



VIJAYA®
DIAGNOSTIC
CENTRE

August 17, 2022

To,
Listing Department
National Stock Exchange of India Limited,
Exchange Plaza,
Bandra Kurla Complex,
Bandra (East), Mumbai- 400 051
Company Code No. VIJAYA

To,
The Corporate Relations Department
BSE Limited,
Phiroz Jeejeebhoy Towers,
25th Floor, Dalal Street
Mumbai- 400 001
Company Code No. 543350

Dear Sir/Madam,

Sub: Transcript of the Earnings conference call organized on August 10, 2022.

We are enclosing herewith the 'Transcript' of Earnings Conference Call organized on August 10, 2022 post declaration of un-audited financial results of the Company for the quarter ended June 30, 2022.

Please take the information on record.

Thanking you,
Yours faithfully,
For Vijaya Diagnostic Centre Limited

K. Anusha
Anusha Kanumuru
Company Secretary

Encl.: As above





**VIJAYA
DIAGNOSTIC
CENTRE**

Vijaya Diagnostic Centre Limited (VDCL)

Q1 FY23 Earnings Conference Call

August 10, 2022

Moderator

Ladies and gentlemen, good day and welcome to the earnings conference call of Vijaya Diagnostic Centre Limited. As a reminder, all participant lines will be in the listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '*' then '0' on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Devrishi Singh from CDR India. Thank you, and over to you, sir.

Devrishi Singh:

Good afternoon, everyone and a very warm welcome to Vijaya Diagnostic Centre's Q1 FY'23 earnings conference call. We have with us, Ms. Suprita Reddy, Chief Executive Officer; Mr. Sunil Chandra, Executive Director; Mr. Narasimha Raju, Chief Financial Officer and Mr. Siva Rama Raju, Head - Strategy of the Company.

We will begin the call with opening remarks from the management followed by an interactive Q&A session. Before we start, I would like to point out that some statements made in today's call, maybe forward-looking in nature and a disclaimer to this effect has been included in the earnings presentation shared with you earlier.

I would now like to invite Ms. Suprita Reddy to make her opening remarks. Thank you, and over to you, ma'am.

Suprita Reddy:

Good afternoon, everyone. On behalf of the management team of Vijaya Diagnostic Centre Limited, I welcome you all this call.

I would like to share key highlights for the period, following which Mr. Narasimha Raju will take you through the operational and the financial highlights of the quarter-ended 30th June 2022.

I am pleased to share that the Company commenced the new fiscal on a positive note. With a significant decline in the Omicron variant, we witnessed a healthy recovery in-demand from customers for the stable non-COVID business. A notable month-on-month improvement across some of our other key business parameters was witnessed during the Q1 FY'23. Additionally, the Company was able to enhance

its network and make considerable progress on its calibrated expansion plans during this period.

Our Wellness business, which was impacted during the pandemic period registered a positive uptick during the Q1 FY'23. The Wellness share which used to be around 10% during the pre-pandemic phase, stood close to an average of only around 6% during the pandemic period for around 2 years. So, during the Q1 FY'23, the Wellness segment managed to reach its pre-COVID level by contributing 9.6% to our revenues. Going ahead, we anticipate our Wellness business to continue gaining traction.

I am also happy to share that Vijaya achieved a significant milestone of opening its 100th center by adding five new facilities during Q1 FY'23. Our new 10,000 square feet state-of-the-art hub at Rajahmundry is scheduled to be inaugurated tomorrow. This facility which is well equipped with advanced radiology equipment would offer a wide range of integrated diagnostic services to our customers across this region of Godavari.

Additionally, we remain excited for upcoming Punjagutta center. This would be the first diagnostic center in South India, to have advanced radiology modalities. To name a few like a 204 Channel MRI, and a Dual-source Cardiac CT. Also, the facility will be well equipped with other advanced radiology equipment's like a PET-CT and a gamma camera. Following the commissioning of this facility, we would like to invite you all to visit and have a firsthand visual experience of this world-class facility, which we believe would certainly be one of the best in the country. Overall, Vijaya's expansion plan remains well on track, and it remains confident to achieve its target to open over 15 centers in FY'23.

Over the last few months, there have been a lot of discussions on the increasing competitive intensity in the diagnostic industry. With regards to this, I would like to state that we at Vijaya are confident about our inherent strengths, and we do not see any major long-term impact on the growth of our well-established business. We believe that the new entrants would in fact largely take share from the unorganized diagnostic players, whose customers could be price sensitive. The aggressive pricing strategy adopted by some of these new entrants could have some impact over the short-term; however, we don't expect this strategy to work in the long-term.

