. This EPS has a one-time deferred tax benefit as explained earlier. Excluding this one-time benefit, normalized EPS for Q4 FY25 is Rs. 13.6 and for the full year, normalized EPS stand at Rs. 53.5.
- Net cash and equivalents as on 31st March 2025 is Rs. 1,229 crore.

Further, I am pleased to share that the Board of Directors of the Company have approved a final dividend of 60%, that is Rs. 6 per share, taking the total dividend for the year to 240%, that is Rs. 24 per share.

I would also like to update that pursuant to the approved scheme of liquidation of Suburban, the entire business undertaking of Suburban has been transferred to Dr. Lal PathLabs Limited on a going concern basis in Q4 FY25.

With this, I conclude my opening remarks, and I would now request the moderator to open the forum for question and answer. Thank you.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Prakash Kapadia from Spark PMS. Please go ahead.

Prakash Kapadia: Yes. Thanks. A couple of questions from my end. So, at a time when most estimates for the diagnostic industry are showing an 8% - 9% growth, our growth has been 10%. So just wanted to understand, you know, what it will take at our end to grow at faster than the current rate. So, you know, because we have been expanding and derisking from North, we have expanded to East, to West is now almost 14% - 15% of contribution. I guess with scale, you know, the low cost and the quality assurance and branding should ensure slightly offer better growth than this. This is obviously better than industry, but what will it take for us to grow still higher than the current growth rate? So is it going to be a specialized test? Is it going to be some specific region contribution where we are very low or weaker? So, some cards on that will help.

Shankha Banerjee: Yes, so, the industry growth rate is obviously an estimate. And as of now, you are right. It could be anything between 8% - 10%. I think, you know, this year, the year that has gone by, we had started the year saying that we would like to do slightly better than the previous year without having to take a price increase. And I think we have been able to do that. Effectively, it's a 3% better performance than last year because there is no price increase in FY25 v/s there was a price increase in FY24.

Directionally, I think we are moving in the right direction and some of the initiatives, it is unlikely to be any specific geography because as you have said, there are at least now three geographies which are reasonable sized, which is Delhi NCR, North, East as well as West. So, it is unlikely to be any specific geography driven.

But I think our investments in terms of new infrastructure, the whole expansion of our collection network that we have done a bit of aggressive on that in the last 12 - 18 months should start seeing benefits of access that we get to newer markets. And also we are looking at increasing our focus on rather the SwasthFit portfolio, like we said, is something which we are moving into the Tier-3 and Tier-4 towns as well. There is still juice left in that strategy. And that's something which we will continue to push for. And even in our North and East markets, the Tier-3, Tier-4, growth is still continuing. I think a mix of all of these is what we are aiming towards to see how we can maybe grow faster than what we did in FY25.

Prakash Kapadia: Okay. And anything you want to call out on the contribution of specialized test? Is that a focus area given our legacy and experience in the industry? Can that be a big contribution going forward?

Shankha Banerjee: So, you know, again, I think we had mentioned in one of our previous calls, the specialized portfolio is something which each company would be defining differently. But the way we define our specialized portfolio; it is about one-fifth of our portfolio comes from the specialized test. But again, like I said, you know, specialized test is something, yes, we will focus on.

But what we realize is that any given geography when we go, we have to look at the whole range, right from routine, specialized, super specialized, bundled test, you know, all of that put together is how the ecosystem moves forward and the growth trajectory builds up. So, it may not be right on my part to call out just one element, but yes, there is focus on the specialized part of the portfolio as well.

Prakash Kapadia: Okay. Understood. And one question for Ved. Ved, given that Suburban is now part of Dr. Lal on an ongoing basis, so how does it impact the amortization and the balance sheet? Because we were writing part of the acquisition cost through amortizing it through P&L. So, what is left? How does it change the P&L and balance sheet impact?

Ved Prakash Goel: Prakash, there is, you know, on consolidated basis. I don't think there is any change because earlier also in consolidated financials we were impairing intangibles and the same will continue. It is just that it is coming in standalone now instead of consolidated.

Prakash Kapadia: Okay. And would you have the figure of amortization for this year and what would be pending?

Ved Prakash Goel: As I mentioned earlier also about Rs. 50 crore kind of, an amortization which is coming every year on account of intangibles.

Moderator: The next question is from the line of Karthik Chellappa from Indus Capital Advisors. Please go ahead.

Karthik Chellappa: Thank you very much for the opportunity, sir. Congrats on the quarter. Two questions from my side. First, if we were to look at the sample volume growth, could you give us some color on how did NCR North and, let's say, the West and East did individually?

