



**VIJAYA**<sup>®</sup>  
**DIAGNOSTIC**  
**CENTRE**

February 12, 2024

To,  
Listing Department  
**National Stock Exchange of India Limited,**  
Exchange Plaza,  
Bandra Kurla Complex,  
Bandra (East), Mumbai- 400 051  
**NSE Symbol. VIJAYA**

To,  
The Corporate Relations Department  
**BSE Limited,**  
Phiroz Jeejeebhoy Towers,  
25<sup>th</sup> Floor, Dalal Street  
Mumbai- 400 001  
**BSE Scrip code. 543350**

Dear Sir/Madam,

**Sub: Transcript of the Earnings conference call organized on February 06, 2024**

We are enclosing herewith the Transcript of the Earnings Conference Call organized on February 06, 2024, post declaration of unaudited financial results of the Company for the third quarter and nine months ended December 31, 2023.

Please take the information on record.

Thanking you.

Yours faithfully,  
**For Vijaya Diagnostic Centre Limited**

**Hansraj Singh**  
**Company Secretary & Compliance Officer**  
**M. No. F11438**

Encl.: As above



## “Vijaya Diagnostic Centre Limited's Q3 FY'24 Earnings Conference Call”

**February 06, 2024**



**MANAGEMENT:** **MS. SUPRITA REDDY – MANAGING DIRECTOR & CHIEF EXECUTIVE OFFICER, VIJAYA DIAGNOSTIC CENTRE LIMITED**

**MR. NARASIMHA RAJU – CHIEF FINANCIAL OFFICER, VIJAYA DIAGNOSTIC CENTRE LIMITED**

**MR. SIVARAMA RAJU – HEAD (STRATEGY & INVESTOR RELATIONS), VIJAYA DIAGNOSTIC CENTRE LIMITED**

**MODERATOR:** **MR. BHAVESH GANDHI – YES SECURITIES (INDIA) LIMITED**



**Moderator:** Ladies and gentlemen, good day and welcome to Vijaya Diagnostic's Q3 FY'24 Earnings Conference Call hosted by YES Securities.

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

I now hand the conference over to Mr. Bhavesh Gandhi from YES Securities (India) Limited. Thank you, and over to you, sir.

**Bhavesh Gandhi:** Thanks, Viren. Good morning, everyone. This is Bhavesh here from YES Securities. I welcome you all on the Third Quarter FY'24 Earnings Conference Call of Vijaya Diagnostic Centre Limited.

First of all, I would like to thank the Management for giving us this opportunity to host the call. Today, from the Management Team, we have with us, Ms. Suprita Reddy – Managing Director and CEO; Mr. Narasimha Raju – Chief Financial Officer and Mr. Sivarama Raju – Head (Strategy and Investor Relations).

I would now like to hand over the call to Ms. Suprita Reddy for her Opening Remarks. Over to you, ma'am.

**Suprita Reddy:** Thank you, Bhavesh. Good morning, everyone. I on behalf of the management team of Vijaya Diagnostic Centre Limited take this opportunity to welcome you to this forum. I will first now present the “Key Highlights for the Period” after which “Mr. Narasimha Raju will take us through the Operational and Financial Highlights of the Quarter-ended 31st December 2023.”

I'm joyful in announcing that this quarter too witnessed healthy business performance with our core business firming up further, recording an 18% year-on-year non-COVID revenue growth. The Wellness business stood strong at 12%. Maintaining a steady contribution to the overall revenue, the B2C segment was up 94%. The expansion of Vijaya's footprint and the demonstration of consistently successful business performance, clearly shows a steady progress in line with the four-pronged strategic approach. We have been talking from the time of our initial listing. Aligning with our strategy of growing stronger and deeper in our home markets, we established hub centers at Tirupati, Rajahmundry and our close at Panjagutta, Hyderabad. Added to a warm and spontaneous reception of our brand by our customers, all these hubs have been able to perform really well breaking even in a record timeline. The three months old hub at Mahbubnagar followed the same positive trend and as anticipated we should be able to break even in the next quarter.

Guided by this strategy of expanding to the adjacent geographies, we set up a hub center in Gulbarga in the state of Karnataka in the month of November 2023. The center can offer a



comprehensive range of diagnostics right up to MRI, CT and houses a fully automated lab. Foraying into Karnataka, we believe that we'll be able to sufficiently identify and address the market need and swiftly expand the footprint thereto.