I would also like to add that Vijaya's integrated business provides a significant edge over the competition, as its labs become a one-stop shop for patients looking for a wide array of testing comprising of both radiology and pathology testing. Additionally, Vijaya is able to differentiate itself from competition by having a favorable revenue mix skewed towards high margin radiology and B2C business. In fact, during the year of FY'23, quarter 1, the Company managed to derive 95% of its

revenues from B2C business, which unlike B2B business is not only margin accretive, but it is also relatively less price sensitive and has a high-brand recall virtue.

Having said that, we are closely monitoring the on-ground industry trends and aspire to swiftly take necessary initiatives towards the evolving market dynamics, going ahead. We are confident that the trust which Vijaya Diagnostics has been able to build with its customers over the last 40 years and the inherent strengths of Vijaya, makes it well-placed to manage uncertainties and register positive growth.

To conclude, I am confident that the internal and the external factors bode well for VDCL's growth. Today, there are multiple tailwinds which we believe would enable the Indian diagnostic industry to maintain a steady and consistent growth. The Company's growth plan remains well intact as it aspires to expand its potential in tier-2 and tier-3 cities of its core as well as adjacent geographies, which are untapped. This coupled with our strong balance sheet and continued free cash flow generation would also continue to support our business. We therefore remain confident that our strategic initiatives will enable us to provide high quality growth and strengthen our leadership position, going ahead.

With this, I would now like to hand over to Mr. Narasimha Raju, our CFO who will take us to the operational and the financial highlights for the quarter-ended 30th June '22. And thank you all.

Narasimha Raju:

Good afternoon and warm welcome to everyone joining us on the call today. I will briefly take you through the Company's operating and financial performance for the quarter ended 30th June 2022.

As briefly indicated by our CEO, Q1 FY'23 witnessed a transition in the revenue mix profile from COVID to non-COVID. There was month-on-month improvement in the non-COVID business during this quarter. For example, the non-COVID test volumes which stood at 0.68 million in April, increased 0.73 million in May, and also to 0.76 million in June 2022.

Overall, the number of footfalls stood at 0.75 million, as compared to 0.94 million in Q1 FY'22. The number of tests registered a marginally year-on-year increase of 2% from 2.18 million to 2.23 million. The revenue per test was Rs. 469 and revenue per footfall was Rs. 1,395 during the current quarter Q1 FY'23.

The consolidated revenue for the quarter stood at Rs. 104 crore as against as Rs. 123 crore in Q1 of last year. This decline was largely on account of decrease registered in the COVID business. The non-COVID business revenues stood at Rs. 101 crore, comprising 97% of our revenue share as against 74% revenue share in Q1 of last financial year. Overall, our non-COVID business registered a growth of 12% while COVID revenues registered a decline of 90% on a year-on-year basis.

Also, the radiology business stood higher at approximately 36% as against 32% in the last year Q1.

EBITDA for the current quarter was Rs. 40 crore as against Rs. 57 crore in the corresponding previous period. EBITDA margin stood at 38.2% as against 46.3% in the last year Q1. Lower Q1 revenues coupled with incremental expenses for the upcoming facilities largely impacted our margin performance. We are confident that our EBITDA margins would certainly rebound in the upcoming quarters once these new centers attain maturity.

The Profit after tax for the quarter stood at Rs. 17 crore and the Cash and cash equivalents stood at Rs. 235 crore at the end of June 2022.

In conclusion, I would like to say that while overall things are moving in the right direction and the Company remains confident of delivering consistent performance going forward.

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

Moderator: Thank you. Ladies and gentlemen, we will now begin with the question-and-answer session. The first question is from the line of Aashita Jain from Edelweiss. Please go ahead.

Aashita Jain: So, I was just saying, you just mentioned that our business is growing on a month-on-month basis. So, how are things looking in July and August?

Narasimha Raju: I think Aashita, what I could hear is that the increase that we have noticed month-on-month in the current quarter, is it observed in subsequent months, am I correct?

Aashita Jain: Yes. Are we seeing that month-on-month improvement in July and August as well, how are things improving?

Narasimha Raju: Yes, fortunately, we have seen that month-on-month increase noticed even in the month of July and also August, we have seen that improvement in the business.

Aashita Jain: And do we still maintain that, in the next two years we can still grow at around say 13% to 15% growth, is that doable?

Narasimha Raju: Aashita, as you know, for our business, the growth predominantly comes from opening of the new hub centers, and then adding the spokes once they stabilize. So, what we have mentioned that in the current year, we are opening two state-of-the-art facilities, one in Rajahmundry and one in Punjagutta. We expect significant revenues coming up from these centers for a period of two to three years. So, apart from that, almost like 11 spoke centers, and the 4-hub centers that we promised in

the current year would be operational. So, considering all these centers in pipeline, we expect that the growth in the non-COVID business, double-digit growth, we strongly believe that it will continue.

