Date: 09th February, 2022

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The National Stock Exchange of India Limited
Exchange Plaza, 3rd Floor,
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Scrip ID: KRSNAA
Scrip Code: 543328

Symbol: KRSNAA

Dear Sir / Madam,

Subject: Transcript of the Earning Call conducted on 03rd February, 2022.

Please find enclosed the transcript of the Q3 FY22 Earnings Conference Call conducted on 03rd February, 2022, for your information and records.

Request you to take the same on your records.

Thanking you,
Yours sincerely,

For Krsnaa Diagnostics Limited

Krsnaa Diagnostics Ltd. PUNE

Nikhil Deshpande
Company Secretary

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Krsnaa Diagnostics Limited

Q3 FY2022 Earnings Conference Call

February 03, 2022

MANAGEMENT: **MR. RAJENDRA MUTHA – CHAIRMAN – KRSNAA DIAGNOSTICS**

MS. PALLAVI BHATEVARA – MANAGING DIRECTOR– KRSNAA DIAGNOSTICS

MR. YASH MUTHA – EXECUTIVE DIRECTOR – KRSNAA DIAGNOSTICS

MR. PAWAN DAGA – CHIEF FINANCIAL OFFICER– KRSNAA DIAGNOSTICS

ANALYST: **MR. NITIN AGARWAL- DAM CAPITAL ADVISORS LIMITED**

Moderator: Ladies and gentlemen good day and welcome to the Q3 FY2022 earnings conference call of Krsnaa Diagnostics Limited hosted by DAM Capital Advisors Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal the operator by pressing "*" and then "0" on your touchstone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Nitin Agarwal from DAM Capital Advisors. Thank you and over to you Sir!

Nitin Agarwal: Thanks Margaret. Good evening everyone and a very warm welcome to Krsnaa Diagnostics Q3 FY2022 earnings call hosted by DAM Capital Advisors. On the call today, we have representing Krsnaa Diagnostics management, Mr. Rajendra Mutha – Chairman, Ms. Pallavi Bhatevara – Managing Director, Mr. Yash Mutha - Executive Director, and Mr. Pawan Daga – Chief Financial Officer. To start with, I will request the management team to make some opening comments and then we will open the floor for questions. Yash can you please take over the floor.

Yash Mutha: Thank you Nitin. Good evening everyone and welcome to Krsnaa Diagnostics third quarter and nine months ended FY2022 earning call. I hope you and your loved ones are staying safe and healthy. We have already circulated our earnings presentation, which is available on our website as well on the stock exchange website. I hope you all have had the opportunity to go through the presentation and I would be happy to take any question afterward. This is the second time we are interacting on a quarterly earning's call and there are many participants who would have joined us for the first time. I would like to quickly reiterate our business model for their understanding and then move to discuss the company's recent performance.

At Krsnaa Diagnostics, we started our journey in 2011 with a modest two radiologic centers and today we are operating 1900 plus diagnostic centers in 14 states emerging as one of the fastest growing and differentiated diagnostic service provider in India. We are the only listed player in India providing large scale radiology services to 130 centers and more than 1300 tele reporting centers.

Among many important aspects of our business model the key is public private partnership under which we engage and collaborate with central, state governments, municipal corporations to provide diagnostic services at the public hospital. As per the contract requirement, government hospital provides with required space for setting up the diagnostic centers and then we install the specified equipment, deploy the required manpower to provide affordable and high-quality diagnostic services.

We are also proud to establish best in class infrastructure within these government hospitals starting from the interior to ensure comfortable and best experience for patients as well as deploying machine or equipment procured from global OEM vendors like Wipro, GE, Siemens, Philips, Fuji Film etc to ensure high quality imaging and accurate reports. The PPP arrangement ensures that we have a large and addressable customer base from day one given majority of the population today gets treated at most of the government hospital. In addition, there are multiple cost efficiencies in the business operations, such as no need to pay doctor referral fees, limited expenses on promotions or no rentals to government hospitals for the space as well as subsidized utility and electricity rate.

In addition to the PPP model we also have strategic tie ups with 26 private hospitals present across these two states. In this model as well, we enter into a contract with these private hospitals who provide us a space in their premises, where we set up the radiology and pathology centers on a regular sharing model.

Furthermore, our tele reporting hub in Pune which is one of India's largest radiology reporting hub. At this facility we have almost more than 190 plus team of radiologist from India and abroad as well who examine these digital images on a 5 mega pixel medical grade monitor and prepare these reports. This is a unique value proposition which addresses the shortage of full time of doctors and also allows serving patient in remote location where diagnostic facility is limited.

