

Date: 12th August, 2022

BSE Ltd.
Corporate Service Department
1st Floor, P.J. Towers,
Dalal Street,
Mumbai 400 001

The National Stock Exchange of India Ltd.
Exchange Plaza, 3rd Floor,
Plot No. C/1, 'G' Block,
Bandra Kurla Complex, Bandra (E),
Mumbai 400 051

Scrip ID: KRSNAA
Scrip Code: 543328

Symbol: KRSNAA
Series: EQ

Dear Sir/Madam,

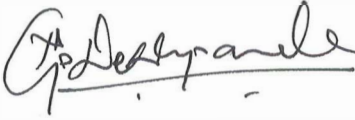
Subject: Transcript of the Earning Call conducted on 05th August, 2022.

Please find enclosed the transcript of the Q1FY23 Earnings Conference Call conducted on 05th August, 2022.

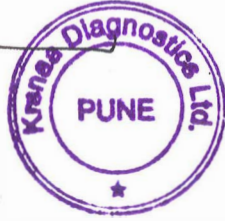
Request you to take the same on your records.

Thanking you,
Yours sincerely,

For Krsnaa Diagnostics Limited



Nikhil Deshpande
Company Secretary



Krsnaa Diagnostics Limited
Q1 FY2023 Conference Call

August 05, 2022



MANAGEMENT: **MR. RAJENDRA MUTHA - CHAIRMAN & WHOLE TIME DIRECTOR**
MS. PALLAVI BHATEVARA - MANAGING DIRECTOR
MR. YASH MUTHA - WHOLE TIME DIRECTOR
MR. PAWAN DAGA - CHIEF FINANCIAL OFFICER

ANALYST: **MR. BHARAT CELLY - EQUIRUS SECURITIES**

Moderator:

Ladies and gentlemen, good day and welcome to the Krsnaa Diagnostics Q1 FY23 Earnings conference call hosted by Equirus 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 star then zero on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Bharat Celly from Equirus Securities Private Limited, thank you and over to you sir.

Bharat Celly:

Good evening, everyone, and a very warm welcome to Krsnaa Diagnostics Q1 FY23 earnings call hosted by Equirus Security. On the call today we have the presenting Krsnaa Diagnostic 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 question. Yash, over to you.

Yash Mutha:

Sure. Thank you Bharat. Good evening, everyone and welcome to Krsnaa Diagnostics, Q1 FY2023 earnings call and thank you all for joining us today. We have already circulated our earnings presentation, which is available on our website, as well as the stock exchange website. I hope you all have had the opportunity to go through the presentation.

To start with from an industry perspective, the Indian healthcare industry was at the epicenter during the pandemic, which highlighted the importance of developing a robust healthcare infrastructure in India. Similarly, the need for high quality and affordable diagnostic services was clearly visible, as it is an integral part of the healthcare industry, which plays an imperative role in diagnosis, assessing disease and plays a major role in the treatment, management and even prevention of diseases.

Today, the Indian diagnostic market is valued at \$10 billion and projected to a CAGR of 14% in the next five years, with COVID-19 behind us, there are other key fundamental drivers of diagnostic industry, such as large population of 1.3 billion people, rising per capita income, allowing increased affordability and need to access better healthcare services, emergence of lifestyle diseases, and increase awareness of preventive health checkups. Overall, looking at India demographics, there is a vast and underpenetrated market of diagnostic services, which offers an immense opportunity to both, organized and unorganized players and we are seeing new entrants in the market, which is good as it establishes the marketplace.

Furthermore, recognizing the importance of making diagnostic services affordable, the government and various states are continuously evaluating PPP or public private partnerships as a viable and best alternative to provide high quality diagnostic services at affordable rates to the masses.

Today, Krsnaa is a leader in the public private partnership diagnostic space, and we are proud to have expanded our presence in the last five years making high quality diagnostic services affordable and available to the remotest

corners of the country. We are well positioned to serve our patients and we see tremendous runway ahead to build upon on a solid foundation.

With this backdrop, I am pleased to inform that Krsnaa Diagnostics started the new fiscal year on a strong note with 4 new tender wins during the quarter in the state of Rajasthan, Maharashtra and we have now entered into new geography of Delhi and Tripura. We are also proud to announce that we have got the mega tender in the state of Maharashtra, which required Krsnaa to deploy 31 CT scans and operate 8 government installed CT scans across 39 government hospitals. We were already present in Maharashtra at more than 400+ locations through the X-Ray accelerated radiology project and with the new CT scan project, it will help us further consolidate our market positioning in the entire state.

If you look at the asset deployment schedule, Krsnaa needs to deploy around 41 CT scans, 2 MRIs, set up 24 labs, and 190 collection centers under the various contracts excluding those that were covered in the RHP. Presently, the agreement execution process has been initiated on all these projects and the implementation of these equipments is expected to be completed over the course of next 9 to 12 months and the contributions can be expected from the next year onwards.