Aashita Jain: My second question is on the margin. So, given the competition that this industry is facing, we may be required to invest more. So, do you still see our margins moving back to the guided range of 40% to 41% in the near term?

Sunil Chandra: Aashita as I think, Raju just mentioned we are expanding. So, in fact, in Q1 itself we had five new centers which have opened, and these new centers, usually what happens is that, even before they open, staffing, and all the fixed costs are going to still hit our P&L, right. So, as they open and start contributing, you will see that the revenues improve. And when you have a lot of new centers, which are being opened, that has a maybe a temporary effect, the operational expenses tend to slightly hit your EBITDA margins and this is something that we expect that it will normalize, especially because this year we are again, we are going to open at least those four or five hubs and over 10 to 11 spokes, many of them are already in progress, Rajahmundry is being inaugurated tomorrow. Punjagutta again this center is fully ready, equipped staffed, it is just not open yet. So, these are some factors which are going to impact the EBITDA.

Now, if you look at competition, you know there are two aspects to it. One is that unorganized competition is not new, it has always been there. Recently, we have seen some of these maybe digital platforms, but what we have seen is that they are doing some deep discount strategies where maybe that is the kind of nature of their business. They look at it as a customer acquisition cost. They are not looking at the cost of the test, they are just saying we will give some discount and try to get business. But in Healthcare, we have always felt that this is not a very sustainable strategy. Because end of the day, the quality of services and the trust of the patient, this is what drives the long-term growth. So, we feel these will be short-term in nature. And over the next year or two, you will see that, we are quite confident that our growth plans and our strategy will continue to be profitable.

Moderator: Thank you. We will move to the next question that is from the line of Prakash Kapadia from Anived Portfolio Managers Private Limited. Please go ahead.

Prakash Kapadia: Couple of questions from my end. Wellness business has increased to 9.6% as compared to 4%. So, is it by design or it is by default. And also if you could give me some understanding what is the ARPU in this segment? What kind of packages we have starting range to the high-end range?

Siva Rama Raju: So, Prakash this is not designed, we are getting this revenue from the packages that were available in the Company from long time. So, pre-COVID, we were at 10% of our revenues from Wellness. And during COVID of Q1 FY'22, it was 4% but otherwise

it was roughly around 6%. So, majority of these packages are from Retail and Corporate, majority of it is again from Retail, and we have packages starting from Rs. 900 in our out station centres. And we have a wide variety of packages, right from something like diabetic package, cardiac package to the high-end whole-body package.

Suprita Reddy: And Prakash, like its mentioned earlier, the uniqueness of these packages and why this Wellness business is the key differentiator is because all of our packages have a mix of both Imaging and pathology. So, if there is only a bunch of lab tests, it's not going to be holistic in nature. So, everything starting from Rs. 900 to Rs. 9,900 will have a mix of some amount of Imaging, Cardiology and pathology.

Prakash Kapadia: And do we have some tie-ups with, say doctors where post the wellness report or the package, a doctor is assigned to the retail customer, where he shows the report or there is feedback or some further process or we are not thinking of that?

Suprita Reddy: So Prakash, in some of our large centers, like our flagship centers which are hubs, where the package load is quite high, we have an in-house doctor who visits only for one hour or two hours. So, basically, it's a free service that is provided by Vijaya Diagnostics. This is only to give some amount of guidance on what these tests mean, by getting a package done. But there is no arrangement where we send these patients to any doctors, or we as consultants sitting within Vijaya Diagnostic refer these cases elsewhere. Because we are doing a whole-body package, it is only to basically check reports and guide them and let them know, give them some wellness and lifestyle changes require nothing more than that. And that is also available only in our flagship centers.

Prakash Kapadia: And in the packages, have we seen any price cuts or more discounting happening at our end or prices have remained stable for us given a lot of guys are now focusing on this business to scale?

Suprita Reddy: So, Prakash there has absolutely been no change in our pricing when it comes to Wellness packages. But like Sunil mentioned a lot of competitive intensity in a lot of online aggregators and all that. But the Wellness bit like Siva mentioned, the packages remain same, and even the mixture of the test has not been changed. So, there is not much of, and that's also why I in fact stressed in my opening speech that we grew, and we are at a 9.6% which is a good signal to say that we are headed in the right direction without any of these changes being made at all.

Prakash Kapadia: Understood. And also, can you help me understand, say in a normal year, I am not talking of non-COVID or COVID kind of revenues, generally Q1 is the weakest quarter for us. Is there some seasonality for us where Q1 typically tends to be lower than the whole year average. How is the seasonality bit for us in our operations?

