

Vimta Labs Limited

Registered Office
142, IDA Phase II, Cherlapally
Hyderabad-500 051, Telangana, India
T : +91 40 2726 4141
F : +91 40 2726 3657



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Listing Centre
B S E Limited
P J Towers, Dalal Street
Mumbai: 400001
Scrip Code No.524394

Asst Vice President
National Stock Exchange of India Limited
"Exchange Plaza", Bandra
Kurla Complex, Bandra (E)
Mumbai – 400051
Trading Symbol: VIMTALABS

Dear Sirs,

Ref: Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.
Sub: Transcript of the Q4-2023 earnings/investor call held on 05th May 2023.

Please find enclosed herewith the transcript of the Q4-2023 earnings/investor call held on Friday, 05th May 2023.

Further, pursuant to Regulation 46 of the Listing Regulations, the aforesaid information is available on the website of the Company i.e., <https://vimta.com/investor-earnings-call/>

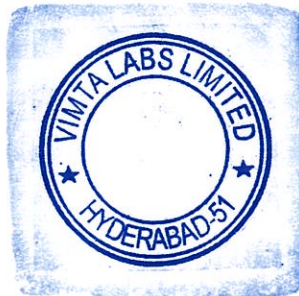
This is for your information and necessary records.

Thanking you,

Yours faithfully,

for VIMTA LABS LIMITED

Sujani Vasireddi
Company Secretary



Encl: as above.



**“Vimta Labs Limited
Q4 FY '23 Earnings Conference Call”
May 05, 2023**

**MANAGEMENT: MS. HARITA VASIREDDI – MANAGING DIRECTOR –
VIMTA LABS LIMITED
MR. SATYA SREENIVAS NEERUKONDA – EXECUTIVE
DIRECTOR – VIMTA LABS LIMITED
MR. NARAHAI NAIDU – CHIEF FINANCIAL OFFICER –
VIMTA LABS LIMITED
MS. SUJANI VASIREDDI – COMPANY SECRETARY –
VIMTA LABS LIMITED**

**MODERATOR: MR. VISHAL MANCHANDA – SYSTEMATIX
INSTITUTIONAL EQUITIES**

Moderator: Ladies and gentlemen, good day, and welcome to the Vimta Labs Limited Q4 FY '23 Earnings Conference Call, hosted by Systematix Institutional Equities. 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 this conference, 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. Vishal Manchanda from Systematix Institutional Equities. Thank you, and over to you, sir.

Vishal Manchanda: Thanks, Ryan. Good morning, everyone. We welcome you to the Q4 FY '23 Earnings Call of Vimta Labs hosted by Systematix Institutional Equities. On the call today, we have with us the senior management team of Vimta Labs, led by Ms. Harita Vasireddi, Managing Director; Mr. Satya Sreenivas Neerukonda, Executive Director; Mr. Narahari Naidu, Chief Financial Officer; and Ms. Sujani Vasireddi, Company Secretary. I'll now hand over the call to the company management. Following which, we'll open the call for Q&A session. Over to you.

Narahari Naidu: Thank you, Vishal and Systematix team for hosting our earnings conference call. Good morning, everyone. I'm pleased to welcome you all to Vimta Labs earnings call to discuss Q4 and FY '23 results. Please note, a copy of all our disclosures is available on the Investors section of our website as well as on the stock exchanges. Anything said on this call, which reflects our outlook for the future, or which could be construed as a forward-looking statement, must be reviewed in conjunction with the risks that the company presents.

Please note that this conference call is being recorded and the audio and transcript of the same will be made available on the website of Vimta Labs and exchanges. Please also note that the audio of the conference call is the copyright material of the Vimta Labs and cannot be copied, rebroadcasted or attributed in press or media because it's specific and has contents of the company.

Now I hand over the call to our Managing Director, Ms. Harita Vasireddi for her opening remarks. Over to you mam.

Harita Vasireddi: Thanks, Narahari. Good morning, everyone. We thank you all for joining us in this Q4 FY '23 Earnings Call. We are pleased to share with you the updates for the quarter and for the financial year ended 2023. Before I discuss the performance of the company, we begin a new financial year, I would like to spend a couple of minutes on the global economic overview and how the TIC/CRO industry is shaping up.

The global economy continues to be in turmoil as the inflation remains elevated across the globe along with no respite from the war in Ukraine, at least not in the near future. This, coupled with the U.S. banking prices continues to bring surprises and has added up to the uncertainties in the economy. With these headwinds, what has kept our hope buoyant is the Indian economy, which

seems to be in control and certainly in a better position to withstand the impact from these macro headwinds compared to most other developing nations.

On the industry front, the TIC and the CRO industry, (TIC stands for testing, inspection and certification), we operate in both these spaces. We continue to face the tailwinds with widespread use of testing practices across industries such as automotive, energy and liquidities, oil and gas, pharmaceuticals, technology and manufacturing. So, this is a good sign for us.