These are some of the underlying fundamental cost advantages that are in built in Krsnaa's business model and are sustainable. We also employed the most advanced technology with cloud based support in our center ensuring that our patient's get seamless and robust evidence based treatment in any part of the country. With the scale and strength of a business model Krsnaa is able to offer high quality services at disruptive prices. With our radiology test almost 45 to 60% lower and the pathology test 40 to 80% lower than the market rate. Even with these disruptive test prices we continue to deliver higher operating margins when compared to the industry. I hope this information is helpful for the first time participants.

Now moving for quarterly result. In the third quarter of the fiscal year, we continued our growth momentum. The company delivered strong performance on both operational and financial aspect. Our test volumes saw an overall increase of 53% year-on-year in Q3 FY2022 and posted an impressive growth of 81% year-on-year in the nine months ended FY2022. Overall business continued to remain resilient with improving COVID-19 situation and favorable macroeconomic factor. Revenue from operations stood at Rs.106 Crores which is an increase of 9% year-on-year. This growth is primarily driven by a core business of radiology and pathology, which grew by 34% year on year and was partially offset by a decline of 93% year on year in COVID-19 revenues. During the quarter, we continued to focus on underlying strength with no dependence on COVID business along with the overall moderation visible in the industry due to the festive season.

The nine months ended FY2022, we have delivered revenues of Rs.347 Crores a robust growth of 16% year-on-year. Our businesses grew by 85% while the COVID-19 revenues declined by 71%. Furthermore, it is encouraging to see that within the first nine months of FY2022, the company has surpassed FY2021 numbers in terms of EBITDA and Profit after Tax. Our CFO Mr. Pawan will discuss the financial performance in more details later on.

In terms of the business expansion we have made good progress for the new project that we have gone in the state of Punjab and Himachal Pradesh. For radiology we have operationalized five centers in Punjab and one center in Mumbai. For pathology we have operationalized five processing centers and 42 collection centers in the state of Punjab. Construction for 10 radiology center is already complete and is at different stages for another 14 centers. Overall the progress remains on track at the end of January 2022 and all these centers are expected to operationalize in the coming months.

We are well placed to benefit from the commissioning of this new center and expecting that meaningful revenue contribution will be visible in the next fiscal year and will remain on course to deliver accelerated growth. I would also like to update you on the utilization of IPO proceeds. Out of Rs.146 Crores outlined for debt reduction, we have utilized it fully for the repayment of the same. Another Rs.151 Crores which were outlined for establishment of diagnostic center out of which Rs.39 Crores have been incurred for the construction of centers that I just mentioned.

Looking ahead, at the union budget of 2022 acknowledging accelerated improvement of health infrastructure in the past few years we expect national health mission to continue moving forward with an integrated and coordinate approach between the center and state to develop and provide accessible and affordable health care services. Furthermore, the company has participated in three tenders of state in Himachal Pradesh which is a pathology tender across the state covering six medical colleges, 93 civil hospitals, and 90 community health centers. Punjab for one MRI and Uttar Pradesh radiology tender for two clusters of 8 CT scans each and the results of the tenders are expected soon. Along with this there are various other tenders published for the state of Assam, Bihar, Rajasthan, and Madhya Pradesh in which we will be participating.

In terms of the private hospital partnership, we are in advance discussions with around five to six hospitals and hope to conclude on the arrangement by the end of this fiscal. Krsnaa

Diagnostics remains at the forefront to closely work with government under PPP model and our management team remains fully committed to expand and grow business with a prudent and well defined growth strategy. Now I will hand over the call to Mr. Pawan Daga – Chief Financial Officer to discuss the financial performance. Over to you Pawan.

Pawan Daga: Thank you Yash. A very good evening to all the attendees**.** I will present financial highlights of the quarter and the nine month ended December 2021. In Q3 FY2022 company registered revenue of Rs.106 Crores and increase of 9% on year on year basis from 98 Crores in Q3 FY2021. Core business compromising of radiology and pathology posted a revenue growth of 34% while COVID revenue declined 93%.

Operating EBTIDA for the quarter stood at Rs.30 Crores a growth of 48% on year on year basis with the margin improving to 28.6% from 21% in Q3 FY2021. Margin improvement is a result of a better revenue growth and revival of inherent operational efficiency of a core business has its contribution has increased.

Profit after tax for Q3 FY2022 was Rs.16 Crores fourfold increase from Q3 with the margin of 14.7%. On a year to date basis the company has registered a revenue of Rs.347 Crores in nine month FY2022, an increase of 16% on year on year basis from Rs.301 Crores in nine month FY2021. Operating EBITDA stood at Rs.105 Crores growth of 73% on year on year basis and margin improving significantly to 30.2% as compared to 20.2% in nine month FY2021. EBITDA margin improvement can be attributed to higher number of test increased contribution from core business and stabilizing the cost of material consumed.