- Suprita Reddy:** Prakash historically also, we have typically seen that Q1 is a weaker quarter for us, probably even the past years, we have seen that. And that's also a reason why, again we stressed, and in fact, even in our presentation, I think in slide 9 we have shown that it's actually showing, it's a good signal to see a month-on-month growth happening. But Q1 is a little slow season when it comes to our business in our geographies.
- Prakash Kapadia:** So, it will be what, around 20% of our annual kind of sales, is that a broad set of number to look at?
- Siva Rama Raju:** Around 20% to 22% of our annual sales.
- Prakash Kapadia:** And lastly from my side, most of the reports and you know media reports, diagnostic industry is expected to grow 13% CAGR in the next few years. From our scale perspective, what will it take for us to grow, say 15% - 17%, is it just going to be deeper dive in Telangana and Andhra Pradesh, going to interiors? And what could be the rural contribution or interior contribution from these core geographies for us, if you can help me understand that would be very helpful?
- Siva Rama Raju:** So Prakash, currently, as you know that we are getting 83% of our revenue from Hyderabad. And definitely if you see the hubs that are coming up in the current year, they are more in tier-2, tier-3 and also some in adjacent and East India. So, definitely in next two to three years, the contribution from these locations will increase. And also as you said to grow better than the industry, we are trying our best, that is the reason even we are saying that instead of four hubs, we are even trying to get another three hubs, which were actually planned for FY'24. Our project team is extensively working to open these centers in the current year itself. If that happens, yeah, definitely in next two to three years, we will see a better growth, will grow better than industry.
- Prakash Kapadia:** And any sense you could give from rural or interiors of AP and Telangana, what would be say a percentage contribution on an annual basis if you have that number ready?
- Siva Rama Raju:** See, currently, it's about 14% of our revenues coming from Tier-2 and Tier-3. And like tomorrow we are opening one center in another Tier-2 location called Rajahmundry where we are going to build a big network over the next two to three years. So, per se we cannot give you any percentage, but definitely over a three to four years' time you may see something more than 20% coming from these locations.
- Prakash Kapadia:** Understood, that is very clear. And lastly, how many reference labs do we have in Telangana and Andhra Pradesh as of date?

- Siva Rama Raju:** So, as on date, see as on 30th June, we have total of 13 labs out of which 11 are from Telangana and Andhra Pradesh.
- Moderator:** Thank you. The next question is from the line of Vinay Bafna from ICICI Securities. Please go ahead.
- Vinay Bafna:** I have a couple of questions. So, first of all I want to understand, this quarter we have benefited from higher percentage of revenue from radiology packages etc. Is that the reason why our gross margins improved significantly? And would this be the norm going ahead or do you expect this to reverse once things normalize and your revenue from the radiology also dips back? Any views on that.
- Narasimha Raju:** Yes, there is an improvement in the gross profit by almost like 5% year-on-year that is because of a couple of reasons, one is the COVID revenue has decreased by almost like 90%. Generally, the material consumption in case of COVID business is almost double than the non-COVID business, that is one. And second thing is share of revenue from the radiology has increased in overall pile. So, material consumption radiology is generally lower as compared to the pathology. So, that's the reason why you see 5% benefit at the gross profit margin level. Going forward on a non-COVID, fully non-COVID business what we expect is that the material consumption ranges between 12% to 14% depending upon the revenue mix profile between the radiology and pathology. What we expect broadly is that this number of material consumption will be in the range of 12% to 14%.
- Vinay Bafna:** Second thing is that we are opening two flagship centers, and we are incurring costs without any revenue. When do you think the revenues for these two centers will start accruing for the Company and some operating revenues start flowing?
- Narasimha Raju:** For these two centers, one is a Rajahmundry center, will be commencing from tomorrow. And the one more state-of-the-art facility in Panjagutta, which is above 16,000 square feet facility, this is also almost the facility is ready. We expect that it will get commissioned by the end of this month or the first week of September. The final activities are going on, pre-commencement activities. So, the full-fledged revenue will come in from the Q3 quarter from these two centers.
- Vinay Bafna:** Another question would be that generally such large centers, what are the breakeven timelines at the EBITDA level in six months, twelve months, what has historically been our trend?
- Narasimha Raju:** Historically, if you look at it our EBITDA breakeven for large centers and also for the spokes center, small centers also, within the first six months period itself, what we have seen is the P&L EBITDA breakeven happening. So, even at these large centers, we expect the P&L EBITDA breakeven happens in the first six months itself. But only thing is that the reason for establishing such a large infrastructure hubs at these

places like Rajahmundry, it has a potential to cater to almost like 150-kilometer radius, and where there is a potential to add almost like around 10 spokes, once these hubs stabilize. So, that's the reason why we are investing such a capex at these types of planned locations.