We are progressively expanding our presence and during the quarter we have added 6 radiology centers, 58 tele-reporting centers, 3 pathology labs, and 27 collection centers. As of today, Krsnaa is a leading PPP diagnostic player with 113 radiology centers, 1,439 tele-reporting centers, 53 processing labs, and 613 pathologic collection centers.

The implementation of the remaining centers is on track. However, there have been some regulatory and procedural delays in operationalizing these centers. We expect all the centers mentioned in the RHP to be operationalized by the end of the third quarter of this current fiscal.

Coming to the financial performance during the quarter,

In Q1 FY2023, Krsnaa's core business of radiology and pathology, registered Revenues of Rs. 113 crores, a growth of 10.5% on a year-on-year basis, and 6% on a sequential basis. This was practically a non-COVID quarter and the COVID revenue declined to a mere 0.3 crores compared to 30 crores in the comparative quarter in the previous year.

Our EBITDA for the quarter stood at Rs. 28 crores with margins of 25% and net profit of Rs. 14 crores with margins of 12.6%. The EBITDA margins were slightly lower compared to the previous quarter due to the additional costs incurred for onboarding team to operate and run the newly launched centers. The margins are expected to improve in the upcoming quarter with the maturity of these centers.

On the B2C side of the business, we are pleased to announce that we have 20 franchisees that have been implemented in the state of Maharashtra and the new model is now taking shape. Our rate list have also been finalized and the official press release will be made during this month by our COO, Dr. Ravinder

Sethi. All details regarding the rates, the go-to-market strategy will be disclosed in the press release to be done in this month.

On the pathology front as well, we have expanded our test menu to support retail customer needs across 10 labs in two states, namely, Punjab and Maharashtra. We would like to also inform that we will be launching our Center of Excellence in Genomics in the month of September. As of now, all the required validations and the regulatory compliance have been completed.

On the technology front, we are also implementing the latest CRM for one of the leading vendors, and the implementation is expected to be completed by the end of this month. This will help create efficient, automated business processes to increase productivity, as well as provide the team with relevant data points to enhance customer engagement with an overall aim to improve the customer experience and satisfaction.

Looking ahead, we are focused on timely implementation of the project, which would also augment step-up growth coupled with maturing of basically launched centers and the further expansion of B2C business. With all these initiatives underway, we are confident that Krsnaa is well positioned to meet its annual targets and become one of the fastest growing diagnostic chains in India.

Before I hand over the call to cover to Pawan discuss the financial performance in details, I would like to throw light on the recent income tax search related matter and clarify the rumors which have been circulating in various media articles.

The Income Tax Department in the last month conducted a search under the powers conferred to them under Section 132 of the Income Tax Act 1961 at the premises of the holding company, as well as various other locations. The holding company has provided and will continue to provide all possible assistance to the officials and has furnished all the required explanations, information and clarifications as currently required or requested by the department.

The income tax authorities have not yet concluded the assessment and there is no income tax claim or demand made by the tax authorities yet in relation to the search. Krsnaa continues to operate in the normal course of business and there are no interruptions.

In last week, it came to our notice, there were certain media articles making false and baseless allegations of Krsnaa accepting the undisclosed income. None of these allegations mentioned in the media articles are borne out of any regulatory documents served on us. The remark about undisclosed income is not only inaccurate, but also baseless. Furthermore, the revenue numbers circulated in the news report for 31st March 2019 and 31st March 2021, are highly inaccurate and misleading.

As stated earlier, the authorities have not yet completed their assessment and therefore, no demand has been served upon us and consequently, no demands have been accepted by us. We are committed to maintain the highest standards

of corporate governance and reassure all our stakeholders that Krsnaa conducts its business with utmost integrity and sincerity.

I will now hand over the call to Mr. Pawan Daga, our 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 highlight for the quarter ended June 2022.

In the first quarter, the company registered a Total Revenue of Rs. 113 crores, an increase of 4.3% on a substantial basis from Rs. 108 crores in Q4 FY22. The growth is led by our core business comprising of radiology and pathology, which registered revenue growth of 10.5% on a year-on-year basis and 5.9% on a sequential basis. The COVID-19 revenue declined from Rs. 31 crores in Q1 FY22 and Rs. 2 crores in previous quarter to Rs. 0.3 crores in Q1 FY23.

Operating EBITDA for the quarter stood at Rs. 28 crores flat compared to the previous quarter. EBITDA margins were 25.1% in Q1 FY23, slightly lower compared to 26.2% in previous quarter. The EBITDA margins were impacted due to additional cost incurred for onboarding a team to operate and run the newly launched centers. The margins are expected to improve in upcoming quarter with the maturity of the centers.

Profit after tax for Q1 FY23 was Rs. 14 crores with the margin of 12.6% for the quarter.

During the quarter, we have incurred a CapEx of around Rs. 20 crores towards operationalizing new center.

In terms of our segment contribution, radiology was the largest contributor with 52%, tele-reporting contributed 10% and the pathology contributed 38% to the total revenue.