In nine months PAT was Rs.50 Crores a growth of 215% from Rs.16 Crores in nine month FY2021 when adjusted for exceptional items. Profit after tax margin were 14.1% as compared to 5.2% in nine months FY2021. Utilization of IPO proceed for debt repayment has resulted in reduce interest cost and also contributed to improvement in profitability margins and we are now a debt free company. I am also pleased to share that the company is now rated by ICRA **"A Stable"** for a long term borrowing and **"A1"** for short term borrowing.

Our PPP project implementation in Punjab, Himachal, and Mumbai is on track and so far we have incurred capital expenditure of Rs.39 Crores for setting up this new center. I would also like to take a moment to explain certain cost in detail for the clarity of all the participants.

1) For round the clock services at our centers, we need minimum three persons. However, at a majority of the tele reporting centers the technicians are appointed by the government and due to leveraging of digitizing technology we need very few resource to manage this center.

2) In PPP project such as Rajasthan, Manipur. Meghalaya, we work with the business partners with whom we have a revenue sharing agreement for provide diagnostic services resources including required manpower

3) Charges paid to 190 plus doctors for reporting are separately reported under reporting charges which is a part of other expenses and is not included in the employee cost

4) Finally, we follow industry benchmark in paying the salaries to our staff hence do not compromise on the quality.

Thank you very much and now we will be happy to answer any questions you have on the company's recent performance or a business module.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Tushar Sarda from Athena Investments. Please go ahead.

Tushar Sarda: Thank you for the opportunity. I wanted to understand your realization in radiology and pathology segment because it seems that from the presentation you have done more business of radiology and as of the revenue per patient would have gone up, but actually things have gone down so if you can give some clarity on this it would be nice thank you.

Yash Mutha: In terms of realization for radiology and pathology the reason why compared to the increase in volume growth, the realization is not in the same trend is because there is certain growth in the volume of the tele reporting cases which are generally priced at about very low and that is the reason why you see the realization not in line with the new growth in volumes of number of test. So, on an average typically our realization for radiology would be around Rs.2000 or such but again with a combination of MRIs and CT scans and the reporting the blended rate would be different.

Tushar Sarda: Okay I think last time also you mentioned similar thing so is it possible to give this information separately. I mean if it is only tele reporting why do you include it in the number of tests.

Yash Mutha: Because these are also test right, so basically we have x-ray tele reporting. We have some CT tele reporting as well, so these are service at the center and the doctors do the reporting.

Tushar Sarda: And are you margins higher in just this reporting business.

Yash Mutha: Tele reporting generally does not involves significant amount of investment unlike I mean the regular centers. Tele reporting basically there are certain equipment like a digitizer that we have to deploy largely for the x-ray center which basically helps us expand in the remote locations.

Tushar Sarda: Because you install these machines and all so now if you like to look at utilization of the equipment if you can either include it in the presentation or give this number separately it could be helpful.

Yash Mutha: Sure, we will try to share this number separately**.**

Tushar Sarda: Thank you and all the best.

Moderator: Thank you. The next question is from the line of Praveen Sahay from Edelweiss Financial Services. Please go ahead.

Praveen Sahay: Yes. Thank you for taking my question. My question is again on the realization front. On the sequential basis as well if I look at your realization is down on the overall basis whether it is per patient or it is per test. As you had mentioned that is the radiology account for some tele reporting and all. So even in the sequential basis your radiology realization is down or the COVID has brought down in the realization. What exactly happened of 12% of degrowth on sequential basis.

Yash Mutha: So the realization that you see is down as I mentioned earlier it is because of certain volume of test which are price lower. However, if you see in the overall volume that we do because we also have a large tele reporting presence and most importantly one of the reasons why the realization is down is also because of the fact that in the previous quarter there was various test which were linked to COVID which was high cost whereas now these are your routine regular test that the company has been doing year-on-year. Now, these are the normalized numbers so this is how we see and we do not expect a further downward trend in terms of realization because the two facts, one is in quarter three generally because of the festive season people generally prefer only these regular tests and at the same time most of the test which were earlier required for COVID are not required. If I can give you an example the f IL6 , Ferritin test e are no longer required and there are routine test like CBC and thyroid which also had resulted into lower realization, but these are stable volumes and we do no expect further downward trend in terms of this realization as well as in terms of radiology as well, there were certain test like HRCT which was again priced higher but now because COVID numbers have reduced the HRCT volumes have also come down and hence you now seen steady state realization. Typically for our business where as we mentioned earlier our prices are almost 40 to 50 lower in the industry rate or the market rate.

Praveen Sahay: Okay and the second question is there any contribution in this quarter from Punjab.

Yash Mutha: There is nominal revenue contribution from Punjab, very nominal numbers.

Pawan Duga: It is a minimal number from Punjab which is contributed in quarter 3. From the fourth quarters onwards we will see growth.

Yash Mutha: So Punjab as the centers are running up we should see sizeable contribution coming from Q1 FY2023.

Moderator: Thank you. The next question is from the line of Devesh Shrimali from DS Investments. Please go ahead.