Vinay Bafna: Right. But generally, I mean, I understand for the spokes it would be hubs also I can understand the timeline, generally, for such large centers is what I want to understand. I mean, say for example Q3 we begin, so should we expect the margins to be under pressure for six months, twelve months, that is what I really want to understand, because if I look at your cost levels, they have gone up substantially over the past two quarters. Obviously, this will have some opex related to your these two centers which are not accruing any revenue. So, that's the reason what I was trying to get a handle on it.

Sunil Chandra: So, I think what Raju also mentioned is that the centers, before they are opened also we are incurring opex, including the fixed expenses and salaries. Rajahmundry, when once it opens tomorrow, and the other center opens probably in the next month, revenue, once it kicks in, the pressure on margins will ease for sure. And the further improvement will come as the ramp up happens and spokes once they are added, of course, the spokes are usually more profitable than the hubs, if you look at a cluster. But this particular quarter, what you are seeing is that the center is not open, but there is still fixed expense. So, that has put some pressure on them, EBITDA, which is temporary.

Vinay Bafna: Despite very high competition in the regions you operate specifically radiology, we have given a good number in the segment, in terms of revenues. So, are we seeing that the competition is not having any effect or is that that we are also offering discount but that is being offset by volumes which we are accruing in that particular segment? I mean is it because the competition is trying to give a very steep discount but despite that our radiology revenues are sequentially better, that's what I want to understand.

Sunil Chandra: So, as of now, I think Suprita mentioned earlier, we have not really made any changes to pricing, whether it's on packages or radiology. And we have not seen any real need also, our business and if you see our non-COVID business, the growth is quite healthy. We are seeing it continuing going forward also. So, we have not really felt that there is a pressure on pricing or that is affecting our business, as of now, yet.

Vinay Bafna: I understand that it's very difficult for you to break it down in terms of volume, but if it's possible, could you give me a trend as to what has been the trend when it comes to standalone radiology tests prescriptions and not packages, if that has gone up sequentially or month-on-month, if you have any idea on that?

- Siva Rama Raju:** So, the growth that we are showing month-on-month is from both radiology and pathology. I will tell you, for example, if you take from March till June, in the four months, every month radiology and pathology were in the range of that 65%, the contribution is in the range of 65% from pathology and 35% from radiology. So, we are seeing the demand coming from both the modalities, both from pathology and radiology.
- Vinay Bafna:** And my last question is this monthly rate which you have shown in the presentation, June roughly about 0.76 million, what would that be as a percentage for normal June quarter pre-COVID? I mean, would it be like 80%, 90%? I mean, how close are we at pre-pandemic levels?
- Siva Rama Raju:** So, again, it would be like little bit judgmental. So, because the last two Q1's were not the correct Q1's to compare, because we had this wave-1 for first Q1 and wave-2 in Q1 of FY'22. But if you compare from FY'20, so we grew at a three-year CAGR is somewhere around 9% on the total test volume. If you take only non-COVID, we are roughly around 8%. So, what we feel is still there is potential to grow anything between 15% to 20%, ideally, we may be down by 15% to 17%, is what we think, but again, it's like little bit, the internal review that we have, and it's like very judgmental, if we don't have anything in hand to say that we are currently at 80%, or something like that. But what we feel is definitely there is scope of the increase another 15% with the existing branches. Because that we have already seen in June, for example, if you see the moment from April to June, it was almost about 12% increase in test volume.
- Vinay Bafna:** So, the test per patient is close to 3x in this particular quarter. And historically, also pre-pandemic, I think we used to be in the range of 2.7 to 2.8 odd, so is it yet the normal trend going ahead, or do you think it's a bit high in this particular quarter and it should normally going ahead?
- Siva Rama Raju:** So, we expect it to be anything in the range of 2.75 to 2.9.
- Moderator:** Thank you. The next question is from the line of Sayantan Maji from Credit Suisse. Please go ahead.
- Sayantan Maji:** So, the first question is, again, on the test volume, so the reduction that we saw in 1Q FY'23 versus say 2Q, 3Q or 4Q of last year which were relatively less affected due to COVID. So, is it entirely attributable to seasonality? Or do you think this quarter had an impact on the pathology segment due to the competition?
- Siva Rama Raju:** So, I would not say impact, so if you say that was what I was mentioning in the last answer also, like we have seen volumes growing both from pathology and radiology. So, as such, you know it's not that pathology which got affected.