With large investments by international manufacturing, electronics and automotive companies in developing nations like India, the demand and range of opportunities for TIC services and CRO services will proliferate. The Indian government's "Make in India" among other policies to promote domestic manufacturing is further encouraging companies like us to move their testing activities or manufacturing activities here, thereby complying with the Indian TIC and CRO requirements or global CRO requirements. This is aiding in increasing operational expenditure on equipment and driving the market growth.

On that note, I am pleased to share with you that Vimta has crossed yet again an important milestone of INR300 crores during the financial year 2023. During the year, the company continued its strong growth momentum in food, pharma and electronics and electrical services with other segments remaining stable, which led to operating revenue growth of 19.6% year-on-year. This amounts to INR3,162 million. Please note, the revenue from operations excludes revenue from Service Concessionaire Arrangements.

In line with our communication, the EBITDA margin during the year continued its upward momentum to grow by 98 bps during the year to 29.8%. I will let our CFO discuss these and more financials in his detailed commentary.

Moving on to business performance and operational updates. Allow me to throw light on each business division briefly. The business segment that we are seeing as having great potential or potential unfolding in the coming years are electronic and electrical testing, food testing and the preclinical & clinical research. The electronics and electrical market are witnessing strong traction driven by Internet of Things, which necessitates increased adoption in wireless technologies, booming EV market and more and more companies are shifting production to India and most importantly, increasing focus of the government on EMC testing.

While this is a relatively new segment for us during the year, we expect traction with the division growing strongly, and we expect this momentum to continue in the coming years as well. The food testing market growth is catalysed by increased safety and awareness, especially in the recent years primarily with the penetration of social media and need for increased hygiene and food safety post-pandemic. The Indian government is also focusing its attention on market service for food safety and quality.

For Vimta, it's food business has been growing steadily with the industry for many years now. And in FY '23, this was one of the most important segments that was driving the growth of our

business. We have also completed our first year of operations at the National Food Laboratory setup at Navi Mumbai. This is set up and operational in a PPP model, partnership with FSSAI. While the volume was lower in this space due to various events we had stated earlier, the numbers have progressed steadily.

A proud moment for Vimta was recognition by Bangladesh Food Safety Authority for helping them in their goal to achieve harmonization of their regulation test method with CODEX. This is a unique cross-border partnership and the demonstration of our business philosophy regarding sharing knowledge with stakeholders for development of the industry and its ecosystem.

Moving on. Clinical research is already a huge industry in India due to its low-cost operations, and I believe all the players have enough space to grow in this market. I am a little excited about this phase as we are giving it more focus, especially in the areas of patient trials.

On the Life Sciences segment of the business, along with analytical testing and preclinical research, where we are already leaders in India, clinical studies on patients have become the right step for us in widening our services to our customers. We are seeing nice opportunities with our customers in this space. And I believe the addition of such services will boost growth for this division in the years to come.

On the clinical diagnostics front, the industry also has huge potential, but the space is quite cramped with cutthroat competition. While we were of opinion to expand our clinical diagnostic services in the B2C space, we soon realized that this is a tough market, which requires tremendous management bandwidth to scale this business. Therefore, at this point of time, we have strategically decided to pursue only B2B business in the diagnostics space.

Lastly, the environment testing market, it's a relatively smaller unit for us, but growing well with a renewed focus by the country on ESG initiatives. We rolled out Green Audits services for various industries during the year, and the initial traction is quite positive from the customers. I believe this division will continue growing steadily in the coming years.

In order to sustain our growth momentum, we will require more capacity. And therefore, we have embarked on doubling capacities in our Genome Valley facility in Hyderabad. These new capacities should help us achieve desirable growth over the next 5 years. The work for this has already started, and we expect the project completion by end of the year as planned.

Before I conclude, I'd like to especially thank our team at Vimta for their relentless efforts on various fronts, which has helped us grow strength-to-strength in the last couple of years. I would also like to congratulate the team for their strong performance in the audit by USFDA and other regulatory audits and customer products.

To conclude, we remain focused on delivering quality and will continue to do so in the coming years. We are seeing strong traction across the market which makes us confident of achieving our midterm revenue target of INR500 crores.

With that, I now hand over the call to our CFO, Mr. Narahari to discuss the financial performance.

Narahari Naidu:

Thank you, Ms. Harita. I would like to walk you through the consolidated financial performance of Vimta Labs for the quarter and the year ended 31st March 2023. After which, we can open the floor for Q&A.