The total test volume grew by 51% to 5.42 million, with the radiology, tele-reporting, pathology seeing a strong growth of 18%, 137% and 78% respectively. During the quarter, the number of patients count excluding Tele-reporting increased by 4.3% quarter-on-quarter and the revenue per patient remains stable at around Rs. 965. The increasing awareness of a Krsnaa's high quality services offering at a disruptive prices is driving the test and the patient count.

Thank you. We can now open the floor for question and answers.

Moderator:

Thank you. We will now begin the question and answer session. Anyone who wishes to ask a question, may press star and one on their touchtone telephone. If you wish to remove your cellphone to question queue, you may press star and two. Participants are requested to use handsets while asking a question. Ladies and gentlemen, we will wait for a moment when the question queue assembles. The first question comes from the line of Prashil Shah from Capital square, please go ahead.

Prashil Shah:

Thank you. So, we have seen good growth on the number of patients timed about 50%, but we are not seeing anything close to that number in terms of

revenue growth. Majority of the growth in patients was driven by pathology and tele-reporting. So I mean, what is happening with the realization with tele-reporting, quarter-after-quarter we are seeing drop in realization per patient on per test basis. So, when do we see this bottoming out? What is our take on these realizations, especially the tele-reporting side?

Yash Mutha: So, basically, if you see the tele-reporting side, the reason why the realization is lower compared to the previous quarter is because one of the projects that we had, which was Assam, which we rebuilt when it came for re-tendering and we had quoted a lower rate because the investments that we already had made were recovered and this allowed us to continue extending the revenue and that is one of the reasons why the realization is a bit lower.

Prashil Shah: So, how much of an impact would that particular project in Assam would have caused for the realizations to come down so sharply quarter-on-quarter?

Yash Mutha: So, if you see out of the total tele-reporting project, Assam has a significant contribution in terms of number of centers as well as the revenue and volumes as well and that is why it has been able to drag the price per realization.

Prashil Shah: Okay, and just to come, just wanted you to reiterate, so what was the reason for quoting lower in the Assam project?

Yash Mutha: So first of all, the Assam project, as I mentioned earlier, we had successfully run and almost completed the tenure of the contract, which was five years and post that, when it came to rebidding, there was a condition that the bidder should either match with the lowest rate that was offered and that is why we had to quote the prices. Now, if you consider the investment is almost negligible. We do not have to do any investment, but we continue to generate revenues from the same equipment that we had deployed earlier. So, from an overall return perspective, from an overall financial metrics perspective, it was an act to continue with this project even at lower prices, because the investments have already been recovered in the earlier tenure of the contract. And we see a good quarter-on-quarter volume growth in the Assam state specifically in this project of tele-reporting.

Prashil Shah: So, can I infer from this that the competition is rising in this tele-reporting business or maybe especially in the Assam project.

Yash Mutha: No, if you see across various other projects of tele-reporting that we have, we have different prices ranging from 50 to even 120 or 150. It depends on state to state. In this particular case for the state of Assam, there was a requirement that the bidder has to match with the lowest rate and that is what we had offered, considering especially that there is no investment required to be done to extend or continue with this contract. So, if it had been a new tender, of course, prices across various states for X-Ray tele-reporting are different, and they are considering the investments we have to make and overall return ratios and accordingly the prices have been quoted.

Prashil Shah: Okay, and just a last follow up on this. So, given that now we have extended a contract at these new prices, how do we see these realizations bouncing back?

Will they sort of go up from 85 per patient or how do we see this bouncing back.

Yash Mutha: So, what has happened is, Assam being a very stable project, which is continuously driving the volumes, the other tele-reporting projects, for example, if you see we have tele-reporting in Jammu, we have in Maharashtra, we have in UP. As these tele-reporting projects start maturing, the overall aggregate revenue per patient will increase because some of these other projects have a higher rate and that will help us also increase the realization per patients going forward. Like Maharashtra, we have almost 400 plus centers, Himachal Pradesh and Jammu. When all these projects start maturing, Maharashtra is the latest one, which was added, as it starts maturing, we will definitely push the realization per patient going onwards.

Moderator: Thank you. Next question comes from the line of Jainil Shah from JM Financials, please go ahead.

Jainil Shah: Thank you for the opportunity. My first question is, with Maharashtra center getting operationalized in 2Q, which is supposed to be a major contributor, how should we look at quarterly run rate thereafter or maybe you can help us with what could be our exit rate by 4Q?

Yash Mutha: If you refer to Maharashtra project, are you referring to the new tender that we won?

Jainil Shah: No, I am referring to the RHP projects? So, with Maharashtra centers getting operationalized in 2Q, it's supposed to be our major contributor. So then, how should we look at our quarterly revenue run rate thereafter?

Yash Mutha: Yeah, so these Maharashtra projects, especially the ones that are covered in the RHP, as they get activated, they should be able to contribute close to almost about 60 lakh rupees across these four CT scan centers that we have had, which will continue to add to our quarterly revenue.

Jainil Shah: Okay, my second question is on the recent contracts that we have won. Have we factored those in our 2X revenue growth guidance?