- Sayantana Maji:** So, from 4Q to 1Q, pathology volumes did not get impacted apart from the seasonality that you see.
- Siva Rama Raju:** So, 4th quarter is not an ideal quarter, so we can consider this with 3rd quarter because 4th quarter is again, more of Omicron right. So, if you see that, in April, both the modalities got hit, and by June both the modalities got recovered.
- Sayantana Maji:** And second question is on your costs. So, has there been any increase in the discretionary costs like consumer outreach or say expanding your sales force to reach out to doctors. I understand there has been some increase in cost due to opening of new centers, but apart from that, has there been any other increase from the usual levels that we see?
- Narasimha Raju:** No such increase in any discretionary expenses, specifically on account of any marketing efforts, the usual costs are there with the annual increases. But there are no one-off expenses for any such marketing activities as such.
- Sayantana Maji:** And my last question is on, would you have any like data or anything, which basically tells you how much percentage of revenues do you get from repeat patients and how much do you get from new patients, in, say, an existing center?
- Suprita Reddy:** No, we will not be able to have that data because typically what happens is, we are not a hospital, so you don't have unique ID number. So, every time they come in, their name could be spelled differently, and it's a very difficult task. So, we will not be able to get that data for you at the moment.
- Moderator:** Thank you. The next question is from the line of Girish Bakhru from OrbiMed. Please go ahead.
- Girish Bakhru:** Just trying to still understand this seasonality which you say Q1 is probably 20% to 22%. I am assuming generally if you have to compare lower volumes, I can just see the footfalls so, what was the number, if you can give for Q1 last year excluding COVID, if you have that, for footfalls?
- Siva Rama Raju:** So footfall would be difficult, Girish, because it will be a mix of COVID and non-COVID. What we can give is the test volume, excluding COVID. So, that is like roughly we had something like seventeen lakh thirty thousand tests from non-COVID last year.
- Girish Bakhru:** And so this is basically just behavior wise, seasonality, right, less visible to this quarter?
- Siva Rama Raju:** Yes correct.

Girish Bakhru: And this is not specific to I would say Hyderabad or outside Hyderabad, this is overall in the network.

Siva Rama Raju: So, Girish, because like see, except two centers, all of our centers are within Andhra and Telangana, and this behavior is across these two states.

Girish Bakhru: And just on the two centers, Rajahmundry and Panjagutta, actually, I am just trying to assess the revenue contribution, you said that they will actually have a significant role in next two, three years. So, I mean, if I go back to what you had commented in the past few quarters, hub would typically do about, maybe I mean, Rs. 16 crore to Rs. 20 crore roughly, correct me if I am wrong. And when you have, let's say, something like PET in Panjagutta, I am assuming that revenue number will go reasonably higher. So, I mean, roughly, would it be fair to say that these two centers alone can give about maybe 8% to 10% jump in FY'24, when they are fully running from current base?

Suprita Reddy: If you look at Panjagutta center itself, Girish, you will have to look at it like I had mentioned, it would be one of its kind in the country. See that like a fully AI based, it's a biometric MR, and the CT is a walk-in and walk-out kind of a cardiac machine. So, like Sunil mentioned, centers like this why they are staffed earlier is a lot of training that goes in. These are highly specialized machines. As of today, if we look at our Himayat Nagar center, the wait for a PET-CT, close to about 6 to 7 days. So, keeping that in mind if I say Panjagutta opens at the earliest, it is actually catering to what you have as a demand today, not even looking at probably getting in new cases for that. And the MR itself probably to clock in terms of 2024, Panjagutta, yes, probably about 4% to 5% increase there would come in right.

Siva Rama Raju: So, Girish, what we are expecting is next in 3 to 4 years, we expect something like Rs. 40 crore of revenue contribution from Panjagutta which will be about 10% of our current revenues.

Girish Bakhru: So, this Rs. 40 crore you said from Panjagutta alone, is it?

Siva Rama Raju: Yes.

Suprita Reddy: Girish, Panjagutta center has to be looked at as a center which is one of its kind like I am telling you the PET, the MR and the CT are probably maybe two or three in the entire country today. And the speed of these systems, the kinds of cases that we can do in these systems when we say that you Dual-Source CT is a walk-in, walk-out kind of a cardiac. So, even if somebody is not cooperating that case typically today in any center, in an imaging center, if a patient doesn't cooperate, we cannot test the patient, this is going to be different. Any case can be performed. So, that case is happening that is what is coming in Panjagutta. So, we look at Panjagutta ramping up and giving this kind of revenue in probably three years of time.