Devesh Shrimali: Hi team good evening. Just wanted to get your thought process. If I were take the currently quarterly run rate which is about 100 Crores and has been the case for Q2 as well for us. If I were to take a step up and go to FY2023 when Punjab and Himachal and Mumbai come online. There would be steady state which might take time but what would be the jump that we can expect in terms of revenue from these three major that is my first question.

Yash Mutha: With these various projects getting operationalized and on a steady state revenue, we expect the jump to be anywhere between 30 to 50% growth in the coming quarters and that is what we are hopeful and confident of achieving.

Devesh Shrimali: So that would be 130 to 140, 150 Crores run rate a quarter when they start maturing.

Yash Mutha: So, on full annualized revenue we would expect around 150 plus Crores revenues coming from these new project.

Devesh Shrimali: And if I were to little bit zoom out and look at two, three years down the line because there would be many tenders that you would go and keep biding. If you were to look at little longer horizon and do a modeling how would you want us to look at the pipeline because I know you called out qualitatively that there are number of tenders in pipeline but if you were to look at little longer, actually you must be tracking internally would there be a way to sort us give us some hint about how does the pipeline look in terms of quality and quantity.

Yash Mutha: This is something that we have been talking earlier as well. First of all, the government has year marked 64,000 Crores under the national health care infra structure mission where in government has ambitious plans of upgrading each district hospital most of them converting into medical colleges or upgrading facilities there. Currently what Krsnaa has acquired in terms of these project. In our opinion it is just tip of the iceberg given that we are presently probably around 70 plus districts, whereas there are 760 districts in the country. From an opportunity perspective I think there are many more states which are opening up in terms of looking at PPP model, which has been successfully been running for so many years and I think COVID has amplified the need where government has also seen that and they want to upgrade the health care infra structure in the country. So this is where we see growth coming up and more and more states and also going deeper.

For example, Himachal Pradesh where we have been doing CT scan, they have also launched the tender for pathology so likewise other states when they have tested for a particular let us say whether it is radiology or pathology they are also now exploring other verticals where they want to make these facilities available to the masses I think that is where we also see an additional opportunity for us. Beyond this as we mentioned we are also equally looking on the private hospital or the private side of the business where we looking to set up our own network or leveraging the network that we already have in these 14 states to set up collection centers and processing labs that we can also augment these additional lines of revenue.

Devesh Shrimali: Got it. Thank you. And two quick tactical parts if you can help us understand whether the private partnership margin profiles would be similar to what you have in PPP and I think that is about it.

Yash Mutha: The private hospital partnerships the margins are more or less same, so generally at a company level we follow the certain EBITDA threshold or margin threshold. However, it you have to compare on a PPP basis, the margins of PPP would be slightly few basis points more because on the private hospital partnerships you have certain expenses like the electricity and the revenue share which is also to be given. However, I would not say it is a significant difference in terms of margin probably a few basis points here and there.

Devesh Shrimali: How are you seeing the competitive intensity given high margins that we have in PPP and in current and the future trends? I know our win ratio has been great, just wanted to get some thoughts from you.

Yash Mutha: Of course we are seeing competition, but as I said if you see from the landscape perspective, the landscape is pretty huge. We are seeing other players coming and participating in these tenders but again we have not seen a very active participation, we have seen them participating in few tenders. I think directionally what we believe is given that they have already established a good business model, a good market that they have covered and entering into the government business and pricing the same test at such low rate in our opinion and what we normally hear in the corridors is it could impact their existing pricing and that is how we see these competition wherein generally, not playing an active role, but of course there are regional players who come and participate in these tenders.

Pawan Duga: Also, government is also looking for a serious player who participates for the project to provide the service to the nation or the citizen of the state or citizen of the nation.

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

Deepak Poddar: Thank you very much Sir for the opportunity. Sir I just wanted to understand in the previous call as well we were kind of talking about 700 Crores kind of top line next year so that is what we are kind of targeting because the 30 to 50% growth in revenue gives a run rate of 135 to 150 Crores that would be closer to 550 to 600 Crores kind of a top line.

Yash Mutha: Basically, if you see in terms of the growth that we are expecting for the next fiscal is around 650 Crores, so if you see currently with the current rate and the new projects coming up we expect the revenue in the range of around 650 odd Crores as a top line for the next fiscal so that comes to around 45% in terms of growth, but of given that business environment is a dynamic, that is why we have given a range of around 35 to 50% in terms of expectation for the next year.

Deepak Poddar: I understood this, and on the EBITDA margin how do you see the operating leverage playing out because at a higher revenue scale, currently we are at about 29 to 30% so any comments on the operating leverage that we can get at a higher revenue rate.