Yash Mutha: So, when we had quoted the 2X growth, those were not considered. We had considered certain centers that we will win. Of course, with the addition of these contracts in our portfolio, it gives us the confidence that the guidance will be achieved by the end of the next year.

Jainil Shah: Okay, thank you so much.

Moderator: Thank you. Next question comes from the line of Chinmaya Bhargava from LSB Capital, please go ahead.

Chinmaya Bhargava: Thank you for the opportunity. I have two questions. So my first question is, you spoke about how in Assam when we retendered the contract, we quoted lower prices, but I want to discuss this because it looks like this is a trend across other tenders that we have bid for. For example, in the Tripura contract that we won in June, it looks like we bid almost half the price compared to the next highest bidder, which was Apollo in this case and in the Indra Gandhi tender

also we bid almost twice as much as the next player. So, could you tell me why the gap in the prices that we quoted have been this large?

Yash Mutha:

I think that is not the right statement. If I could just give another example of a similar tender, Andhra Pradesh, where we had bid, initially it was 33. When it came for retendering, we have almost quoted close to 60 rupees. Likewise, even the Tripura, it is almost higher than the existing Assam rate. So, wherever depending on the investment, we always price or quote the rate and accordingly the pricing is done. Now particularly in the case of Assam, the reason as I mentioned because authorities wanted us to match with the lowest rate given that the investment was not to be made. That is how we have done. If you also see in the history as well, there have been other projects where we priced higher than what was the existing rate. So, it all depends on what is the kind of investment that is required? Of course, we have to also consider the competition, and based on all the various factors then the rates are quoted.

Chinmaya Bhargava:

I know Rajasthan government, wants to offer free diagnostics, and has put up a tender for about 3000 centers across 33 districts. I know we have bid for this, but could you tell me if we bid for the entire contract or a portion of this and when we will know updates to this particular tender?

Yash Mutha:

Yes, that is one of the tenders that Krsnaa has bid for and for the entire state for all the 3,000 centers. We are also equally waiting to see when the overall technical evaluations will be completed and the financials bids will be opened up. As of now, we are equally waiting to hear the results and we are hopeful that we should be able to win this contract.

Chinmaya Bhargava:

Why are we hiring senior executives and mergers and acquisition? Are we looking at an acquisition in the health tech space?

Yash Mutha:

I am sorry, we have not been looking for any candidacy merger and acquisitions.

Moderator:

Next question comes from the line of Nitin Agarwal from DAM Capital, please go ahead.

Nitin Agarwal:

Thank you for taking my question. Yash on the Punjab contract, when do we see the full impact of the implementation coming through in the numbers?

Yash Mutha:

Yeah. So, just to give you a bit of color there, Punjab, when we had started the operations of installations in October last or December, we were hopeful to get the implementation done within Q1 of this year. With our past experience, this is a normal time it takes, but in Punjab there have been certain operational delays, procedural delays, including getting the sites from the authorities. At various locations, the sites are complete, but the electricity connections are yet to be given by the government. So, there have been these procedural delays that have impacted and we are earnestly putting our efforts to ensure that all these centers get live, which will help us basically then start augmenting the revenues from these centers.

Nitin Agarwal:

So, do you have a timeline in mind by the end of this financial constitute.

- Yash Mutha:** So, basically, our target is to get all the projects completed by September. There might be few locations, which might extend into Q3 of this year, but almost majority of them will be completed by end of September. The locations which are on the border side of our territory in India, where we are getting in some procedural delays to site readiness and other things, so that is why we expect that it may for a third quarter, otherwise we are targeting that to be completed in the Q2 itself.
- Nitin Agarwal:** If you can help us remind what is the full potential of this contract of entire radiology plus pathology contract in Punjab. At peak, what kind of revenue it can do on a quarterly basis?
- Yash Mutha:** So, the entire Punjab, both radiology and pathology, if on an annualized basis with all these centers up in line, we are expecting almost about 100 odd crores of revenue, and majority of this revenue, if you see today is all cash, just to give you a quick run rate, we have started off with just a mere 50 lakhs on a quarterly basis, it has almost gone up to three crores per month, and the revenue run rate keeps on building and all the revenue that we have booked till date, is all cash with no credit from the government. So, that is one area of opportunity for us as soon as whenever the authorities or government in Punjab also clears that, we will also be able to build upon the credit revenue as at the same time we are ramping up our cash revenues today, which currently the entire Punjab revenue is purely cash.
- Nitin Agarwal:** So, by Q4 in, it should be expected that Punjab pretty close to 24 crores and quarterly revenue should be more or less in similar lines or will take some more time.
- Yash Mutha:** No, so I think by Q4 all the centers should be up and running and we are equally working towards it so that, like how Pawan mentioned, by September is what we have kept a target except for few centers, which might slip into Q3 of this year. Q4, definitely we will see all the centers up and running.
- Nitin Agarwal:** How much time it will take me to pick up peak revenue of this 100 crores annual?
- Yash Mutha:** So, I think once all the centers are, if I say all the centers are operational today, normally it takes about six months for them to start ramping up and getting the matured level of revenue.
- Nitin Agarwal:** So, sometimes if not before peak revenue will be reached in last quarter of next year?
- Yash Mutha:** Yes, definitely. So, the center which is operationalized in Q2 of last year, now, they are generating a huge scans. Scan count per month is already reached around 700 and 800 per month kind of level.
- Nitin Agarwal:** Secondly, apart from the Punjab contract, over the next few quarters, if you can just help us understand, how many more installations can we be probably doing over through the course of FY23?