We took steps towards expansion to Eastern India by setting up a one of its kind hub in Kolkata. Commencing business operations in July 2023, the progress has been quite promising and we can expect a break even within the anticipated timeline. We made a good headway into identifying strategic locations for expansion into the West Bengal and expect to close in on a couple of locations in time to come.

Striving to achieve inorganic growth, we acquired PH, renowned and a well-established B2C integrated diagnostic chain in Pune in the month of December 2023. Ever since, we've seen a rapid ramp up of things and expect to fully integrate to the parent company in the next two quarters.

Along with Dr. Hemant from PH, our colleague Mr. Kamlesh, who was with Vijaya for the last five years, is working to effectively capture the market in this region. We plan to present a detailed update on the progress and the future expansion plans very soon.

Apart from the progress in line with the predefined strategy, we lay utmost importance to ensuring our practices follow the best standards of quality. A testimony to this has always been that our labs being NABL accredited, even the recently established ones at Rajahmundry and Tirupati. The hub at Kolkata is slated for an NABL accreditation in a month from now. Furthermore, the NABL shows our Kolkata lab for a joint assessment alongside (APAC) Asian Pacific Accreditation Board, an organization providing accreditation guidelines to NABL. This prestigious assessment is generally extended only to the top labs in the country.

Added to this, a part of our initiative for doctor engagement and connect, we've held the highest number of CMEs in this quarter. We partner and consult with expert clinicians in the industry to hold webinars on various complex topics and medical conditions on a continued basis.

It is also our conscious effort to attract and retain talent. The doctor base at Vijaya has now increased significantly from 200-plus to over 250-plus doctors.

We were able to demonstrate that we stood true to our commitment to abide by our well thought out expansion strategy playing at most importance to the needs of our customers, a winning stance that made us come this far, enabling us to add value to our stakeholders while standing out as a brand of choice. While conforming to this approach always, we will strive hard to improve and upgrade along the way.

I'd like to invite Mr. Narasimha Raju – our CFO, to present to us the “Operational and the Financial Highlights” for this period. Thank you.

**Narasimha Raju:**

Thank you, madam. Good morning and a warm welcome to everyone joining us on the call today.

Before I take you through the “Financial Performance” of the current quarter, I would like to update you that the recently acquired subsidiary, PH Diagnostic, Pune is consolidated with effect from its date of acquisition, that is 21st December 2023. Accordingly, the financial numbers and also the operational metrics given in the investor PPT include the corresponding numbers of PH as well. The revenue from PH for this period of 11-days in this current quarter is approximately 1.29 crore with similar EBITDA margins of Vijaya.

Now, I will briefly take you through the “Financial Performance and Key Developments for the Current Quarter ended December 2023”:

The consolidated revenue for the current quarter stood at Rs.133 crores as against Rs.113 crores in the corresponding quarter of the last year, registering an overall year-on-year growth rate of 17%.

When it comes to the non-COVID business, I'm happy to inform that it has grown at year-on-year growth rate of 18%, that is from Rs.112 crores to Rs.132 crores in the current quarter. Please note that even without considering the revenue from PH, the non-COVID year-on-year growth rate is impressive at 17%. I'm glad that this significant revenue growth of 17% was largely driven by volume growth of 15%. Like the previous quarter, this growth in the business was again driven by both radiology & pathology segments underscoring the robustness of our B2C focus integrated business model. The B2C revenue share stood healthy at 94%.

Our radiology business stood at 36%, similar to Q3 of last year. The revenue per test was Rs.459 and the revenue per patient footfall was Rs.1,511 during this current quarter.

EBITDA for the current quarter stood at 52 crores as compared to 44 crores in the corresponding previous quarter, registering a year-on-year growth rate of 18%. The EBITDA margin was healthy at 39.4% in the current quarter, marking a year-on-year increase of 30 basis points.

Few factors that have helped the company to maintain this industry-leading margins are, impressive growth of 17% in the top line, 94% of revenues coming from B2C segment, the cost structure of the integrated business model, and a close monitoring of the operating cost. The profit after tax for the current quarter stood at 26 crores and the PAT margin was also healthy at 21% excluding the recent M&A cost.