Ved Prakash Goel: Karthik, hi, this is Ved. I think we are not splitting sample patient volume geographically. Right now, we have given the split in terms of revenue. So, maybe volume geographically we have not mentioned here.

Karthik Chellappa: Okay, or let me ask this question qualitatively. I think your endeavor was to improve your volume growth in NCR, which is like your biggest market, and that was probably growing lower than your overall volume growth. Are you starting to see traction there and in FY26 can we expect to see NCR volume growth at least better? At least in qualitative terms would you be able to comment on that?

Shankha Banerjee: Yes, I think, you know, what we were saying in maybe one quarter back that we were mostly talking about NCR revenue growth and since we are not taking any price increase, obviously it is driven by sample volume and mix. And we would like to, you know, we have done about a double-digit revenue growth this year for Delhi NCR. And going forward, we would like to maintain that trajectory.

Karthik Chellappa: Okay, great. My second question, is if I were to look at our patient service centers, this year, we have probably added more than what we added in the last 2 years, around ~845 or so, which is also a healthy 14%-15% growth Y-o-Y. So, is this like a prelude that we can see to a better volume print, given that you have actually ramped up your infrastructure? And I know there is a lead and lag for sure. But just given the investments that you have made in the PSC count, is this a sign that we should start to see better volume growth?

Shankha Banerjee: You know, the whole reason for ramping up the infrastructure numbers is to ensure that we get access to newer micro markets and even newer geographies. And in some of those geographies and depending upon the geography that the access we are getting, the kind of time horizon on which the infrastructure, the collection network really matures will be different.

It could be anything between 18-36 months that would take for the collection network or a new collection center and a lab network to really start maturing and contributing significantly to the volume and the revenue numbers. But directionally, yes, you know, ramping up of infrastructure should show better patient volumes and revenue in the future.

Moderator: We will move to the next question, which is from the line of Anshul Agrawal from Emkay. Please go ahead.

Anshul Agrawal: Hi, thank you for the opportunity. My question is on network expansion. Are we looking to aggressively add labs in the next 1 or 2 years or do we think that the current lab network should suffice our growth plans in this period?

Shankha Banerjee: We have added 18 new testing labs last financial year. And for this financial year and maybe one more, we definitely would like to keep up the tempo at this pace. We have been adding actually close to about 14-15 labs pre-COVID and post-COVID there was a period when the lab addition was slightly slower. We need to maybe catch up in these few years and after that we will come back to our normal lab addition trajectory.

There is still a lot of, you know, geography space which is available for testing infrastructure. Therefore, you know, that lab addition will continue. And not only that, even existing infrastructure of labs, you know, there are improvements and upgradation of instrumentation, etc., that we keep doing. And that is also a part of the normal annual operating cycle.

Anshul Agrawal: Just a follow up on this, sir. Would we see an increase in our PSCs as well commensurate to what we have seen in the current year? The reason why I ask is this, our lab utilizations surely seem to be going up. And would that continue in your view?

Shankha Banerjee: Yes, collection centers, so lab and collection centers or PSCs as we call them, go hand in hand. It is the whole hub and spoke and the whole network approach that we have in every geography. It is not either or. It will happen simultaneously. And as I was mentioning to a previous question that it is that ecosystem of lab and collection center network, which once added, takes a bit of time to really mature and build up. Yes, you will see addition of collection center, PSC network as well.

Anshul Agrawal: Sir, my second question is on the West region. Assessing by the split that you have given, geography-wise, our West region portfolio seems to have just grown about 5% in FY25. Could you give us an update on how Suburban has panned out in the last quarter?

Shankha Banerjee: We did the whole IT stack changeover in Suburban in Q4 and also the voluntary liquidation process was carried out in Q4. So, because of that, there has been a bit of an impact in terms of the revenue for Suburban in Q4. And we have already started recovering and we believe that we should be able to recover quickly in the next 1-2 quarters.

Anshul Agrawal: Okay, so it's been mid-single digits. Would that be a right understanding?

Shankha Banerjee: Yes, it will be a mid-single digit.

Anshul Agrawal: Great. I will fall back in queue. I have more questions. Thank you.

Moderator: Thank you. The next question is from the line of Shyam Srinivasan from Goldman Sachs. Please go ahead.

Shyam Srinivasan: Thank you. The first question on FY26. What are we sharing in terms of our revenue guidance? Maybe I can start there.