- Yash Mutha:** Sure. So, currently, we have Himachal Pradesh the pathology lab setup that we are currently doing across the entire state of Himachal Pradesh. Then we have the Delhi center coming up for a CT scan. We also have Rajasthan, one CT scan coming in Churu and after that we also have Chandigarh as well and eight CT scans in UP as well. Chandigarh, one MRI is coming up excluding the Maharashtra, which has almost about 39 locations that has to be implemented. So all these projects are also parallely being executed as we speak.
- Nitin Agarwal:** And by when all of these thought projects in your assessment, be completely executed, whatever you have won so far.
- Yash Mutha:** Yeah, so all these projects that we won, if we consider, HP is something that we are targeting to complete by the next two quarters. Delhi, hopefully should be done in the next couple of months. Rajasthan as well and Maharashtra is the large project, that will probably take about six to nine months of time considering it is a large project. So most of these projects that we won we would ensure that they get completed within the next two quarters.
- Nitin Agarwal:** Asides our Punjab contract, what would be peak revenue of all the other new contract that you will incrementally commercialize, if you can give a rough sense on that.
- Yash Mutha:** So it will be as of now, they are in different implementation phase, it will be difficult to quote this, but if we just take an approximate value it should be adding up to almost 100 crores of additional revenue,.
- Nitin Agarwal:** So 100 crores of Punjab and another 100 crores from the incremental revenue from non-Punjab contract from all these projects?
- Yash Mutha:** Yes, which is like a baseline that we are expecting from all these additional projects that we've undertaken.
- Nitin Agarwal:** And the possibility should be in line of what we are doing?
- Yash Mutha:** Yes.
- Moderator:** The next question is on the line of Chetan Phalke from Alpha stocks, please go ahead.
- Chetan Phalke:** Hi, thanks for a great set of numbers, especially on volumes. I just wanted to ask about the performance excluding COVID and excluding Assam, both on the volume, revenue and margin side and then also what is the plan for the non-PPP business so the business with private hospitals and B2C business, what's the plan for that?
- Yash Mutha:** Sure. So, you wanted to get a sense on the overall volume that we have done excluding the COVID, right?
- Chetan Phalke:** Yes and excluding Assam.
- Yash Mutha:** We'll try to get the data, in the meanwhile, if I just talk about the radiology volumes there we have MRI for example has grown almost 114% year on year. CT scan is almost about 2%.

- Chetan Phalke:** No, the second question was about the non-PPP business, so the business with private hospitals and the B2C business, so business with direct consumers.
- Yash Mutha:** So, on the private hospital front, currently we have signed up with almost two such hospitals where the agreements are done and we are about to do the installation. On the B2C side, that is where I discussed earlier we have established 20 franchises in the state of Maharashtra, we are now rolling up the model across two states of Maharashtra and Punjab in the first phase and then Rajasthan and Himachal Pradesh in the second phase. So basically there we will be establishing franchise centers and these will be formally announced through press release where COO Dr. Ravinder Sethi will be providing more details about the entire B2C market as well as the go-to-market strategy that we have.
- We will come back on the question on volume once we have the data.
- Moderator:** Thank you and the next question comes from the line of Utkarsh Maheshwari from Reliance General Insurance, please go ahead.
- Utkarsh Maheshwari:** Could you just elaborate about the Rajasthan tender and what could be the entire tender size and all, because I believe the state of Rajasthan is actually releasing it as district wise and not as a full state tender, right?
- Yash Mutha:** Yeah, so in Rajasthan, this particular tender is about 3,500 collection centers and it's a large tender in terms of the size we are looking at between 200 crores to 300 crores of revenue that we can expect on an annual basis and of course Rajasthan as a state is supportive of PPP in terms of the experience that we've had. So, we are hopeful you know that if this comes into our kitty that will also be a good win for us.
- Utkarsh Maheshwari:** Just a clarification question. When somebody comes in at the center, I mean in the state of Rajasthan or could be like any other state, for example Bombay overall. So the billing what we do, is to the state government or B2C billing to the consumer directly.
- Yash Mutha:** If it's a credit patient, the patient comes in, the patient will avail the necessary tests or scans, after the tests are being done, the report along with the document is then submitted to the NHM authorities, which is National Health Mission and they along with the state will release the payment. Like in the case of Punjab PPP, where the collection is done directly from the patient, where the patient comes, avail the services and pays in cash. So, there are both these models, which are currently working in the PPP model.
- Utkarsh Maheshwari:** So, basically, is there a distinction between the states or as it like case to case basis.
- Yash Mutha:** It depends on the tender to tender some of the tenders they clearly declared that the cash has to be collected directly from the patient, but most of our portfolio of the project is where NHM and the state basically reimburses us the services that we have provided to the patients.