Coming to the update on the CAPEX investments in the new centers for the current quarter:

As part of Tier-2 cities expansion strategy, we have successfully launched our hub center at Mahbubnagar, and as part of adjacent geography strategy, we have commenced the hub center at Gulbarga in the state of Karnataka, and also, we have added two spokes in Hyderabad network.

Coming to the update on the investments and cash reserves, as informed in the earlier discussions:

The transaction value for 100% stake of PH Diagnostics is 147.50 crores, which is entirely funded through the existing cash reserve. The cash reserve as at the beginning of this quarter were Rs.298 crores. And after this acquisition and also after payment of 100% dividend to the shareholders in the current quarter, the closing balance of cash reserve is Rs.158 crores.

I will now summarize our Performance for the Nine Months ended December 2023:

The consolidated revenue is Rs.393 crores as against Rs.338 crores in the corresponding nine months of the last year, marking a year-on-year growth rate of 16% on total revenue, and when it comes to non-COVID, it is 19% year-on-year growth. EBITDA stood at Rs.158 crores as against Rs.133 crores in the corresponding nine months period, registering a year-on-year growth rate of 19%. EBITDA margins stood healthy at 40.2% and the profit after tax was 86 crores with impressive margin of 22%.

To conclude, I would like to say that the company is expanding into new geographies as per well thought out and careful expansion strategy. And with the recent acquisition of PH in Pune, we are very close to 150 centers milestone. Spread across 23 cities and five states, we continue to hold our position as the largest B2C integrated diagnostic chain supported by healthy balance sheet and robust cash surplus available for our future expansion strategy.

This brings me to the end of my address. I would now request the moderator to open the line for the Q&A session. Thank you.

**Moderator:** We will now begin the question-and-answer session. We have our first question from the line of Bhavesh Gandhi from YES Securities. Please go ahead.

**Bhavesh Gandhi:** One question is on Gulbarga. Can you dwell upon the market size, how does it compare to some of the other hubs that we have opened recently and how do you think of this hub addition?

**Sivarama Raju:** Bhavesh, so more than the numbers, I will qualitatively explain you. So, if you see the market, it is larger than Rajahmundry and Tirupati in terms of size, availability of doctors, availability of medical colleges and hospitals. So Gulbarga is a district headquarter and it has about three medical colleges present in that region. And in terms of diagnostics, again very limited play in terms of integrated, you have pathology only players, but in terms of integrated play, you have only three or four local players. So, we see an ample opportunity. In fact, you have many of the doctors for oncology setting up their clinics in Gulbarga now. Once the center stabilizes, maybe two, three years down the line if we find that market to be suitable, we may also add some other modalities in that market. Otherwise, there's a huge opportunity in that market.

**Bhavesh Gandhi:** Second question from my side is on the Pune acquisition. So, in terms of integration challenges or integration efforts that are required in terms of front end sample collection, the back end testing as well as report generation, so how do we see the progress on those parameters because I think from whatever we have seen in other M&As within diagnostics, those kind of challenges have proved to be quite time-consuming, So, any thoughts on those points?

**Suprita Reddy:** Yes, Bhavesh. So like you mentioned, they are time-consuming and challenging, but they have to be done, that's also a reason why I said in the next two quarters. In fact, if you ask me in the next couple of months itself, we'll get the front end aligned to the parent company and the back end processes will probably take another couple of months from there in terms of your HR, procurement, store. But the front end will be with the parent company probably two months' time to come from now.

**Narasimha Raju:** And also, Bhavesh, we're trying to integrate the accounts ERP of the parent company and also the front-end Sufalam software like madam told also the efforts are on the way to get them implemented in the month of April including all the major departments like HR policies, procurement, finance. In fact, recently we have recruited one dedicated finance head in Hyderabad to oversee the entire Pune finance function as well. So in another couple of months we're trying to align most of the parent company policies and procedures over there.

**Bhavesh Gandhi:** In your opening remarks, you had mentioned about looking for hubs in West Bengal. So what is the plan here in terms of what is the nature of hubs that we are going to open and how would this stand vis-à-vis our Kolkata hub in terms of CAPEX, in terms of the offerings across radiology, any indication here?