Shankha Banerjee: Yes, Shyam, so this year we have ended at 10.5% in terms of revenue growth. So, next year I think we should be better than that, maybe between 11% - 12%.

Shyam Srinivasan: Okay. And just another point here, as you mentioned, not taken price increase couple of times in the FY25. Is there a contemplation of that in the near term or in the medium term?

Shankha Banerjee: Price increase is something which for us will be a very strategic decision. I think in some previous call also we had discussed that if there is, you know, if we see the need, whether it is in terms of costs or whether it is in terms of the whole pricing table in the industry moving in a certain direction where we are left behind, if any of those things happen, then we may consider, but it is not something which we will do for any tactical reason right now, because maintaining the price table also has its advantages in terms of overall growth that we are trying to achieve.

Shyam Srinivasan: Got it. just the 10.5% going to 11%, let's assume. Are we expecting improvement in volume growth? Or is it still the SwasthFit contribution that keeps going up 26-28-30%? I am just making it up. But what is driving higher growth?

Shankha Banerjee: I think it will be both. You see, the RPP growth that we did this year was about 6%, right, and patient volume and then sample volume at 9.5%. The uptick, we definitely are trying to do the incremental growth over last year driven primarily through volume and try and maintain the RPP growth.

Shyam Srinivasan: Got it. Last question, just again on guidance on margins. We have reached 28.3%, so very healthy numbers. But I just want to understand how we should look at margin for FY26. Thank you.

Ved Prakash Goel: Shyam, margins, I think, we have close at 28.3%. Going forward, I think, since we have to make a lot of investment in newer geography, newer talent and some digital initiatives and so on and so forth, so around 27% kind of margins we are looking or we are confident to maintain.

Shyam Srinivasan: Ved, 100 bps lower, you are saying.

Ved Prakash Goel: Yes.

Shyam Srinivasan: Okay, and the Rs. 1,229 crore of cash, any thought process on how that will be likely allocated, Ved? Thank you.

Ved Prakash Goel: Again as a stated strategy, we are keeping this cash with us for any opportunity which will emerge and as earlier mentioned, I mean, obviously we are growing organically and we have started our own efforts in South, particularly South and West, but if there is any opportunity there, definitely we will be keen to do that opportunity. And that's why we are keeping this cash. And in addition, obviously, we are paying dividends as well.

Moderator: Thank you. The next question is from the line of Bharat Celly from Equirus Securities. Please go ahead.

Bharat Celly: Thanks for the opportunity. We have been actually seeing volume growth of around mid-single digit since last almost like 7-8 quarters. And despite the fact that we are moving to the hinterlands of India, can we see these numbers inching up to the high single digit?

Shankha Banerjee: Like I was answering in one of the previous participants, the infrastructure expansion push that we have taken in the last 12 - 18 months over the new labs and collection networks and incremental areas around that, those will obviously start maturing. It takes anything between 18 - 36 months for these networks to mature. And we believe that they will help us improve our patient volume number. For overall, like we have been saying earlier, for volume, look at sample volume and patient volume both as indicators of volume, not only the patient.

Bharat Celly: When we will start seeing this Hinterland started picking up probably Tier-2, Tier-3 towns, will it be a case where our patient volume growth will look higher, but the realizations will start taking a hit considering the prices there will be relatively lower?

Shankha Banerjee: So, our pricing approach in Tier-3, Tier-4 is not really different compared to whatever are the contiguous Tier-2 or Tier-1 markets. Our pricing is similar, it's not essentially lower pricing on an MRP basis. But the revenue per patient and those angles, we obviously will look at that, how it develops and emerges. As of now, we are not seeing any significant difference between the Tier-3, Tier-4 realizations v/s. what we are seeing in maybe a Tier-2 or a Tier-1 town.

Bharat Celly: And according to you how the pricing for the competitors will be in these markets?

Shankha Banerjee: The competition in these markets are primarily unorganized local labs. I mean, that is the main competition in the Tier-3 and Tier-4 markets. And pricing there is not very different. I mean, it could be slightly lower, but it is not as if it is very different from the kind of pricing we are able to work on in these markets.

Moderator: Thank you. The next question is from the line of Raman Sivi from Sequent Investments. Please go ahead.

Raman Sivi: Hello. I just have two questions. One is, I want to understand the competition in the industry, because from what I am hearing and what I have seen, that there is a competition from pharma players also, like pharma players entering the diagnostic industry. For example, recently Lupin announced its foray into diagnostic sector. Is the competition going to intensify in coming quarters or years?