- Utkarsh Maheshwari:** So, basically, if I want to understand how much of our revenue be currently like from the tenders, where you're are billing directly and how much is coming by NHM?
- Yash Mutha:** So, if you consider our revenues, 70% of our revenues in form of credit revenues, where these are coming from the NHM and the state combination.
- Utkarsh Maheshwari:** Okay, that is where I think your debtor days comes into picture right. So, have you seen any kind of changes in those debtor days, I mean any kind of credit losses are happening and all, something?
- Yash Mutha:** No, so if you see, in fact in the last quarter, we had one of the best recoveries with our debtor days coming down to almost 46 and also there have been various changes happening from a policy perspective at the government level as well, where there have been guidelines issued from the Central Ministry to various state governments to ensure that the payments of PPP partners are made on time, there are clauses wherein, like in Punjab, we have an Escrow account, where government will be passing funds for credit patients, which we can withdraw. So, there are various of these mechanisms that have been put in place to support the PPP partner receiving their claims. Having said that, there are of course procedural delays, which is part of our business, but as of now, we have not seen any exceptional trends that are affecting our receivables.
- Utkarsh Maheshwari:** Last question, in terms of what should now with the normalised growth, because I mean, as you mentioned, there has been a reset in case of Assam and even in case of Tripura also it has come for the reset for your tele reporting. So, I mean, when you say 2x of the revenue and 3x in the in the profit. So, how much should we look at as like-to-like and how much should be coming in as a result of the expansion? I mean, we are growing faster and if we see as a number of installation base what we have currently probably, we will have 1.5x in terms of installation and probably more than that in terms of our collection centers in radiology and in the pathology side. So, I mean how do we project the realizations as a mix of volumes and value growth, because I think the competition is very heavy and we are also trying to get into the B2C which is again a very severe competitive market and probably over there we really don't know what kind of pricing discipline is going to happen. So, if I want to understand that when you say 2x growth, how much will be coming in from as a format of volume growth from the centers, which are in operation as of 31st March, 2021 and later on.
- Yash Mutha:** So, if I could just basically answer that question how much do we expect from existing centers to contribute to the growth. We are expecting about 20% to 25% growth of our existing base excluding the new projects, that we will be adding as we go along. So, the 2x guidance that we have given was a combination of both our existing centers and new projects that we have undertaken, because they will have a higher growth rate compared to the mature centers, which will be growing at their own pace and combination of these two elements is what we are confident of achieving the 2x by the end of two years.

- Moderator:** Next question comes from the line of Ritesh Parikh from Absolute Advisor.
- Ritesh Parikh:** Thanks for the opportunity. Can you please guide on the Maharashtra new contract that we have win this quarter? So what is the kind of capex and by when we would be able to deploy and potential revenue from this contract?
- Yash Mutha:** So, basically this Maharashtra tender that we have, one, it required us to install 31 new CT scans and operate eight government owned CT scans. So, the capex outlay that we have budgeted is in the range of about 65 to 70 odd crores, which will be taken in terms of installation for across all these locations. And in terms of revenue, I think from a mature perspective, we should expect almost about 70 odd crores to start up as the annualized revenue across all these centers.
- Ritesh Parikh:** By when it will able to deploy and operationalize it?
- Yash Mutha:** So, we are targeting almost 9 months to 12 months for the entire project to go live, given that these are across the state at various remote locations. So, it will take about 9 months to 12 months to get the entire project operationalized.
- Ritesh Parikh:** Okay. Again, in terms of this Punjab contract, which we are won last year, and it is in the roll-out phase and we are facing some amount of delay over there. So, will there be any penal clause or so we will be losing our opportunity of the contract period what was given to us?
- Yash Mutha:** So, basically if you see typically the way the setup works is, once we win the contract, the government has to allocate the space to us then we go and start setting up the equipments and then basically the center gets operationalized. So in Punjab, most of the delays have happened, first because there was a change of government with the Aam Aadmi Party coming up and they being the government, so that led to certain delays, after that when they came over, the new team members to understand the project and then basically allocate the required spaces took time. So from that perspective, it does not really impact or there are not any penal consequences, because it is not just entirely upon us for the delays equally the authorities have to allocate the space first and then only we can do the implementation, like even the electricity challenges that we are seeing at some of the centers is where the onus is on the authorities to provide us electricity to a certain point after which it is our responsibility. So, from that perspective we don't see any penalties being levied on to us.
- Ritesh Parikh:** Lastly, on this Rajasthan has this large tender, can you just throw some light on the competition intensity, how many bidders are there and how many districts they will be allocating multiple tenders or how the situation will be like?
- Yash Mutha:** So, the Rajasthan tender initially when it had come out, they were into the smaller and we had just couple of bidders, this time we have about six to seven bidders, both small and large. So of course, it is highly competitive process as we understand and considering that the 3,000s collection centers that to be deployed across the entire state, so, certainly it is a project, which everyone would want to back and we're also equally looking to see how this unfolds in the next couple of months.