Yash Mutha: As we have mentioned earlier, the business will continue to grow and certain of the cost are already absorbed, every additional revenue will start contributing to better EBTIDA. The only thing from a project implementation perspective because Punjab and other centers are getting operationalized so in the initial couple of months the EBITDA will be a bit subdued because of the revenue not matching with expenses, but I think over the years they will stabilize with an improvement in the EBITDA margin going forward because our fixed cost has already been absorbed and as we go along every additional revenue will start contributing and adding more to the EBITDA and PAT.

Deepak Poddar: So improvement over this 30% on an average. All the very best. Thank you.

Moderator: Thank you. The next question is from the line of Saikumar Venkat an individual investor. Please go ahead.

Saikumar V: Hello Sir I am Saikumar I am an individual investor. I am really happy to be present here and ask a question and thanks for taking up my question. So, I know that we do partnership with the public hospitals to set up diagnostic centers in the premises of the hospital. I have two questions actually. The first question is do we just cater for patients who visit the public hospital itself or we also see some organic visits.

Yash Mutha: Sorry could you repeat the last part of the question.

Saikumar V: Do we also see any organic visit. Any patient from other than that public premises hospital.

Yash Mutha: Yes of course. Basically, when we set up these centers in public hospitals there is no discrimination between public patients versus private patients. In fact, in some of our centers in metros we have almost 30 to 50% of private walk ins. These are your everyday people, whether it is people from IT industry, in some cases we have HNI patients coming to the centers. So, we certainly see this trend and that is the reason why from day one as a model we have invested in quality center in utilizing quality equipment, best-in class infrastructure to ensure that every patient who walks in to our center gets these high quality services at highly disruptive prices.

Saikumar V: My second question is simply about why our average revenue is getting down Sir.

Yash Mutha: As I mentioned earlier, the reason why you see a drop in the average revenue compared to the previous quarter is also because of the fact of the test mix. So, in the previous quarters there were various test which were high priced like for example which were COVID related, like your special test, IL6, ferritin. Whereas now you see the routine regular test which currently is part of the existing revenues and these are the steady state volume tests that we see and we do not expect a further erosion or downward trend in the prices because these are steady state prices that we have been seeing even in the pre COVID times.

Saikumar V: Thanks. All the very best for all things.

Moderator: Thank you. The next question is from the line of Agraj Shah from Tata AIA Life Insurance. Please go ahead.

Agraj Shah: Thanks for taking my question. Sir recently came across your ad in various social medias for health packages so can you just take me through that as in what this package is and which segments are you targeting etc.

Yash Mutha: Yes, these packages that we have launched, we are trying to foray into the private market and that is the reason why we have built up these packages where these will be for home collection services for corporates, we have built these and soon we will also launch it across all the states across the country.

Agraj Shah: This will be for existing participants who come to your centers or this will be another.

Yash Mutha: This is an important service once we officially fully launch this, we will make it available to everyone who has come in. As we are saying they are also testing how these packages are being received by the customers and then will officially launch this across the districts wherever we have our presence.

Agraj Shah: And secondly with doctor consultation actually going online and diagnostics actually participating in that do we see a case for probably the gap on the radiology side etc. where there are no other players competing in that space. Is there a business case for us to actually participate that in part of the tele consultation.

Yash Mutha: If you see currently the way our model is built upon, we already have a large tele radiology reporting hub wherein we are serving our existing centers. Of course in terms of capabilities and capacities, we do have the bandwidth to even serve other centers and there are some discussion going on but as of now given these volumes that we are processing, I think we have enough on our plate and we will certainly be exploring these options as we go along.

Agraj Shah: And lastly on the new centers you said that EBITDA will be hit at least in FY2023 given that on the overall scheme on things how much valuation be in your EBITDA for the next couple of years from the new year centers and given that my understanding is that these centers ramp up quickly within one to two years so what would be the track for the next couple of years.

Yash Mutha: In terms of EBITDA, we will be maintaining the existing level of EBITDA margins. We do not see a downward trend. In fact, they should be improving so even with the combination of the new centers and our existing centers ramping up, the EBITDA trend should be at least the same or at the best it will be improving.

Agraj Shah: You are talking about margins right not the absolute number.

Yash Mutha: Could you repeat the question please?

Agraj Shah: So you are talking about the margin trend right or the absolute EBITDA.

Yash Mutha: EBITDA margin trends. It will be consistent margin and in our opinion it should be moving up in the next fiscal and going forward there on.

Agraj Shah: So 29, 30% would actually give us this and anything that comes will be on top of that. Thank you and all the best.

Moderator: Thank you. The next question is from the line of Siddharth Agarwal from Prudent Capital. Please go ahead.

Siddharth: Hi good afternoon Sir thank you for the opportunity. So my first question is, ours is a capital intensive business with both up front capex as well as higher working capital so what do you think in the long term sustainable ROCE for this business.