Shankha Banerjee: You know, on the competition front, I think this industry has always been quite competitive. And there have been phases when newer kind of players have entered the industry. And I think as long as more and more organized players come into the industry, it is good. Because the overall industry benefits from more organized players. It becomes more level playing field. So, from that point of view, this competition with more organized players is not something which is very new and is likely to maybe benefit the industry at an overall level as well.

Ved Prakash Goel: See, the market is so big, this market has space for everyone. I mean, it's not that we are the only player remaining here.

Raman Sivi: Okay. And my second question is with respect to the CAPEX. How much CAPEX are we planning for FY26?

Ved Prakash Goel: Normally our maintenance CAPEX is about Rs. 60 – Rs. 70 crore a year. And I believe in next year, FY26, similar kind of CAPEX will be there.

Raman Sivi: You are saying the CAPEX will be around Rs. 70 crore and as of now there is no plan of any additional acquisition?

Ved Prakash Goel: No, that is something different. That's why I am saying maintenance CAPEX, which includes normal expansions where we are opening 15-20 labs every year and some maintaining CAPEX on account of let's suppose investment in IT or software and all that stuff. But if there is any opportunity, obviously that will be different.

Raman Sivi: With respect to this follow-up question on CAPEX itself, how much usually is the CAPEX? If I have to set up a lab or pathology lab or a radiology lab, how much usually is the initial investment to set up a new lab or pathology center?

Ved Prakash Goel: It depends. I mean, we have different kinds of set up, reference lab. Then we have hub labs and then we have set labs. So, smallest is set labs where generally Rs. 80 lakhs to Rs. 1 crore kind of CAPEX is required. And if you go smaller lab, which is like Tier-3, Tier-4, even lesser amount is required. So, that's how the CAPEX is required in these labs. Obviously, we are not planning any reference lab further in this FY26, that is not required.

Raman Sivi: Okay. And one last question. So, in FY26, what is the revenue from pathology and what is the revenue from radiology?

Shankha Banerjee: Our revenue from radiology is actually miniscule. It is very low single digits. I mean, it is all pathology revenue only.

Ved Prakash Goel: Less than 5%.

Raman Sivi: 4% - 5%.

Shankha Banerjee: Less than 5%.

Ved Prakash Goel: Yes, less than 5%.

Moderator: Thank you. The next question is from the line of Divyansh Gupta from Latent Advisors. Please go ahead.

Divyansh Gupta: Hi, a couple of questions. First is on, let's say, weaponization of chemicals by China. They stopped selling of Gadolinium, which is MRI agent, and today they stopped shipping, exporting of rare earth magnets, right. And I understand that a lot of chemicals come from China for the reagent purposes. Two questions in this, how much of it is coming from China as of today? Is there Indian capacity which can service in case China takes some similar steps in this domain? How are we thinking about that?

Dr. Arvind Lal: Yes, this is Dr. Lal here. The answer to your question is that we hardly get anything from China, miniscule it is, you know, would be even less than 1%. So, this actually does not involve us and since we are not in radiology, we would be able to answer that question, what you were asking is that there is some rare earth chemical goes into a dye which is injected into the patient. We wouldn't know that.

Divyansh Gupta: Sorry, I wasn't asking about radiology. I was saying just for the pathology diagnostics, our reagents.

Dr. Arvind Lal: In pathology diagnostics, no reagent in our case comes from China. None.

Divyansh Gupta: Got it. That's good to hear. The second one was an earlier presentation you used to share this Tier-3 revenue footfall numbers. But in the current presentation I am not able to find. Would it be possible to share these numbers?

Shankha Banerjee: Yes, We have had a good growth in our Tier-3 revenues even in this year. We had a healthy, mid-teens kind of growth. So, it is definitely in the similar trajectory as what we would have seen earlier. That trend continues.

Divyansh Gupta: Got it. And just the last question. On a per patient basis in Tier-3 v/s. on Tier-1, what is the difference in realization purely because of mix of pricing difference? Or at an overall level.

Shankha Banerjee: As I was answering the previous question, we don't have a differential pricing in a Tier-3, Tier-4 town, we have a geography approach in terms of pricing. Markets in that vicinity all have similar pricing. So, there is no differential in terms of pricing. If at all, it would be maybe a bit of number of tests on per prescription or on that basis or a mixed differential, that would be the only difference. It is not anything to do with pricing.

Divyansh Gupta: And so what would be that end result because of the mix change? Like 5% on a per footfall basis, we end up making 5% lower, 10% lower, and purely because of mix change.