**Suprita Reddy:** Bhavesh, irrespective of geography, the hub remains the same for us, whether it is a metro or a Tier-2. Hub specifically is sometimes with a fully automated lab, otherwise with the CT and MR and every other modality like a BMD, TMT, 2D Echo, Mammography where entire health checkup can be done. So hubs are the same. They differ sometimes in terms of size availability on property in that particular area, but the hub definition remains to be the same. So in Kolkata, the first of its kind hub was opened in VIP Road with the 3 Tesla and a Cardiac CT. Because it was the first center that we opened. Now the second hub that will come probably will not have a cardiac CT, but will still be able to do an entire health checkup in the hub itself, which is probably close to opening in the next say two to four months depending on when the property is handed over to us. Like we mentioned in the earlier calls, West Bengal is a market we want to grow organically, we would want to take it slow, get it ready to be a market that we would want to add lot more spokes in the years to come, that is in the next two to three years. To get that market ready for that, we started with our first of its kind hub slowly adding a few centers, but the entire concentration now is probably in taking over Pune, integrating it, looking at that market, getting us some insight into that, and parallelly doing the adjacent geography, Hyderabad market, Pune Market and Kolkata market. So, in terms of how many centers, Kolkata will be a



little slow compared to these markets because we want to have it as a long-term plan in the coming years to come.

**Moderator:** The next question is from the line of Abdulkader Puranwala from ICICI Securities. Please go ahead.

**A Puranwala:** First question is on this 18% volume growth. So 1% we understand that it's coming from the PH acquisition and the balance 17%, could you help us understand, what is driving this kind of growth, how much of this would be coming from Kolkata, your other new centers and how your older centers are doing?

**Sivarama Raju:** So like you rightly said, out of this 18% 17% of the non-COVID revenue growth was driven by the parent company and only 1% of it coming from PH. So, when we break it down into volumes, right, I think this 18% growth was led by about 16% growth in test volume, and basically it's a mix of all the four things, right, the existing centers growing in Kolkata and the new centers also taking up. So today, if you exclude PH, still we get about 80% of our revenue from core geographies and 3.5% of revenue from Kolkata. So if you break down this into same-store sales growth versus new centers growth and then we consider any center that's opened like one year and above has same-store sales growth because they're also part of last year. So roughly around 11.5% to 11.7% of revenue growth was from same-store and about 4% to 5% coming from these new centers. So same if you translate this into volume, 10 bps here and there, even the volumes will follow the same trend.

**A Puranwala:** Secondly, on the PH acquisition, you mentioned you have done close to Rs.1.29 crores of the 11-days integration what has happened. So I mean going ahead, how should we look at PH, I mean, would this be an annual revenue generator anywhere between 35 to 40 crores or you can use to scale up the business in the next one or two years?

**Sivarama Raju:** So if you actually see FY23 itself, PH closed around Rs.42 crores of revenue. Definitely you'll see some improvement in FY24 happening, right. So apart from that, yes, the whole idea is to grow that geography. There's a lot of potential in that market. But coming to detailed plans, even we are also prioritizing few things internally. Maybe in next one, two months we'll be able to present you a detailed plan. But yes, you can expect some good growth coming from that market.

**A Puranwala:** And just finally on the sequential dip in your margins, just wanted to understand, is it entirely because of the seasonality on quarter-on-quarter basis or anything further to read into this?

**Narasimha Raju:** Mainly because of the seasonality. But if you see quarter-on-quarter, there is a 4% decrease in the revenues, right? So due to which the margin slightly dropped from 41% levels to 39.4% or 39.5%.

**Moderator:** The next question is from the line of Anuj Suneja from ICICI Prudential. Please go ahead.

**Anuj Suneja:** So some of my questions have been answered on PH and I'll just ask the rest. So essentially on basically the realization per patient front, while we are seeing expansion of ARPPs from other players and growth has been anywhere between 6% to 10% in the last one year. But for us, the growth seems to be slightly delayed. Could you tell the reason for this or are we not really taking price hike and how should I be looking at the ARPP numbers going forward.