- Moderator:** Thank you. Next question is from the line of Manoj Dua from Geometrics.
- Manoj Dua:** Sir, I missed how much capex is required for the lease on Maharashtra tender.
- Yash Mutha:** For Maharashtra we are expecting about 65 to 70 odd crores for the Maharashtra tender.
- Manoj Dua:** Okay, and you were planning something tie up with the machine suppliers per scan model. Any progress on that?
- Yash Mutha:** So, yes, for this particular project, we are exploring the paper scan model or you know basically where the equipment vendors will supply us the equipment and we don't have to deploy our capital. So, the conversations are already going on with the vendor. In fact, even from the vendor's perspective, it's a large order for them. So currently, all the vendors who basically fit with the requirements of the tender are having discussions with us and will probably choose the best alternative out of it and go ahead with the process.
- Manoj Dua:** Okay, thank you and best of luck.
- Moderator:** Thank you. The next question comes from the line of Shiv Prasad from Tara Capital Partners, please go ahead.
- Shiv Prasad:** Good evening Yash. My first question is with respect to the revenue, as you said that, you are still sticking with 2x for the next year? Just wanted to know, this year as early as it was seen somewhere around 30% to 50% expected growth, but as you said that the Punjab contract there were delays. So, wanted to know that do we still stick with that timeline for this year and if not, what was your expectations?
- Yash Mutha:** So, earlier of course, when it started off with the Punjab project, we were confident of achieving 30% to 40% growth. But with these delays that happened in Punjab, you know, that is where we recalibrated the growth to almost about over to 20% to 25%. Having said that and considering that, we are able to deploy all the equipment by end of Q2 or by end of September, which will allow us to ramp up us the project in the next six months.
- So, basically, by the start of the next fiscal year, all the centers should be operationalized and coupled with the Himachal Pradesh pathologic project as well as the other projects that we have recently won that gives us the confidence that we should still be able to achieve the 2x that we had quoted. However, I think we'll have more clarity by the end of the next quarter and we should be in a better position to give further guidance on this aspect.
- Shiv Prasad:** For this financial year, what is the expected growth that we could broadly see?
- Yash Mutha:** For this financial year, as I mentioned earlier, we are looking at about 20% to 25% growth by the end of this year.
- Shiv Prasad:** From existing centers you are expecting 20% to 25% and some additional from the new centers, is that right?

- Yash Mutha:** If I compare with our last year financials, we are expecting 20% to 25% growth overall, especially considering the delays in Punjab project. So, this should allow what we had quoted earlier about 30% to 40% guidance, we just recalibrating it to about 20% to 25% considering these delays.
- Shiv Prasad:** Okay so in that case, the next year, you need to grow at huge more than 60% growth for you to double the revenues. So that is still on path or if you grow 25% this year for you to stick to the 2x next year, which will be upwards the 60%.
- Yash Mutha:** Correct. So, if you see what we had earlier estimated for Punjab on a full annualized basis that you know, because of the delays could not be achieved in this year. So as it gets added into the next year financial overall performance, that along with the other projects is where we are currently confident, but I said you know, by the end of this quarter two, we'll have more clarity how these projects are getting implemented and basically then give further guidance on this. As of today, at least, we are hopeful and confident that we should be able to achieve the 2x that we had quoted earlier.
- Shiv Prasad:** Got it and the next is in respect to the margins, the last quarter, we had seen that due to the new contracts that we deployed and associated cost, that there was a slight decrease in the margins, which we experienced in this year also. So going ahead also, we do have these contracts coming every quarter where you need to put in this thing. So earlier you were stating that it will be in the 30-35% range, so do you think that is kind of possible or do you have any revisions?
- Yash Mutha:** No. So from a margins perspective, if you see from overall perspective, we had expected it to be in the range of 30%. The reason for the dent in this quarter was largely because of the employee that we had on boarded for the Punjab and it's not contributing the revenues given this delay, but on a steady state, as the revenue starts, next thing of course, it should further improve the EBITDA margins as we go along. Now, the new project that we will be onboarding, they will anyways be happening over the next six to nine months and by the time the revenues of the existing and new projects should have been stabilized, so we don't expect significant dent in margins, except if there are really cases where the delays occur, which are beyond our control, but we are all working on a sequentially that the margins move in an upward direction going forward.
- Shiv Prasad:** And with respect to the tele-reporting, you were saying previous participant that Assam, when I was just looking at the number of tele reporting centers, Assam has less than 10% of the tele reporting. Maharashtra, Uttar Pradesh have a sizeable thing, So just wanted to understand how to look at this thing as that is not a huge number right, tele reporting from Assam? Like 130 odd centers you have and overall you have more than 1,400 centers. So it's less than 10% of the entire revenue. One contract has this impact, I couldn't understand that. Could you just throw some light on that?
- Yash Mutha:** Yeah. So, basically if you Assam as I said earlier contributes almost 2 crores of the total revenue and there is a mix of various projects. Now, if you see a cohort of the entire tele reporting projects, there are some projects which are

stabilized, some of them which are at high rates, but they are yet ramping up including contracts like Maharashtra, Himachal Pradesh, which have been recently added. So, as the center start maturing their revenue contribution will be added to the overall revenue performance and hence the realization per patient will improve going forward and that is what equally we are watching out. Now, there have been some projects which have been basically affecting the revenue realization for patient on the tele reporting because some of these projects which are at lower price have contributed more in this quarter and hopefully in the next quarter as we start the balancing out of the other projects, they should lead to improvements in the realization per patient.