Yash Mutha: Of course capital intensity will consider the radiology part of the business, but like we mentioned in our earlier calls as well. If you see these centers given the volumes and the prices that we offer, we are able to generate good amount of revenues on the capex that we deploy and we have seen most of our centers providing ROCE north of 15% plus even for radiology centers. Going forward as the centers start maturing and with the combination of the pathology project as well the ROCEs at the company level will also continue to improve. We are confident that we have already seen the same in few of our various projects whether it is Karnataka or Himachal Pradesh. So, if I talk about radiology, I think the ROCEs are much better and we have been able to successfully demonstrate that year on year.

Siddharth: And Sir as a private company, we have had a history of very fast growth which was aided by high levels of debt. As a listed company would you talk a little bit more about your capital allocation as when how much debt are you comfortable running it and what is the sustainable growth that the company can achieve without diluting further or are there plans to dilute further again to fast track the growth.

Yash Mutha: We are already a debt free company and as a philosophy we would like to remain a debt free company. Now in terms of expansion of new projects, new tenders that come in we do not expect to dilute any further. Based on the internal accrual that we will be generating and with a combination of creative vendor financing for which we are already in discussion with various OEM vendors, we believe that we could still continue to expand and grab these projects without any further dilution of the company. I think a combination of our internal accruals and at the same time having significant cash in the books as well, we can still continue to expand given that we have reached this scale in size now where many OEM vendors are willing to extend their line of credit, at the same time our internal accruals are good enough for us to allow us the expansion in the subsequent year.

Siddharth: So Sir in coming years we can see 100 Crores sort of cash flow coming in every year. Once our Punjab center etc. stabilize.

Yash Mutha: Even if you have to consider on a very conservative way if you take a 600 Crores top line also with a 30% EBITDA that is almost 180 Crores of EBITDA so these are the internal accrual that we are expecting in the subsequent years on a steady scale which will be generating year on year.

Siddharth: Great Sir. Thanks a lot for your question. I will get back in the queue.

Moderator: Thank you. The next question is from the line of Krish Mehta from Enam Holdings. Please go ahead.

Krish Mehta: Hi thank you for taking my questions. The first question I had was on your accounts receivable date for the quarter if you could give that number.

Yash Mutha: Could you repeat the question please?

Krish Mehta: If you could give the accounts receivable days for the quarter.

Yash Mutha: The account receivable date for this quarter will be around 71 days.

Krish Mehta: Okay and my second question was on your vendor financing. What percent of your finance cost for the quarter was vendor financing?

Yash Mutha: I think the percentage cost would be very minimal in this quarter.

Krish Mehta: Okay thank you so much.

Moderator: Thank you. The next question is from the line of Manoj Dua from Geometric. Please go ahead.

Manoj Dua: Good evening Sir and thank you for providing good service to the nation at affordable price. My first question is now with the new centers coming, we will get some percentage so how to think forward of FY2024 from these new center. How to think in terms of capacity utilization. I know it is not a manufacturing industry. even with this 200 Crores coming from this center can it reach 300, 350. How to take a major part from these centers which we are realizing in this quarter and next quarter, this is my first question.

Yash Mutha: In terms of capacity utilization if I were to give you as a road map, typically once we establish a radiology center we start doing on an average 25 cases on a monthly basis which ramps up to 40 and there is of course a potential to go up to 60 and even higher. All this depends on once the people in these respective geographies start getting to know that these are the test available at highly disruptive prices, we see more and more people coming to our centers. In the subsequent years, FY2023, 2024 onwards as the centers start maturing we expect the revenue contribution from the existing centers to go up and they should further help us in our revenues along with this new centers that will also come along. So, there is no limitation per se in terms of how much can be expected in terms of growth, of course except for the theoretical capacity even in some of our centers metros we have seen such centers do significant volumes, given they at so disruptive prices.

Manoj Dua: Can we expect 7 to 8% growth from mature centers in a steady basis because of new share value or something. I am not putting this inflation which we get from government because of the cost also related in that area. Just because per value tax increasing and number of tax increasing through our efficiencies etc, can you put some growth to that.

Yash Mutha: Yes, in our opinion 10% is a steady share growth that we expect from our existing center year on year.

Manoj Dua: Can you throw some light on the vendor financing. At what cost normally you can get from them?

Yash Mutha: The vendor financing that we are currently working on could be in the range of between 7% to 8%, I think max around 9% is what we are working out and that should be materializing very soon.

Manoj Dua: In this very stable cash flows, very predictable cash flows also in the center why a company wanted to be debt free if the growth paths are so high why a company to be able to use some debt to utilize and make it large benefit of economical space and remain relevant is disruption pricing.

Yash Mutha: There are two reasons, one is of course the way we have grown and matured at this stage and when you have the option of creative financing from these vendors, where we also have a skin in the game so that is the first approach we would prefer to choose. Of course, if there is a large project which gives us a long term or visibility in terms of revenue and it makes sense to using a combination of debt and equity, we will evaluate the options. But as a philosophy we want to be debt free for that we use optimum use of capital whether it is vendor financing or debt we will of course evaluate those options at that point in time considering the project that is on hand and we then decide.