**Sivarama Raju:** So Anuj, even in the last four or five years and also in the current year, if you generally see the price impact, right, generally we don't have any annual price hike across the test like whenever we see some input cost increasing for a particular test, we increase the price of that particular test. So more or less it will be like 1% or 1.5% of our total revenue coming from price hike. This is something where we are trying to build more on volumes because still we are in that growth phase, right, including in Hyderabad. You've seen the kind of setups we have done in the last one year. So we want to follow that route for at least next one, two years. So you will not see anything big coming in front in terms of price increase, but you may still see ARPP going up because it all depends on how Pune, Kolkata, because the current average realizations in Pune and Kolkata a little better when compared to this Tier-2, Tier-3 market. So you may see more of a mix change but not actually ARPP change because of the price hike at least for the next one, two years.

**Anuj Suneja:** Secondly, I wanted to ask, so in the expansion plans in your PPT of the slide #22, you also mentioned Gurugram and I have asked this question before as well, is something happening there right now or we have just receded from that market?

**Sivarama Raju:** Basically Gurugram, we have a location already present there. So that is the reason we mapped there, but we did not mention anything about North India strategy. If you see that slide, it talks about East India, adjacent geographies west and core geographies,. But as of now. -

**Suprita Reddy:** Anuj, Gurugram is an old center set up for a wellness center, basically. So it's almost been... I don't know the exact number of years, but it's a single standalone unit, caters mostly to the corporate and the wellness sector. And in terms of strategy there, we've not thought about anything, no plans on Gurgaon yet.

**Anuj Suneja:** And finally, from the growth perspective, so we have done like 15% of volume growth. Going forward, say if I were to visualize your company say about three to five years down the line, do you have a strategy in place or could you help me visualize like how much growth would be coming from which geography, be it Telangana, Andhra going forward into western and eastern geographies and it will be helpful if I can like get a slight volume breakdown in terms of how are you looking at volumes going forward and what percentage of volumes will be coming from which part of the country?

**Sivarama Raju:** Maybe we'll not be able to break it down to that level. But if you ask us, see, the idea is to grow all the geographies including Hyderabad because we've made significant investments in last one year like Panjagutta, etc., and also obviously we're taking steps in the eastern India and now in

Pune also, right. But what we foresee or what we believe is that Hyderabad, which is a significant portion of our current revenue will still tend to grow at that higher double digits, and with the growth coming from the rest of the geographies like Tier-2, Tier-3. East India and Pune, right, so the contribution see today, I think 80% of the revenue is coming from Hyderabad, maybe that will come down to say somewhere in the range of 70% to 75%. But the idea is to grow all the markets. So specifically, to guide us -

**Suprita Reddy:** If you want an answer there, probably it looks Hyderabad dipping a little, Andhra increasing, followed by Pune, then followed by eastern India. In terms of exact breakdown, probably we're not enough because we've just taken over PH in the month of December, I think we need a little more time to come back to you on a more detailed breakdown in terms of numbers.

**Narasimha Raju:** So that's on geography side. Coming to the split, the growth that what we're expecting is 14% to 15% growth, that will be predominantly coming from the volume growth. As you have seen now, the entire growth is driven by 15% of the test volume. So, what we expect that is irrespective to the geography, the growth will be driven mainly because of the volume growth.

**Moderator:** The next question is from the line of Aashita Jain from Nuvama Institutional Equities. Please go ahead.

**Aashita Jain:** So most of the questions have been answered. A couple of questions more. Firstly, excluding the PH diagnostic, is your 15-center opening annual plan intact? And what are the other areas you're looking to open your hubs going forward, any color on that?

**Suprita Reddy:** So the 15 centers probably are in pipeline. but due to some delays from the lesser than the landlords, probably they would not be able to come in this financial year alone, would get carried forward to the next quarter. In terms of the plan of opening these 12 to 15 centers in one year, is very much intact and is in place. And in terms of the hubs coming up now, probably the plan will change a little in terms of two or three hubs coming up in the Pune region because of the PH acquisition. So, probably in terms of number, we might not be able to show it to you in Q4, but it will get carried over to the next year. And I think already we opened three hubs already.

**Narasimha Raju:** And also, Aashita, just to add one more point, these things might spill over to over the next financial year, but if you look at the last 12 months, we opened almost close to like a 12 center. And in these two financial years, we opened almost close to 35 centers in a span of just 24 months again with a combination of eight major hubs.

**Suprita Reddy:** Sometimes what happens is like Barasat has been a location that was finalized quite some time back in Kolkata. So, we're just waiting for a handover to happen even though it's part of the plan. So, sometimes there are unforeseen delays that happen because of the large sized places that we require perhaps. And that's certainly causes certain amount of delay, probably which will spill over to the next quarter.