- Siva Rama Raju:** So, Girish if you currently see Himayat Nagar is somewhere around Rs. 60 crore of revenue per year. And also, we have the second center Dilsukhnagar which generates about Rs. 25 crore to Rs. 27 crore. So, this Panjagutta will be, in between this Himayat Nagar and Dilsukhnagar.
- Suprita Reddy:** And even distance wise and the kinds of clientele it caters to, it will be a little different. And when we come to Rajahmundry, also Girish, we do not have a center presence in this geography 200 kilometers in and around. This is completely new geography in fact, that also is a reason why I have been sitting here and doing this call from Rajahmundry today. And it's an important center for us, if this center stabilizes faster, the incremental growth will actually happen faster, because the more number of spokes will open. And I do not have any centers in about 180 to 200 kilometers here.
- Girish Bakhru:** And just if I want a clarification, so you have two PETs now and is it fair to assume you are the only one doing PETs in this region?
- Suprita Reddy:** No, we do not have a PET in Rajahmundry. We have a gamma camera in Rajahmundry.
- Girish Bakhru:** Yeah, no PET in Panjagutta and PET in the main Himayat Nagar Center, right. So, there are two PETs already in the network now.
- Suprita Reddy:** In my networks, there are other PETs also available.
- Siva Rama Raju:** So, Girish, we have PETs, like I would say there are PETs in hospitals. But in diagnostics like other than that I think there is only one or two PETs in the diagnostic center, other than Vijaya.
- Girish Bakhru:** When you say the wait is around five, six days, I am assuming wait is similar outside as well.
- Suprita Reddy:** But again, we come back to our philosophy here, Girish, as we keep the best at, maybe the lowest and the most affordable price so if a PET is priced at about Rs. 16,000 in Vijaya, Hyderabad, the competitor pricing would be around Rs. 22,000 to Rs. 26,000.
- Girish Bakhru:** And do you take typically any price hikes in this advanced radiology side?
- Siva Rama Raju:** Well, last year, we did not have any price hike in PET, Girish, it's more on volume. We used to do about 17 per day, now we are doing about 20 per day on one machine.
- Moderator:** Thank you. The next question is from the line of Rahul Jeewani from IIFL. Please go ahead.

- Rahul Jeewani:** You indicated that the non-COVID volume growth for us on a three-year CAGR basis is around 8% to 9%. So, did you refer to that for the June month? Or that is the run rate which we saw for the entire first quarter?
- Siva Rama Raju:** That is for the entire first quarter. I don't have the June number handy, but it will be more than 10% for June.
- Rahul Jeewani:** And on the realization, so if we see pre-COVID our realizations on a per patient basis, used to be around Rs. 1,200 to Rs. 1,250 and now we are at around almost Rs. 1,400. Obviously, this quarter, we would have benefited from higher share of the radiology business. But where do you think our realizations can sustain over the next three to four quarters?
- Siva Rama Raju:** So, Rahul, there are two reasons for the realization to be at Rs. 1,300 because if you see the number of tests per footfall, I mean during the current quarter, it was around 2.98, which was highest, right, previously pre-COVID we were around something like 2.7, 2.75. And also radiology, in the current quarter was around 35.7%. That was the reason you are seeing that highest realization. Whereas in Q4 if you see, average test per footfall was just only 2.3 because of Omicron, that was the reason it was at Rs. 1,200. But if you ask me for the future, it will be anything in the range of Rs. 1,250 to Rs. 1,300.
- Rahul Jeewani:** So, Rs. 1,250 to Rs. 1,300 looks like a more sustainable number for you.
- Siva Rama Raju:** Yes, correct.
- Rahul Jeewani:** And just one last question on this revenue potential, which you spoke about from the Panjagutta center. So, you are looking at a revenue of Rs. 40 crore over the three year period, as an annualized revenue contribution.
- Siva Rama Raju:** Correct.
- Rahul Jeewani:** And just one clarification, so you said Himayat Nagar, which is the flagship center for us, is now annualizing at a Rs. 60 crore kind of revenue run rate. And obviously, that center has been in operation for almost, let's say, a decade. So, do you think that Panjagutta center can hit that Rs. 40 crore kind of revenue run rate within the first three years itself?
- Suprita Reddy:** Yes, we are pretty confident on that, in fact, because of reasons I had mentioned, because of our own wait times, not being able to cater, and at the same time being affordable with the best quality, we still see that going and we are pretty confident on achieving that.
- Sunil Chandra:** Also, Rahul, the center is located close to a very large institute it's called the Nizam's Institute of Medical Sciences, kind of like a AIIMS in Delhi, it's the largest

Government hospital in our city. So, this center is located right next to this institute. And a lot of the services which are not available in that institute will also flow to the center.

Rahul Jeewani: Would you have any sense right now where these volumes from NIMS would be flowing into as in, because there are no alternative options available as of now?