I'll start with the consolidated financial highlights for the quarter. Revenue from operations to our Q4 FY '23 stood at INR818 million as compared to INR741 million in Q4 FY '22, up 13.4% on a Y-o-Y basis. The revenue from operations excludes revenue from Service Concessionaire Arrangement when we talk about growth of 13.4%. EBITDA stood at INR242 million in Q4 FY '23 as compared to INR230 million in Q4 FY '22, growth of 5% on a Y-o-Y basis.

EBITDA margin for the quarter improved sequentially by 182 bps to 29.5%. And on Y-o-Y basis, margins were down by 156 bps. Profit after tax in Q4 FY '23 stood at INR127 million as compared to INR118 million in Q4 FY '22, a growth of 7.2% on a Y-o-Y basis. PAT margins for the quarter improved sequentially by 233 bps to 15.4%, and on a Y-o-Y basis, PAT margins remained stable.

Moving on to full year performance. Revenue from operations for FY '23 stood at INR3,162 million as compared to INR2,644 million in FY '22, up 19.6% Y-o-Y basis. Again, we have the revenue from operations exclude revenue from Service Concessionaire Arrangement. EBITDA stood at INR949 million in FY '23 as compared to INR803 million in FY '22, a growth of 18.2% Y-o-Y, translating into improvement in EBITDA margins of 29.8%. This is roughly a growth of 98 bps compared to the previous financial year.

The growth in EBITDA margin during the year was driven by better product mix. Profit after tax in FY '23 stood at INR482 million as compared to INR413 million in FY '22, a growth of 16.6% on a Y-o-Y basis translating into a steady PAT margin of close to 15%. PAT margin for the year remained stable due to better EBITDA margins, which is offset by higher depreciation during the year.

On the balance sheet side, we continue to have net debt-free balance sheet with cash and cash equivalents, including other bank deposit of INR398 million. Coming to the working capital movements, if you see the trend of over the last couple of years, you will see a clear downward trend. Our working capital days were around 120 days in FY '21, which was brought down to 103 days in FY '22, which further came down to 98 days in FY '23. This was driven by improvement in inventory days as well as debtors' days. We'll continue to focus improving our working capital management, which also helps in generating stronger cash flows from operations.

In summary, robust growth, improving margins and working capital management has led to strong cash flow generation of close to INR879 million during the current financial year. I believe we will continue to generate strong cash growth in coming years as well, which will take

care of regular cash requirements as well as certain extent of capex requirements. Capex for the year stood at INR498 million, which is the capex I'm talking about, leading to a net free cash flow generation of INR381 million during the financial year.

Coming to capex for the coming year, Ms. Harita mentioned in her remarks that we have been doubling our capacities and the capex for the same has already begun. Total estimated capex for this project is around INR60 crores. And around 20% of this has already been earmarked in the current year's capex. We expect the remaining capex to be completed in FY '24.

Before I conclude, I would like to highlight that we have paid back INR44 million of debt during the year. And the outstanding borrowing stands at INR150 million, resulting in a debt-to-equity ratio close to 0.05x.

With that, we can now open the floor for Q&A. Thank you.

Moderator:

Our first question comes from the line of Sunil M. Kothari from Unique PMS.

Sunil Kothari:

Really good performance in this challenging environment, very good cash flow management and profitability. Ma'am, my question is basically, during last 2-3 years, we invested almost INR125 crores, INR130 crores from 2021 to now last year 2023, INR49 crores, previous year INR45 crores. Out of that, what I understood is INR12 crores is for doubling new capacity at Genome Valley. So remaining capex was for what? If you can explain in detail and how those capacities are utilized? So, is outcome already achieved? Or do you feel that during current year and next year say, those capex will contribute to the revenue?

Harita Vasireddi:

That's a good question. Typically, our capex spends every year is to be amounted to depreciation that is used for either buying new technologies or replacing existing ones or expanding the capacities. That goes on year after year. We had an additional investment for building expansion, which we started last year, and that will continue into the new financial year FY '24.

Sunil Kothari:

Okay. So that includes this INR60 crores total capex of this doubling capacity or building is different?

Harita Vasireddi:

Building alone, we have a budget of INR60 crores. So out of that, we consume 20% in FY '23. The remainder will get consumed in the new financial year.

Sunil Kothari:

Okay. And this total INR60 crores project includes everything, equipment, buildings and all the required machines or maybe whatever laboratory equipment?

Harita Vasireddi:

No, no. This is only for the infrastructure. The equipment we will buy on a need basis as and when we need to add more capacity, we will buy them.

Sunil Kothari:

Within last 2, 3 years, the challenge we faced was COVID and then a slowdown of some business segment, a little longer time taken by electronics and electrical segment, this diagnostic division challenge. My understanding is that you are a little bit delayed on your objective of reaching

INR500 crores, INR600 crores revenue till 2025-26. And now we are specifying that equity of INR500 crores revenue by 2026. So, would you like to comment on what has changed? And how confident you are on achieving the objective of this INR500 crores?