- Aashita Jain:** So my question was not from FY24 perspective, but go from next two to three years?
- Suprita Reddy:** Absolutely. The 15 centers will remain steady as is, but in terms of where these are going to come, we'll need a little more time to come back to you on the breakdown of how many hubs, how many spokes, which geography.
- Sivarama Raju:** That will be upcoming.
- Aashita Jain:** My second question is on Kolkata. You mentioned that you are on track to break even within the guided timeline. But could you give us some color on the monthly revenue run rate and what level it should reach to attain that kind of breakeven? And also what is the peak potential that you expect from this at this stage, any color on that?
- Sivarama Raju:** Like guided over the last calls also, since it's a first center on the name of Vijaya in Kolkata, the timeline that we thought is like four quarters of break even. So, we just completed two quarters, right? So month-on-month we are seeing the good ramp up in revenue and in terms of volume also, right. So generally the center to break even would require something like about close to including... when we say break even, we always say including rent, right, so it will require something around say 65 lakhs to 70 lakhs run rate for us to break even in that particular center. So still we have six months of time, but if you ask us, we believe that we may break even before July of this year.
- Aashita Jain:** And what is the peak potential that we can expect from this center at this stage in the next three or four years?
- Sivarama Raju:** See, this center is basically built keeping the view that at least we do about 18 crores to 20 crores kind of a revenue at maturity, which will generally take 4, 4.5 years for you to reach to the maturity in a hub like this.
- Aashita Jain:** Last one is on Gulbarga. What are your break even expectations timeline for this center? and within Karnataka, as you are foraying into this new state, what are the other like cities you plan to go, is Bangalore also in your list?
- Suprita Reddy:** This strategy of going into Gulbarga was predominantly because it was an existing geography to us and not because we wanted to foray into Bangalore or Karnataka as a state. Like we mentioned earlier, Hyderabad being the oldest home market, we were getting in a lot of patients from Nanded from Maharashtra, Gulbarga, Karnataka, and what happened is these became very dense hyper local markets, like Siva mentioned, there are multiple oncologists practicing out of Gulbarga. So we said, it's time for us to go to Gulbarga. Customer is not going to travel all the way. And that was the main key strategy to go and open up one of its kind center in Gulbarga, all integrated. And if you ask us right now, with our hands full with PH at the moment and West Bengal, we've not thought about anything foraying into Karnataka at the moment. But if there's an opportunity, we'll definitely not miss out on that.



**Moderator:** The next question is from the line of Samir Jain from Marcellus Investment Managers. Please go.

**Rishi:** Hi, Rishi here from Marcellus on behalf of Samir. So, Suprita, in the last quarter you mentioned you'll have plans of expanding into Kolkata. You in fact signed up two, three leases for hubs. Just trying to understand, in this call, you said that Kolkata, we're going to delay a bit, in Pune, we are going to prioritize over Kolkata. So, has something gone wrong in Kolkata or what's the -?

**Suprita Reddy:** Absolutely not, Rishi. When we say slowdown in Kolkata, doesn't mean that I will go and open seven spokes in Kolkata with one hub center. Like I mentioned earlier, we still have about two to three hubs coming up. See, the hub-and-spoke model works beautifully only when we build a hub, create a network, then I can build on the spokes. We only have a single standalone center in VIP Road and if I do two more spokes, that is when we give room for the spokes to grow. That plan is intact as is. Doesn't mean that we open seven spokes in Kolkata versus what we would do in an Andhra market or Telangana market, because we have more than headroom to grow here for the next two to three years. When we say we go slow, we open one hub every two quarters in Kolkata, build a base for the years to come where we can expand on the spokes which will feed into the hubs. And in the meanwhile PH happened, so we will also have to look at CAPEX allocation and be stringent in what we are trying to do, right, we will have to grow both the markets. It doesn't mean that we slowdown in Kolkata. Kolkata has always been an organic Greenfield way Looking at the future of what after five years. And PH has happened. Now probably we will allocate almost half of our budget now to the Pune region because we will have to build on, we will have to create probably same kind of network as what we have done in Hyderabad for Pune if we see a lot more opportunity immediately.