Sunil Chandra: So, I think right now, of course, whatever is not available is probably, being shared or distributed across many centers, including maybe we also get some small part of it, but there is no center, which is right next to this institute. This center that we are opening is firstly, the closest in distance terms. Secondly, the equipment that we are bringing in, is I think, as Suprita mentioned, a Dual-Source CT, this would be one of the first, two or three installations in the country. Similarly, the kind of PET, the kinds of MRI which are being installed, are almost like research level equipment. So, I don't think any of the other centers will even be able to offer some of the kinds of tests or services that this center will be able to do.

Moderator: Thank you. The next question is in the line of Cyndrella Carvalho from JM Financial. Please go ahead.

Cyndrella Carvalho: I just wanted to understand you spelled out in terms of, Panjagutta, how much of revenue potential we could see, what is the number that we are seeing for Rajahmundry, overcoming two to three years?

Sunil Chandra: I think, even during our IPO and the roadshow, we had indicated that in our business model, typically, we look at hub centers, once they stabilize, they can contribute a minimum of our Rs. 12 to 13 crore. That's the broad business model. Of course, when you have some hubs like Panjagutta, Panjagutta is actually I would say is unique, it is almost comparable to our flagship center it's one of a kind. But Rajahmundry is a more typical hub. So, we would expect that it will behave in that same model. Typically, where hub stabilizes, depending on the equipment level, like if you have a PET-CT, it could be more if not, typically like other hubs historically have stabilized entire two locations at about Rs. 12 crore, Rs. 14 crore, Rs. 15 crore. So, we expect it could be around that range, we can't really give you a number on that.

Suprita Reddy: But like I told you with no presence in about 150 to 180 kilometers here and this stabilizing, if you are asking me at the end of fourth year, I would very confidently say that we would be able to achieve a revenue of close to Rs. 20 crore.

Cyndrella Carvalho: And just wanted your sense around, how are we seeing the competitive intensity outside Hyderabad City and within Hyderabad City? If there are any recent trends that you have seen lately, wherein you're seeing any normalization, and the intensity, which you would like to share with us?

- Suprita Reddy:** Especially in Hyderabad, what we see is we see more of the aggregator and the digital kind of competition coming in, that is a different kind of competition. But especially where we have been putting our focus in growing all the Tier-2 and Tier-3 locations, these are locations where there are a lot of unorganized players, smaller nursing homes, and I don't think these places have still caught up to a fact where they will probably be looking at prices and doing home collection. So, they are still a little more conservative. And the kind of competition is completely different in both of these areas. And that's also a reason why when we do centers like the inauguration tomorrow in Rajahmundry, our focus is more in terms of trying to invite people to see the facility, to differentiate between a center that is like Vijaya and all the unorganized and smaller chains. I think the conversation that we have with the customer in these tier-2 and tier-3 towns is what is built that entire brand recall for Vijaya over the last 40 years. So what's the plan for these centers is doing more health camps, health awareness, showing them the facility. And again, like I told you, we have these lifestyle guides who basically give them small tips on their lifestyle changes, wellness bit. So, this has been the activity. This is not something that we do a lot in the city as of now. City is in terms of more in terms of an entire health package getting done. But all of our tier-2 and tier-3 places are more conservative in nature, they want to be spoken to, they want to be, actually they love seeing the facility. So, if tomorrow is our launch, we have already had close to about 50 people visit the site today, just to see whether it's the center from Hyderabad and how was it, and is it well-equipped, so that's like a very positive factor.
- Moderator:** Thank you. We will move on to the next question. That is from the line of Priya Harwani from Perpetuity Ventures. Please go ahead.
- Priya Harwani:** So, I have one doubt, you said that you will be adding 15 centers every year. So, how many centers you are planning to expand out of Andhra Pradesh and Telangana?
- Suprita Reddy:** The majority of these centers are outside of Hyderabad. So, there is a mixture of centers coming up in Andhra and in Tier-2 regions of Telangana, exact number I might not have now, but the combination still remains the same of three to four hubs versus 10 to 11 spokes coming up. And like Siva had mentioned just to actually perform better, the project team is extensively working, probably we will try to open a few extra hubs, so that incremental growth of spokes also comes in next year early.
- Moderator:** Thank you. As there are no further questions, I will now hand the conference over to the management for the closing comments.
- Sunil Chandra:** So, on behalf of Vijaya Diagnostic and the Management, I would like to thank everyone for attending this call, and for showing interest in our Company. I hope

we have been able to answer all your questions, and should you need any further information or clarifications or would like to know more about the Company, please feel free to reach out to us or to CDR India, I think we can provide answers to your queries or any information needed. And thank you once again for taking time to join this call. And we hope to see you all next quarter. Thank you.

Moderator: Thank you. Ladies and gentlemen, on behalf of Vijaya Diagnostic Centre Limited, that concludes this conference call. We thank you for joining us and you may now disconnect your lines. Thank you.

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