Harita Vasireddi: Some things have gone well for us and some things haven't. So, the things that have gone well for us are the good growth or the potential that we could capitalize on in the food and pharma services. The electrical division, electronic testing division, we could have started a year earlier but for the COVID situation.

So that has led to a loss of 1 year. But number-wise, that didn't impact hugely because the first 2 years' numbers will not be that high anyway. The diagnostics, we were anticipating would help us significantly in reaching our INR500 crores target but we are now seeing that, that is not a huge possibility as compared to other business units.

Sunil Kothari: So how confident you are to achieve this now revised target by 2026?

Harita Vasireddi: We have good confidence. I think the growth that we have been seeing further boosts our confidence and we are targeting for better growth in the coming years.

Moderator: Our next question comes from the line of Dhwanil Desai from Turtle Capital.

Dhwanil Desai: So, my first question is, you mentioned in the previous answer that diagnostic will be significant part of overall scheme of INR500 crores medium-term target. And that somehow, we are kind of putting a break on from the B2C side. So, does it mean that we are seeing much better traction on the pharma side and that is going to make up for whatever numbers that we have assumed on the diagnostic side?

Harita Vasireddi: Yes, your statement is true. I think, pharma segment will compensate well for the diagnostic business that we don't think we can grow at the anticipated rate. At least the plans we had for diagnostics. We could not really push them number-wise. Effort wise, there is still no lags on our side, efforts continue, but the reason we were anticipating it to be better, now that is definitely offset by good growth in the other 2 segments within pharma.

Dhwanil Desai: So slightly diving more on that. What is working out better than expectation on the pharma side. Is it that the preclinical side that we were kind of trying to ramp up, that is doing better or any color on that?

Harita Vasireddi: Yes, like I mentioned in my commentary, on the food side, even government is pushing for a lot of testing in the market. So, when a regulator starts doing that, then the industry also sort of, puts more effort in its product quality, safety testing. So, there is a good push happening from the government. And coming to the preclinical, the China situation has helped us. Many companies that had strong relationships with China are now looking towards other countries and India is a major destination and an option for them.

- Dhwanil Desai:** One other question was on the NFL side. So, can you give more color on the ramp up? You said that it is ramping up, but I think we were kind of anticipating far higher ramp ups. And I think we also got the phase two accreditation. So, how do you see this ramping up in FY '24?
- Harita Vasireddi:** I cannot comment much on how the volumes will ramp up in the future because that's not an information that is even shared with us by FSSAI. So currently, the volumes are significantly better than what they were maybe 5-6 months ago.
- Dhwanil Desai:** We were saying that there is an existing ecosystem around that NFL lab and the samples were currently going there and only a part of anticipated volume was coming. So, are we seeing any change in that in terms of more volumes coming to NFL than going to the existing guys serving that segment?
- Harita Vasireddi:** I cannot comment on what are the number of samples that are going outside NFL, but I can only comment on the fact that the volumes have increased for us. They're definitely better than the first 6 months of operations.
- Dhwanil Desai:** I think in your opening remarks, you were quite optimistic on the electronics & electrical side. And if I assume that we put in INR30 crores of capex and assuming onetime effect on Genome, INR30 crores revenue can be achieved by then. So, are we thinking that we would be able to fully utilize our capacity in a couple of years? Is that part of your business plan?
- Harita Vasireddi:** Yes. Now the capacity is of 2 kinds, EMI/EMC chamber capacity and then instrument capacity. We might need to add a chamber in a year or so as we see the utilization coming to 100%.
- Dhwanil Desai:** Okay. So that means, that segment will be INR30 crores, INR40 crores in a couple of years? Is that a right way to look at?
- Harita Vasireddi:** There will be an investment on the chamber. So that investment might come up in a year or 2 depending on how fast we are able to fill up the capacities.
- Moderator:** Our next question comes from the line of Ankit Gupta from Bamboo Capital.
- Ankit Gupta:** Just wanted to check with you, ma'am, the new capacity at our existing units will come, let's say, by end of this year. So, will our target of INR500 crores of the aspiration that we have of reaching INR500 crores, will that be back-ended post coming of the new capacity? Or do you think next year also, we have good levers for growth, and we can grow at a decent rate of those?
- Harita Vasireddi:** Definitely, the capacity expansion that we are getting into by end of the year will enable our travel towards the INR500 crores. Right now, the capacities are quite strained, especially in some business units. And there, we are doing our best to continuously stretch. It's a difficult task, but we have been managing to do it.