Manoj Dua: Ok thanks and I will join back in the queue for more questions.

Moderator: Thank you. The next question is from the line of Parth Dalia from DAM Capital Advisors. Please go ahead.

Parth Dalia: Hi thanks for taking the question. Could you help me out with a capex guidance for the current financial year and FY2023.

Yash Mutha: The capex guidance for the current financial year is only restricted to the project that we have already won, which was also mentioned in the RHP, Punjab, Maharashtra, Karnataka, and Himachal Pradesh. For the next fiscal given that these tenders are in the pipeline, we would expect around 100 Crores of investment that we believe would come our way, with these tenders which are there in the pipeline. So around 100 Crores what we expect in terms of capex for the next year.

Parth Dalia: And for FY2022. This year.

Yash Mutha: This year nothing except for the project that already won that we are currently implementing. So no additional capex in this fiscal.

Parth Dalia: Okay thank you. My second question is on the pricing trend for test on pathology and radiology post recent addition of contract are we observing any pricing pressure for newer contract.

Yash Mutha: At Krsnaa, we generally do not follow a pricing pressure. We only go for particular project of tender if it makes sense both in terms of strategic approach to a particular state, if we get entry and largely it will be driven by certain EBITDA and metals that we have. We just do not take any tender because of the pricing.

Parth Dalia: Okay and did we take any price hikes this year for our existing business.

Yash Mutha: Wherever these prices which are either part of the contract and that is one of the feature where we have while we see from a realization rate the prices are low but we do not have any pricing revision or downward pricing pressure for our existing rate card because if prices are already embedded part of the contract. In fact, there is a price escalation clause in most of our contract which allows us to increase our prices. So from that perspective we do not see any downward revision or pressure on the prices and in fact there have been certain tenders that in the past also we have won which were higher than the previous prices that which we were operating.

Parth Dalia: Okay that is helpful and lastly could you help me out with a price hike outlook for the newer contracts going forward.

Yash Mutha: There is no definite price hike. It all depends on the tender, the investment that is required but just to give us some kind of anecdote here like in most of our previous tenders for CT scan the average is 1200 but in Karnataka it will be at 1,550 so, it all depends on the project. And reporting project that we were doing for AP which was initially at Rs.33 then we re-tendered we bided for Rs.54 and we are currently operating at around Rs.54. So the prices generally are determined based on the project but they are normally benchmarked to be CGHS rate.

Moderator: Thank you. The next question is from the line of Manoj Dua from Geometric. Please go ahead.

Manoj Dua: Sir as you told that you have some barometers for bidding the EBITDA margin or on a strategic basis and do not bid for the tenders with a lower margin or lower ROCE. Are we finding any reasons like more instance increasing where you are not bidding because your metrics are not met are you are able to bid easily as of now, what is the situation there.

Yash Mutha: Basically, when it comes to bid, there is no restriction for us not to participate. We will participate and quote the prices based on the threshold that we have determined. Now the wining would be dependent on what the competition might quote. There has been instances in the past where competition would have quoted lower but as again they have realized that were not able to do it successfully and these tenders have also come up and open for retendering again because these bidders are not able to successfully take it through so that is the reason why we are already not concerned in terms of pricing pressure. We know how to run this business, at what prices it is basically feasible to take up a project and that is only how we will consider pricing for the projects going forward as well.

Manoj Dua: Thank you. Can you throw some light on the B2C you are trying to going forward experiment if it is not too worried because you can experiment it and my second question is how you are seeing B2B growing forward in the future. Would the present mix for B2C and B2B remain on this private hospital, percentage share is going to increase in the future.

Yash Mutha: Sure, as with respect to B2C, we are working on certain models in terms of expanding and leveraging our existing network. It is basically setting up collection centers so currently this in work and we should be announcing it soon probably by beginning of the next fiscal. As regards to the private hospital share, we are continuing to expand our foot print reaching out to hospitals and equally we are also seeing interest from various hospitals who have started approaching us. So, we would want to continue that approach and even optically number wise as well it is a healthy number to have 50, 50 in terms of 50% revenue coming from the PPP side and 50% coming from the private side, so we are working in that direction as well.

Manoj Dua: My last question as you have said you will expand through vendor financing and the internal accrual leaving this FY2023, 2024 where there could be little bit higher bump due to new project and center we want. Can we grow 22% extra from longer period like four; five years from this strategy and with the opportunity level can we take a minimum 20% growth going forward from FY2024 also.

Yash Mutha: Could you just repeat the question again?

Manoj Dua: My question is this FY2023 would be a good bum up because of the recent orders we have own and maybe FY2024 maybe some jump come over from the new orders which we have own but with the internal accruals and vendor financing can there be confidence we can grow 20% without the mission for a four to five period of time continuously.