Shiv Prasad: Okay, the last one from my end. The new products after your listing, the Maharashtra done, few contracts that you have to do in the Punjab. How are they in line with your projections, what you have already established? Are they in line with what is projected in the first two quarters? How was the revenue and profitability of what you projected when you thought of entering the project, and how is it right now after you've already established more than half of them operational? For the first two quarters how these new centers are in terms of revenue and how are they profitability wise?

Yash Mutha: So, in terms of the projects that are currently on the implementation, both in terms of Revenue and EBITA, they are in line with what we expected. So, we have typically when we go about installing these centers, so there have not been any exceptional trends as such or any surprises, we of course, except for the delay part where the ramp up could not happen the way we are expecting but in terms of the financial metrics they are in line with what expectations we had.

Shiv Prasad: Okay, thank you Yash and all the best.

Moderator: Thank you. Next question comes from the line of Avnish Khara from VT Capital, please go ahead.

Avnish Khara: Hi, so my first question is just a clarification on the 100 crores you are expecting on an annual basis from Punjab and then other 100 crore that you spoke about, where is it from? This is from only the tenders that you have won right now or are you also expecting some new tenders to be won and this is 100 crores for that?

Yash Mutha: So, the 100 crores was for Punjab on an annualized basis and the other 100 crores when one of the other gentleman has asked us will be from the various projects that we won are including Delhi, Rajasthan and the Maharashtra, , basically the new project that we will be winning that will add to another 100 crores.

Avnish Khara: Right, okay. And also on the MCGM and Samaya Centers in Mumbai. Last quarter, we are right in that moment, we operational by now. So, what is the issue that we are facing over there?

Yash Mutha: So, there again, we are facing the electricity power issue because, you know, the power connections from vendors has not been completed yet. For the center, almost work is completed, these are high power lines, so that

connections needs to be provided to us and the centers will be operation which we're expecting by end of this month or latest by next month to get operationalized.

Moderator: We will move to the next question. The next question comes from the line of Aditya Khandelwal from SIMPL. Please go ahead.

Aditya Khandelwal: The number of CT scan and MRI centers were around 113 December 21, which has come down to around 107 in March 22. So why was there such a decline in one quarter?

Pawan Daga: So last quarter only, we already re-corrected our presentation or reclassified the CT tele reporting center have already been subtracted from the CT and MRI count and is classified into the tele reporting. So now the equipment counts and the CT, MRI count is completely getting tallied.

Yash Mutha: So, basically, there are certain centers, which are tele reporting centres but getting classified as CT scan centers, so we just reclassified them in the correct nomenclature.

Aditya Khandelwal: And just wanted to clarify one more thing COVID revenue for the financial year 22 was Rs. 32 crores, is that number correct?

Pawan Daga: COVID revenue was Rs. 39 crore. So, the quarter one COVID allied test also classified into the COVID revenue, for quarter one of last year.

Aditya Khandelwal: Okay, so the whole of financial year 22, the COVID revenue was around 39 crores?

Pawan Daga: So, COVID and COVID allied revenue was Rs. 38 and 39 crores.

Aditya Khandelwal: Okay. So about our B2C business, so, what is the strategy for the pricing? The pricing going to be similar with the price will be charged to the district hospitals, the franchise fees that we are expected to pay and the margin, is it going to be the margins will be below the company level margins?

Yash Mutha: So basically, the pricing that we will be offering will of course be competitive, in terms of the overall go to market strategy, as well as the way we are going to implement this, we will be announcing this press release shortly through our COO, Dr. Ravinder Sethi. So I would just suggest, bear with us for now, we will be making these announcements soon.

Aditya Khandelwal: Okay. Thank you.

Moderator: Thank you. Due to time constraints, we have now reached the end of question and answer session. I would now like to hand the conference over to the management for closing comments.

Yash Mutha: We thank you, everyone for sparing your time for us on this earnings call. On a closing note, I would just want to basically say that we've hopefully answered all your questions, apologies for the technical glitch that we had in between. If any questions remain un-answered, please feel free to connect with our investor relationship team at Churchgate Partners and we look forward to

interacting with you in the future quarters. Thank you very much. Wishing everyone a pleasant evening. Thank you.

Moderator:

On behalf of Equirus Securities that concludes the conference. Thank you for joining us. You may now disconnect your line.

Notes:

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