- Ankit Gupta:** Sure. So how do you see growth panning out for us in FY '24. Will it be a low, like high single-digit kind or low teens kind of growth? Or you are confident that despite some capacity constraint, there will be healthy growth during FY '24 as well?
- Harita Vasireddi:** FY '24, we are pushing for better growth. We want to improve the growth rate that we had over the last year. And I would say very early to comment on the subsequent year. Let's wait to go through a couple of more quarters, you'll understand more and look at that question better.
- Ankit Gupta:** Sure. And on the food side, the ex-NFL side, you seem to be pretty confident that there has been a lot of push from the government side. And in our earlier calls, we had indicated that our margins on the food side were relatively lower than the company average. So how are the margins shaping up on the food side, if you can comment on that?
- Harita Vasireddi:** Food is the volume business, the more volumes we are able to bring on, the margins will, I think, get better.
- Ankit Gupta:** Sure. So, have we seen improvement in margins in food segments in FY '23 also?
- Harita Vasireddi:** Yes.
- Ankit Gupta:** Okay. And what kind of visibility you have or the kind of traction you see that the food will continue to improve on margins as we scale up the volumes?
- Harita Vasireddi:** There would be an improvement. I won't be able to exactly predict what is the percentage improvement, but we anticipate that, now with the new numbers that we are targeting this year, the margin should also get better.
- Ankit Gupta:** Sure. And then on the pharma side, we have been talking quite a bit on the Biologics segment. It has been a new segment that we are pretty confident on. If you can talk about how the pipeline is shaping up on the biologic side of our pharma business?
- Harita Vasireddi:** Many companies in India, and its mostly Indian companies that we are working with right now with respect to large molecules. They have exciting pipelines for their large molecules. So that is quite promising for us. We have recently procured the technologies required for wider large molecule services. So, they are currently under installation. Once these get installed in this quarter, we will be pushing those services in a more aggressive and focused manner in the coming quarters.
- Ankit Gupta:** So, can we assume that in the B2B segment, the growth will remain let's say, 5%, 10% on diagnostic side? Or even B2B has some potential to push for higher growth numbers?
- Harita Vasireddi:** I will not be able to comment on the exact percentages of growth. But what we have realized is that we are better off sticking to our strength, which is the B2B market. So, we will continue to pursue that.

- Ankit Gupta:** Sure. And on the NFL side, you commented that the last 6 months, our volume has increased significantly compared to the initial 6 months. So, let's say, in terms of percentage, we were at x times in the initial 6 months. So, in the last few months, how have we scaled up, like, let's say, have we grown by 1.5x, 2x. If you can just give an indication on that front?
- Harita Vasireddi:** I think it would be around 1.3x to 1.5x push. Again, seasonality impact will be there because these are food commodities.
- Moderator:** Ladies and gentlemen, the participant's line has been dropped or has left the queue. Our next question comes from the line of Jigar Shroff from Financial Research Technologies.
- Jigar Shroff:** Congratulations on very good results. I just wanted to reiterate, what is the capex for doubling the capacity in Genome Valley, is it INR60 crores total?
- Harita Vasireddi:** Yes, INR60 crores.
- Jigar Shroff:** And it will be completed by March, FY '24, right?
- Harita Vasireddi:** Right.
- Jigar Shroff:** Secondly, in this operational update, I saw ma'am, we mentioned 2 new initiatives we rolled out, rolled out Green Audits services for various industries. And also, if you could talk a bit about the Bangladesh PPP that we have undertaken in terms of the size of opportunity.
- Harita Vasireddi:** Yes. So, both these things are on the non-number side, we have been invited by the Bangladesh Food Safety Authority to contribute to their efforts in harmonizing their food safety standards to CODEX standard. CODEX is an international standard. So, there were several technical groups that were formed, and we were invited to be a part of the technical group for methods harmonization.
- So, we got a special recognition and special thank you from the Bangladesh Food Safety Authority for our contribution because I think we stood apart, we shined in what we did amongst the other technical group. So, I was rather proud of it because we not only work with our government that we are happy to work with and also other governments, especially with neighbouring countries where this kind of harmonization will improve the trade within the region. So, we feel satisfied when our work helps the region and not just the country.
- Coming to the other one about Green Audits. I mentioned this only because it's an initiative, new service that we have started in our environmental services. There's a lot of push in the corporate world towards ESG compliances. So, there is a lot of interest that is coming up from such companies. And we are recognized as one of the quality service providers. In fact, many have reached out to us to start these services and we have begun it for them.
- Jigar Shroff:** So, any indication what could be the size of this opportunity, the Green Audit?