Ved Prakash Goel: I think realization is lower than let's suppose Tier-1 in Tier-3, Tier-4, but that split obviously is varied because of many reasons as Shankha mentioned. I don't think we have exact split of that right now.

Moderator: Thank you. The next question is from the line of Amey Chalke from JM Financial. Please go ahead.

Amey Chalke: Yes, thank you for taking my question. Although most of my questions have been answered, I have one question on the expansion. So, this year we have seen something like 18 labs being added in a year and close to 1,000 PSC. Is it possible to tell how much would it be in the core areas of like North and how much would it be in all core areas?

Shankha Banerjee: So, we can look at that number and come back to you, but in terms of you asking only labs?

Ved Prakash Goel: Mostly in our core geography.

Amey Chalke: I am saying the diagnostic paradigm, the way it is done largely, it is In Vitro Diagnostic at present, the dependence of it. So, going ahead, you see the importance of In vitro diagnostic to go down in place of, let's say, AI-powered image techniques, etc., if a lot of these ventures are using them. So, you expect the In Vitro Diagnostic testing as an importance to go down going ahead.

Dr. Arvind Lal: No, we don't think so. I think In Vitro Diagnostics will continue the way they are continuing.

Shankha Banerjee: You know, our view is, there is, if you look at imaging and pathology, firstly, there is a lot of AI deployment that is happening on the imaging side. In pathology, there is still AI work happening. And either ways, a lot of it is going to assist the current evaluation and reporting and maybe help enhance that rather than maybe replace it.

Moderator: Thank you. The next question is from the line of Deven Kulkarni from Marcellus Investment Managers. Please go ahead.

Deven Kulkarni: Hi, Shankha. Hi, Ved. So, this quarter, I see that our fees to collection centers has grown by just 3% odd YoY, which is like far better than our revenue growth. So, can you help me understand what's happened here? Have we cut channel margins or is it some mix change?

Ved Prakash Goel: There is no change in the margins. Deven, it's purely on the mix.

Deven Kulkarni: Okay, so then how to interpret that? Sales from collection centers has grown by just 3% odd Y-o-Y in Q4. And the rest of it has come from our own labs or direct channel, right?

Shankha Banerjee: No, that would not be the right way to read it. The sales from collection center has also grown in double digits. It is also, like he said, there is a test and a geography mix. You know, that is what will be impacting. But there is no change in terms of the revenue share that we are giving to the channel partners.

Deven Kulkarni: Okay, understood. And secondly, Ved, what was the EBITDA margin in Suburban in this quarter?

Ved Prakash Goel: So, as I mentioned this has been merged in the parent company in this quarter. Now we are looking overall margins, maybe it is the company margin. But as earlier mentioned, I mean couple of quarters back, this was having 15%-16% kind of EBITDA margins. But really now after merging with this, it's only one which is coming and not separately.

Moderator: Thank you. The next question is from the line of Sumit Gupta from Centrum Broking. Please go ahead.

Sumit Gupta: Hi, thank you for the opportunity. It's a follow-up to the previous participant's question. So, just to understand on the competitive scenario in the Mumbai market for Suburban and what are the other competitors, like how do you see this competition? For overall market, how is it shaping up?

Shankha Banerjee: If you see Mumbai market, you know, we are not the leaders. So, there is existing players who are the market leader there and number two strong player. For us obviously, since we are a challenger brand in that market, for us that competition has always been there and it remains similar.

Sumit Gupta: Okay, so how do you see Suburban pairing over the next 3 - 4 years? What is the plan for Suburban?

Shankha Banerjee: The plan for Suburban is focused on these three geographic places, Mumbai, Pune and Goa. And we continue to work on those markets. These are large, you know, Mumbai as well as Pune have become large diagnostic hubs in their own right. And we believe both these markets have a huge headroom available for us to play both the brands and therefore we will continue with our two brand, dual brand strategy in these markets. And that's how we want to really move to becoming one of the top 2 brands in both of the geographies.

Moderator: Thank you. The next question is from the line of Harshal Patil from Mirae Asset Capital. Please go ahead.

Harshal Patil: Good evening, and thank you for the opportunity. I just have two questions, probably from an understanding perspective. We did see that for FY26, we are kind of expecting some 100 bps lower in terms of operating margins. And so I just wanted to also understand from the perspective that we have some, you know, we have kind of expanded our network and lab network and collection networks over the past 2-3 years. The benefits of leverage would definitely also accrue going ahead as these centers ramp up. And simultaneously, we are also expecting 100 bps lower margins. Is it that the initial start-up cost for the recently commissioned labs is higher or are we kind of talking of higher marketing expense?