**Sivarama Raju:** And Rishi, basically, I think rather than saying it's not about slowing down in Kolkata, we will speed up in Pune, maybe I'll put it the other way because see like in our earlier calls and discussions also we were telling that maybe in next two, three years we'll have three or four hubs coming in Kolkata. That was the guidance that we were giving from before. Since Pune, it's an acquisition, we have a setup which is already ready with say the three hubs and then already three spokes and some 12 collection centers. Since there is a network that's already ready, it will be easy for us to -

**Suprita Reddy:** Ramp it up faster.

**Rishi:** Second, I see that your wellness segment has only grown by 9%, right? And we're seeing this across the board where wellness has kind of slowed down to say 10%, 12% across players. So, just trying to understand, is there some sort of over testing that happened in the wellness segment last year and that's the base effect that's coming into play and hence there would be some operating deleverage for you or there was some one-off in this quarter, which is to a near 9% growth?

**Sivarama Raju:** It's more or less one-off, Rishi, because if you actually see in the previous quarters of the Q2 and Q1, we were growing at double digit only, right. See, there are two things that happened in the last year Q3. Generally what we see is from Q2 to Q3, right, when you see dip in revenue, you see dip in both radiology and pathology volumes. But in last year Q3, we have done higher wellness and higher radiology and the actual drop happened only in pathology segment. That was like one-off which happened in last year. Because of that base, this year, whatever you're seeing that 17% growth, if you break it down to radiology and pathology, it looks like you got a lot of growth from pathology, limited growth from packages and radiology, it's more of like one-off.

**Rishi:** So, like what's explaining this one-off because I'm just trying to understand because Q2 also you all grew by 20% year-on-year.... I'm talking about year-on-year. Pre that you had almost 50%-plus growth trajectory. So just trying to understand is this like now the fad has gone off wellness testing or something that's -?

**Sivarama Raju:** No, no. So if you actually say the percentage of revenue, it has not come down. So if you actually go to that decimals, right, it's about 0.5% difference, that's all. See, that fluctuation of 0.5%, you may see in any quarter; in one quarter you are seeing 13.5, in one quarter 13, in one quarter 12.5 between that 0.5% quarter-to-quarter. Otherwise, it's not a big drop.

**Narasimha Raju:** In the last four quarters, Rishi, almost it remained in the range of 12.5% to 13% always consistently in the last four quarters.

**Rishi:** Finally, you said your pricing strategy is cost plus basically whatever inflation comes into your raw materials or whatever you pass it on, accordingly, you price your test. So, just trying to understand like this strategy, right, if let's say tomorrow there is some supply chain crunch and given most of our consumables are imported or even say dollar appreciate, so how will we deal with this volatility, do we have some mechanisms in place to crunch costing, so if you just give us an understanding on how you work around this piece cost, purchases basically?

**Narasimha Raju:** So Rishi, if you look at the P&L, the material consumption is the reagents. So there we have something like a long-term contract. The prices of all these major reagents are fixed either with the Siemens, the Beckman Coulter or Abbott, example PH has got with Abbott. So all these are long-term contracts There are scenarios where sometimes these vendors came forward... even though there is a long term agreed contract, they might come back and say, okay, it was the last three it was like a Rs.78/USD and now it is Rs.83, 84, can you do something? So those negotiations happen in spite of having a long term firm contract for the next three to four years. So that's the comfort that we have. But in those cases, there were instances where we increase, for example, 1% or 2%, it is not like a major increase never happened, primarily because we firm up this prices through a long term contract, that is one. Second thing, if you look at in the P&L, since we're in radiology, there is a CMC cost which is significant, right? So there also what we do is since we procure most of the radiology equipment in the country, either MRI, CT, ultrasound, so for example, we got close to 90-100 ultrasounds more than 100 x-rays, etc., So

we freeze the CMC contracts for next five years or something like that, then we agree for a fixed escalation of 5% per annum. There were instances from these players like Affiliate. GE, etc., that because of USD/INR stuff having that 5% what was there in the contract can be increased by 8% or 9%. That was a rate scenario.

**Suprita Reddy:** All this put together adds up to that 1% to 1.5% increase you're seeing in the price of the test, Rishi. This is a one odd-test, some of those more specialized tests. Until and unless there's even a 5% to 8% dollar fluctuation, nobody comes up for a price increase from these companies.