- Harita Vasireddi:** Opportunity-wise, it's very routine. Just qualitatively, it's a very good work that Vimta has started doing and contributing in terms of environmental sustainability.
- Jigar Shroff:** Okay. So, both these initiatives, we don't see, I mean, contributing? Bangladesh, I mean, no plans to expand our geographical spread or nothing on that sort, right?
- Harita Vasireddi:** Just now nothing, but we never know what opens up. Our brand is growing. The brand is becoming strong.
- Jigar Shroff:** Okay. And In the Indian market, I mean, how is the competitive intensity, ma'am?
- Harita Vasireddi:** In the food business, you mean?
- Jigar Shroff:** Overall, in all the services that we are rendering.
- Harita Vasireddi:** Competition is very high in all the segments. There is no industry where there is no competition, at least where we are providing our services. It's quite intense. I would say a lot more in clinical diagnostics compared to the others, but it's there everywhere.
- Jigar Shroff:** Who would be our main competitors, ma'am?
- Harita Vasireddi:** Now we compete with several companies for each of our service segments. On the food side and pharma side, we compete with the multinationals, who are playing in India. And the food side, of course, we also compete with the local domestic laboratories. Electronics and electrical, we again compete with multinationals who have set up their testing facilities in India. Coming to environment, there again, hundreds of players that provide these services, but we have a very strong brand there. The other one is diagnostics. And I'm sure you know who the big players are. We compete mostly with the local players. And in our geographic regions where we are strong, we also compete with the national players.
- Jigar Shroff:** And just to reiterate, ma'am, the midterm revenue target which you mentioned around INR500 crores, the margins should be better than the existing 30%, right?
- Harita Vasireddi:** We hope that it would be better.
- Moderator:** Our next question comes from the line of Aman Vij from Astute Investment Management.
- Aman Vij:** My first set of questions is on electronic and electrical side. If you can talk about what is our team size and the number of customers as of today. And I think last quarter, you mentioned you started the second shift. So, what is it like? Are we fully through the second shift? Or is there any plan of third shift also?
- Harita Vasireddi:** The team has been strengthened in the last couple of months. I think there are about a dozen plus people now. And we continue to operate once you spend an extra half shift. So as of now, there is no need for a third shift.

- Aman Vij:** And in terms of customers?
- Harita Vasireddi:** Customers, we have added a good number of customers from Hyderabad.
- Aman Vij:** What is the total number of customers as of today in this division, electronic and electrical?
- Harita Vasireddi:** I don't have the count with me, but we have added a good number of customers during last year. Everybody that we have reached out to, has responded well. And as and when, I think they had requirement of such services, they have all reached out to us.
- Aman Vij:** You had mentioned that it will take us 2 years to scale. One year has already passed and another one year, maybe this year you are talking about. I was asking because we have already done a lot of testing for our customers, any reason you don't see the scaling happening this year itself in this division?
- Harita Vasireddi:** So, your question is what is the scale in the first year and what would it be in the second year, correct?
- Aman Vij:** Yes, you had mentioned that we were late by 1 year, right? We were supposed to start in FY '22. We started in FY '23. And then you had mentioned in the first 2 years, numbers won't be high.
- Harita Vasireddi:** So, the numbers won't be high in relation to the total revenues of the organization. So that's what I meant. But this division has its own plan. And we are sticking to the plan. The delay was on installation of equipment. So that's how we couldn't start when we plan to start. But after we started, the things are moving as per the plan.
- Aman Vij:** Okay. But the question was, do you expect the full utilization this year or next year in this division?
- Harita Vasireddi:** We think we might have to add a chamber maybe by 2025 or 2026.
- Aman Vij:** Okay. And the INR30 crores cost split between the chamber cost and the equipment cost, roughly, what was it?
- Harita Vasireddi:** That's too nitty-gritty. We negotiate with these vendors. Now I don't want to open up what our negotiation prices have been, to the public.
- Aman Vij:** No issues. In terms of the JNPT, FSSAI scaling up. So last quarter, you had mentioned that there was a new CEO that has come. So, if you can update us in terms of full utilization of this facility, do you think it can happen in the next 2 years or it will take longer time?
- Harita Vasireddi:** As I said in my earlier responses, I am unable to predict that because that is entirely in the hands of the government. So, we have no visibility on that. The new CEO has come and then we interact. And these things are steadily progressing. That's all I can comment on.
- Aman Vij:** Okay. If you can talk about what is the current utilization in this facility?