Yash Mutha: I think there is no doubt on this. With this model we can certainly expand and grow.

Manoj Dua: By 20% minimum this is my question.

Yash Mutha: Yes.

Manoj Dua: Okay, thank you and best of luck.

Moderator: Thank you. The next question is from the line of Siddharth Agarwal from Prudent Capital. Please go ahead.

Siddharth: Hi good afternoon sir. Sir just a follow-up to the previous participants' questions what you answered. What are the risk if any which can prevent you from growing our 20% for midterm, we are talking about five to six years at least. What could be some of the risks which could prevent you from doing that if any what would it be?

Yash Mutha: If you see in terms of the current business model, we are setting up diagnostic center in areas or regions where there is very limited access to quality diagnostics. As people are becoming more and more aware of the requirements for diagnostic test as well as government has also realized, so we have started the lowest prices and there is a price escalation built into it. Secondly, these are long term contracts with 10 plus years. Thirdly, there are enough opportunities for many states to open up and use this PPP model and we provide the best in class equipment's and best in class services. All of these factors if you consider we do not see any risk that will come our way in terms of expanding and continuing the growth trajectory. Of course, there is a competition and people are looking at this space but I think given the overall opportunity that is existing today even we believe it establishes a healthy market.

Siddharth: And Sir is there any center that we have lost. Where our term gain for renewal and for whatever reason we could not win the rebate and we have lost.

Yash Mutha: As of now there is no such project which we have lost. Whatever come for re tendering we have won it and we are continuing to serve it.

Siddharth: Okay great and Sir lastly in B2C you mentioned in one of the earlier answers you mentioned that we are also planning to provide diagnostics packages to private clients also, so is there anything on our PPP contract which prevents us from choosing the government facilities for catering to private. Is there any constraint as such that we have to first give preference to the patient walking into the hospitals etc.

Yash Mutha: The reason why government wants to upgrade these facility is they want to provide services to the masses. Now government does not discriminate between a private patient or a government patient. For them it is a citizen of the state of the citizen of the country, so as such there is no discrimination. Of course there are people who are under certain schemes, they have to fill certain documents for which there is a queue but apart from this we do not see any such restriction or limitations and hence from our perspective we do not see any challenges in attending or providing services to the private cases, As I mentioned earlier, in some of our center in metros, we even see 30 to 50% share of private walk in coming and the government is also aware of them and they are happy to continue. Because at the end of the day it is the government name that gets publicized.

Siddharth: Okay and the pricing remains the same for a private walk in or someone which government pays.

Yash Mutha: Correct. The rates are same. In fact for government, they are more happy because they can go and announce that these are the facilities that they have made available to the citizen of the state or municipality or the country. So, government are actually welcoming this and it is driving more and more patient come into this.

Siddharth: So in a way we will slowly get into the turf of other big private diagnostic, whether it is Dr. Lal etc so in a way we will start competing with them slowly while they are not interested in competing with us is that understanding correct. So Sir I was just confirming that with this new B2C initiatives where we are doing this diagnostic packages for private walks in or etc, so in a way we are entering the turf of leading diagnostic players like Lal while these players cannot directly compete with us.

Yash Mutha: No, I would not say we are entering. We are already there. As I said in most of our places where we are, people are coming to our centers whether it is government or people from lower income families, as well as people from affluent backgrounds they are coming and availing this test because for these patient, the center look and feel ambience is as good as any other private centers, the rates are disruptive, the equipment is the same world class equipment and the services are the same provided by these doctors whom we employ. So for them a 50% price reduction is a significant advantage, even if they have to use a cab to come and let us say avail these services and we are seeing this. This has made us believe that with more awareness, with people understanding and when they come to our centers they generally do lot of mouth to mouth publicity which helps us get more and more customers in the years to come. Most of the other players they are predominantly pathology focused where as Krsnaa is an integrated diagnostic provider having radiology as well as pathology as its verticals of revenue and services.

Siddharth: And Sir what is our equipment like or what period do you depreciate it.

Yash Mutha: Typically, these equipments are normally depreciated over the useful life following the accounting standards and life of these equipment is generally long. Typically on the radiology side it is anywhere between 10 to 13 years depending on the type of the equipment.

Siddharth: Okay great Sir. Thank you very much.

Moderator: Thank you. Ladies and gentlemen due to time constraint that was the last question for today. I now hand the conference over to the management for closing comment.

Yash Mutha: Thank you everyone for joining our nine months ended FY2022 earning call. I hope we have answered all your questions and thank you for being patient with us. Please feel free to connect with our investor relationship team if you have any questions or which remain unanswered. Thank you very much and wishing you everyone good evening ahead.

Moderator: Thank you. On behalf of Dam Capital Advisors Limited that concludes this conference. Thank you for joining us and you may now disconnect your lines.

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