Shankha Banerjee: You know, that is a very good question. I think the initial aggression in terms of opening of labs collection network is about 12 - 18 months old. And they are still in the maturing phase and even in this financial year, we are saying we want to open 15 - 20 new labs. And I also mentioned, you know, there will be upgradation in existing labs. It is not only about the newer labs, but upgradation in existing lab infrastructure that we will do. And also there is more frontline sales teams to work on in the newer geographies that we are going and intensifying our approach in the markets that we are already there and also advertising costs. Therefore, marketing spend, it is a mix of all of that. Basically, you know, as that previous thing matures over a 18 - 36-month cycle, we should start maybe seeing those benefits, but then we may have newer areas to invest at that time.

Moderator: Thank you. The next question is from the line of Kunal Lakhani from CLSA. Please go ahead.

Kunal Lakhani: Hi, good evening. Just a follow-up on an earlier remark. You said that the radiology revenue mix is less than 5%. Is that a conscious strategy to keep the concentration lower or it could be a revenue driver for future? What's the thought process there?

Shankha Banerjee: You see currently, we have what we call as basic radiology in some of our core markets which is X-ray, ultrasound, maybe TMT and things like that. High-end radiology which is CT, MRI is something which we haven't really gone into on a big way. You know, as of now there is a lot of market opportunity in the pathology area itself and therefore, being our core strength, we want to focus more energies in that direction where we have an advantage. But having said that, radiology as an option is always on the table and we continue to evaluate it. And as and when we find that to be something viable, fitting into our growth strategy, we will get into it.

Kunal Lakhani: Sure. I mean, the reason why I was asking that was because we do have plans to expand in the South and some of our Southern peers have a very strong radiology mix, which kind of in a way helps them in terms of branding and sort of brand recall. You think that would not be an issue for us when it comes to expanding South India?

Shankha Banerjee: You know, in South India currently, our footprint is relatively quite weak and we are looking at both organic as well as inorganic opportunity in South. There could be a possibility that if there are inorganic acids which are coming with the radiology business attached to it, then that becomes a part and parcel of our business also going forward. But organically trying to do radiology in the South is really not on the agenda right now.

Kunal Lakhani: Understood. Thank you so much. My second question was on the margin outlook again. This year you have guided for like 100 bps lower margin. But would it be more transient or you think this 27% margin is something that would go on for like, say, mid-to-long term?

Ved Prakash Goel: I think, Kunal, this is where we are investing and that is where that doesn't mean that operating leverage or efficiency is not coming. Whatever improvement or whatever increase in the margin, we are investing back into the business. And this is definitely for the FY26 we have narrated. Maybe for a longer term, how we will go, maybe it is difficult to tell at this point of time. But definitely for the next year, we have plans to invest in the business.

Kunal Lakhani: Sure. And lastly, on the pricing bit, right, I mean, we have seen a very prolonged period of new price hikes. And it's for any industry, right, price growth is like a litmus test or metrics to measure the health of the industry per se, right? Where do you think we are or how far away you think we are in terms of like the pricing power coming back to the industry, not just talking about Dr. Lal or any other operator, but for the industry per se, pricing power coming back. When do you think that can happen?

Shankha Banerjee: You know, I don't think this question of taking a price hike or not is something to do with the pricing power. It is more about a conscious choice and a strategic choice of not taking a price increase, given some of the strategies that we have deployed for growth, moving into Tier-3, Tier-4 towns and some of the other ways that we want to look at sample volume growth also being one of the major drivers, looking at how can we improve maybe even patient volume in the future.

It is more of a conscious reason. And since we are able to kind of drive efficiency through operating leverage, a lot of technology that we deploy, we are able to eat a lot of the inflation that is otherwise going to be in the system. In that scenario, it is a conscious choice of not taking a price increase.

But like I mentioned to a question in the past, you know, we obviously will keep evaluating if there is a cost pressure or if there is any other reason or if we see the pricing table in the industry is moving in a certain direction and we are kind of, you know, there is always a linkage in our industry of price and quality. We don’t want to be caught on the wrong end of that. If those opportunities present to us, then we may consider a price increase.

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

Ved Prakash Goel: Thank you, everyone, for being with us on this call today. We express our gratitude for your continuous trust and support. I hope we are able to answer all your questions. Please feel free to reach out to us in case you have any further queries. Thank you once again.