- Harita Vasireddi:** Utilization-wise, it's good. We are, I mean, double shifts there. We can also add a third shift when sample volumes further grow.
- Aman Vij:** So, utilization will be like 50%, 60%, right, minimum as of today?
- Harita Vasireddi:** Utilization in terms of not based on people and equipment for us, it's 3 dimensional, we can always add more people to add numbers to the 3 shifts, if needed as and when. Equipment, right now, I think they are well used. I don't really have the utilization with us as of now. So as and when we need more equipment, we are in a position to deploy them in a very short period. Infrastructure-wise, it is fully occupied. The space has been provided by the government. So that is fully occupied by us. There's no further room for expansion.
- Aman Vij:** Okay. What is the total number of employees who are on this project as of now?
- Harita Vasireddi:** They are around 60 people.
- Aman Vij:** And do you think we'll ramp up this year, maybe?
- Harita Vasireddi:** As I said, I don't know. If needed, we will.
- Aman Vij:** Sure, ma'am. My next question is on the food division. So, do you think we can cross that INR100 crores barrier in food this year or maybe in FY '25? Do you think that will happen?
- Harita Vasireddi:** It will happen soon. When it happens, I will announce it. Normally, we don't give out segment-wise sales. It's an internal target that we have taken in food that I wanted to share with you. I can just confirm to you that as on today, we are the #1 in the country.
- Aman Vij:** Yes, that was very interesting to know. And the #2 player now will be like 20% lower, or they are much, much lower compared to us in this industry?
- Harita Vasireddi:** I don't know. I honestly, I don't have that information with me right now.
- Aman Vij:** Sure, ma'am. On the pharma analytical and preclinical side, here also, it was very good to know that we are the #1 in India. At the same time, I believe there are 2 more players. Maybe they are not very strong in this segment, Vida and one more. So, is my understanding correct that here, we are the dominant player in India and maybe they are more into the clinical side rather than pharma analytical and preclinical side?
- Harita Vasireddi:** Yes, Vida is very dominant on the clinical research side, not so much on the other service lines.
- Aman Vij:** You had mentioned 2 players who were quite big apart from us. One was Vimta, one was Vida, there was 1 more player you had mentioned, right?
- Harita Vasireddi:** In clinical research, the other strong player was Lambda.
- Aman Vij:** Yes. So, they are also not very strong in pharma analytical and preclinical?

- Harita Vasireddi:** They are mostly serving the captive business for their parent company, Lambda.
- Aman Vij:** Ma'am on the clinical research side, we were trying to break in and then this COVID thing happened. So, any progress on that because that is a much bigger opportunity, if you can talk about what is happening?
- Harita Vasireddi:** This is regarding clinical research, right?
- Aman Vij:** Yes.
- Harita Vasireddi:** Yes. clinical research, as I mentioned in one of my previous calls, we have started building capabilities for patient studies. So that is a new service that we are going to flag off this year.
- Aman Vij:** Do you think some projects in clinical research will fructify this year, which have been pending for last 2, 3 years?
- Harita Vasireddi:** Yes. We are very hopeful that something will fructify in Q1 or Q2.
- Aman Vij:** That is also very good to hear, ma'am. Next question is on the people addition. So, we currently have 1,400 people. If you can talk about what will be the employee addition after this Genome facility comes in? And what kind of employee trends do you think we'll add in FY '24, this year?
- Harita Vasireddi:** Manpower-wise, it has been very, very challenging after COVID. Luckily for us, we have been able to maintain the manpower cost. And we are going to put our best efforts to maintain manpower cost. The numbers might be here and there depending on how efficiently we are able to manage that goal of ours.
- Moderator:** Our next question comes from the line of Dixit Joshi from Whitestone Financial Advisors Private Limited.
- Dixit Doshi:** My first question is, recently, the Eurofins has announced INR1,000 crores capex in Genome Valley. So, will that be on the similar lines of what Vimta does? And can that materially impact our growth plans?
- Harita Vasireddi:** Eurofins is not only a testing laboratory and the CRO like us, but they are also CDMO, contract development and manufacturing organization. So, their revenue models and ours are slightly different.
- Dixit Doshi:** Okay. So, you don't expect too much competition because of them coming?
- Harita Vasireddi:** We are already competing with them on the pharma and food testing services and contract research services. So, nothing new.
- Dixit Doshi:** Okay. In terms of electronics business, so as you also mentioned that government is focusing on manufacturing in India and a lot of PLI benefits are given for electronic manufacturing. So, I mean, let's say, after 2, 3 years or 5 years, can this business become say, 20%, 25% of our overall

top line? Or do you feel that even after considering that, this business will be a small part of our overall revenue?

Harita Vasireddi: Yes, 2 to 3 years, we would be very happy to see it fall around 10%.

Dixit Doshi: Okay. And in terms of diagnostics, you mentioned that now we will be focusing more on the B2B side. And are we looking to, let's say, partner with any of the online service provider as their back end?

Harita Vasireddi: No. Actually, the online service providers do not have a model of partnership with companies like us. It is very transaction based, depending on the test location, very dynamic. So, there is no model for partnership as such. It is not something that we have come across.

Moderator: Our next question comes from the line of Pratik Kothari from Unique Portfolio Managers.

Pratik Kothari: My first question is on the Genome Valley. So, once it is set up and we have ramped up to the maximum potential available, and I think you have mentioned that it might take up 5 years. But what can be the revenue potential then? I mean just to understand what can this lab setup do for us, say, 5 years down the lane.