**Rishi:** So dollar appreciation plus this 5% is basically what you all convert to 1% price hike?

**Narasimha Raju:** 1% or 2% correct.

**Moderator:** The next question is from the line of Bhavesh Gandhi from YES Securities. Please go ahead.

**Bhavesh Gandhi:** Just one question is on Pune. So you've talked about strengthening the acquired brand and expansion in the neighboring markets. So a), does this mean increased investments on the brand as such further fortifying it? How should we look at advertisement and promotion expenses in the acquired brand? And also expansion anything apart from Pune within Maharashtra state?

**Sivarama Raju:** Bhavesh, on the advertising front, like we told you, we'll take one or two more months to come back to you with the actual plan because how we are going to brand, whether we're going to co-brand it, etc., all these decisions we are taking internally.

**Suprita Reddy:** Bhavesh, now, as we took it in December, it stays as is. We did not want to make major changes to a brand that's been running, we wanted to get some clearer understanding. So probably whatever changes we do will be effective from the next financial year, April is when we'll take a call on that. Definitely, for the first quarter when we do that, you will see an increased cost in advertisement rebranding, co-branding, all this will only happen in that particular year, the first quarter. And in terms of Maharashtra, we've definitely not even thought about it. Our interest is immediately that we look into Pune, build up because they have 3 hubs and they have lot of possibilities of adding a lot more spokes there. So, our focus is on understanding that market it, mapping it and that's also the reason why we are not giving guidance on how many centers we will open. We would like a clearer understanding and then we will give. Until and unless Pune as a market is stabilized and we have control, then probably we look at more geographies into Maharashtra. But the core focus is now on Pune immediately.

**Moderator:** The next question is from the line of Kunal Randeria from Axis Capital. Please go ahead.

**Kunal Randeria:** Just one question is around Hyderabad. So that's around 400-odd crores revenue for you and you're fairly confident of growing it may be in line with the company of around 15% growth. So just wondering, when do you see a situation where you sort of hit a ceiling as far as the expansion goes -- would it be like three years, five years down the line?

- Sivarama Raju:** So Kunal, to be very transparent and to be frank and right, so Hyderabad is a city which always surprises us, right, for healthcare that too particularly, right, because this is one market both in terms of diagnostics and hospitals where we always think of saturation but you still see the city growing and the market growing. So, although we cannot guide you on the exact number of years, but at least for the next three to four years, we still see the market growing at this pace with whatever on-ground developments that are happening in the city and the way the city is expanding. So, at least for the next 2-3 years, I think, we'll be comfortable. Beyond three years, maybe at this point in time we will also not be able to guide you.
- Kunal Randeria:** Of your expansion plans, how many hubs and spokes have you mapped out that you would add in Hyderabad in the next maybe five years?
- Sivarama Raju:** So coming to Hyderabad, you may not see more hubs coming in. So if you see we have added spokes in the recent one year in the upcoming areas of Hyderabad. Maybe two, three years down the line if these areas reach to that potential, maybe you'll see us adding hub then, but nothing immediate in terms of hub in Hyderabad. But spokes, yes, whenever we see a new pocket opening up, we will add spoke.
- Kunal Randeria:** Can you quantify?
- Sivarama Raju:** So you will not see much numbers coming in Hyderabad, Kunal. Though we will not be able to give you the exact number, maybe every year out of the 15 centers, you may see some two or three centers coming in Hyderabad, but majority of the centers will be outside Hyderabad for at least next the two, three years.
- Kunal Randeria:** You said, you have been positively surprised by Hyderabad. So is it a market that has done just as well or have you sort of taken more market share in Hyderabad?
- Sivarama Raju:** So it's a mix of both, right, because we have seen multiple players coming into Hyderabad, multiple brands expanding, right. Definitely, as the market is expanding, along with the market, we would be inching market share year-on-year.
- Moderator:** As there are no further questions from the participants, I would now like to hand the conference over to the management for the closing comments. Over to you.
- Suprita Reddy:** I would like to thank everyone for attending this call. I hope we've been able to answer all your questions. Should you need any further clarifications or like any other information about the company, please feel free to reach out to us. Thank you.
- Moderator:** On behalf of YES Securities, that concludes this conference. Thank you for joining us and you may now disconnect your lines.