Harita Vasireddi: Many technologies are getting developed from the instrument manufacturer side also. They are talking about green lab: they are talking about revolution in labs. So, the technologies are revolutionized in terms of their size, the space that they occupy, things like that. Then the capacities that we are currently building now could actually be stretched. But I don't have a prediction as of now, very specifically, when this new building will be fully utilized.

The one that we are sitting in right now was constructed in 2006, it has run for us so many years, and now we are full. Of course, we are growing faster. Now numbers are also bigger. So, I wouldn't anticipate that it will take the same amount of time to fully utilize the new capacity. I'm hoping we'll be able to use them up much, much faster, but I don't have any specific forecast on that.

Pratik Kothari: Fair enough. Actually, I wasn't asking on the timeline, I was just talking about the potential. So currently, I believe we operate about 400,000 square feet? I mean, including all facilities that we have on the pharma side?

Harita Vasireddi: Yes. Not pharma, full company.

Pratik Kothari: Ma'am, my second question was in Q3 call, in the December call, we had mentioned that there was some spillovers of revenue from Q3 to Q4. And ex of that, also, we are expecting some substantial jump in revenue. I mean, accounting for that, we don't see as such. Any comment, anything that you'd like to highlight?

Harita Vasireddi: Usually, there is a set up. Something don't happen and some unforeseen things happen. So, in last quarter, the setup didn't happen. That's the reason it was a slight aberration. In Q4, the normal

trends continue. It's still lower than that we were anticipating on some, they continue to pull over. Some have, of course, happened in the last quarter. I wouldn't pay too much attention to that.

Pratik Kothari: Fair enough. And my last question is on the margin. So, in FY '22, if we take out a lab setup cost, which was recorded in revenue and expense, again, the INR14-odd crores. If we look at margins, ex of that, it was 30-odd percent. And if you look at margins, now it's again 30%, and we have grown at 20% year-on-year. So, our expectation was, given the business that we have as we ramp up and ramp up quickly, we should see some operating leverage play out. But the margins remained flat last year versus this. I mean ex of your JNPT lab set cost, just your comments, why didn't that play out?

Harita Vasireddi: Margins would have probably been slightly better had we been able to translate our plans in diagnostics effectively. So that has countered it a little bit. But going forward, I think the margins can definitely be expected to be better.

Pratik Kothari: You said, given going forward, the margins, we expect it to be better. My question, I mean what is this driven by?

Harita Vasireddi: It will be driven by volumes. Last year also there was a good increase in volumes that was probably offset by some divisions that did not grow as anticipated. Now the betterment I'm seeing from the volume in all the business.

Moderator: Thank you. Our next question comes from the line of Rohit from Ithought PMS.

Rohit: Okay. Just a couple of questions ma'am. So, I missed your commentary on the large molecule side. Can you just repeat that? You said that you have signed up with a customer and you were also putting in some more equipment. I was unable to properly hear.

Harita Vasireddi: Okay. I didn't mention any sign off with customers. I was just sharing that we have procured some new technologies to add higher-level services for large molecules. And the technologies are currently under installation, and we will be able to commercialize those services from Q2 onwards.

Rohit: So how are you looking at FY '24, given you mentioned that capacities are constrained? So, this year, I think improved by around 15%. Something similar, you think you can achieve despite capacity constraints, or this year would be more like a consolidation here as new capacity comes on online.

Harita Vasireddi: Capacities are severely constrained on the pharma side. The other business units do not have that kind of constraint. So, pharma still will continue to match. We are compressing ourselves more. So hopefully, we will be able to manage until the new facilities opened up for occupation by Q4 of this year.

- Rohit:** Right. And on the NFL, you mentioned that the volumes have grown in the last 3 months. Is there a seasonality in this, that the last quarter is always good? Or is there no seasonality and you're adjusting for that? And still the volumes are good. Any comments on that?
- Harita Vasireddi:** There are seasonalities in our various services, but they tend to not all come in the same quarter. So more or less, there is an evenness inherently built into the quarter.
- Rohit:** What I was wanting to ask was that in the NFL specifically, you've seen a jump in your volumes in the last 3 months, you said the last 3 months were better than the first 6. So, I was just wanting to ask, is there any seasonality there which is driving the volume, or your share is going up irrespective of that seasonality, is what my question was.
- Harita Vasireddi:** In Q4 there will be a seasonality impact because last year's Q4 also, we saw that.
- Moderator:** Ladies and gentlemen, due to paucity of time, we have reached to the end of the question-and-answer session. And I now hand the conference over to Vimta Labs management for closing remarks.
- Narahari Naidu:** Thank you, everyone.
- Vishal Manchanda:** Thank you. On behalf of Systematix Institutional Equities, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.

(This document was edited for readability purpose)