

## Vimta Labs Limited

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# Vimta

Driven by Quality. Inspired by Science.

VLL\10\S-004\2021

Date: 28.10.2021

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 Q2-2022 earnings/investor call held on 25<sup>th</sup> October 2021

Please find enclosed herewith the transcript of the Q2-2022 earnings/investor call held on Monday, 25<sup>th</sup> October 2021.

Further, pursuant to Regulation 46 of the Listing Regulations, the aforesaid information is available on the website of the Company i.e., [www.vimta.com](http://www.vimta.com).

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  
Q2 FY2022 Earnings Conference Call”

October 25, 2021



**ANALYST: MR. VISHAL MANCHANDA - NIRMAL BANG  
INSTITUTIONAL EQUITIES**

**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:** Ladies and gentlemen, good day and welcome to Vimta Labs Limited Q2 FY2022 earnings conference call hosted by Nirmal Bang 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 the conference call, please signal an operator by pressing “\*” then “0” on your touchtone phone. Please note that this conference is being recorded. I would now hand the conference over to Mr. Vishal Manchanda from Nirmal Bang Institutional Equities. Thank you and over to you Mr. Manchanda!

**Vishal Manchanda:** I welcome you all to the Q2 FY2022 earnings conference call of Vimta Labs Limited. We thank the Vimta Labs management for giving us an opportunity to host the call. Today we have with us the senior management of Vimta represented by Ms. Harita Vasireddi, Managing Director, Mr. Satya Sreenivas Neerukonda, Executive Director, Mr. Narahai Naidu, Chief Financial Officer; and Ms. Sujani Vasireddi, Company Secretary. I now hand over the call to the company management for opening comments. Over to you Madam!

**Harita Vasireddi:** Thank you Vishal. Good evening everyone, thank you for joining us today in our Q2 FY2022 earnings call. We have yet another good quarter. This financial year started well for us in Q1 with a better performance in Q2, despite the COVID second wave that we saw in Q1 it has been a good half year with the robust performance from the company. We expect to maintain or better this performance going forward into the second half. I will share a few key highlights of the quarter and our CFO Narahai will get into a little more detail on the numbers. The performance for the quarter and half year played out in line with our expectations. The second quarter’s consolidated revenue from operations grew by 9.6% over the corresponding quarter of last year at Rs.650 million. EBITDA for the quarter was up 25.3% at Rs.200.7 million compared to corresponding quarter of last year. EPS is good, stands at 4.3%. On the operation side all our service sectors continue to grow steadily so we continue to invest in manpower, technology and keep building new services to strengthen our portfolio to our customers. Some of you may be aware that we have entered into a public private partnership with Food Safety and Standards Authority of India to set up and operate the National Food Laboratory at JNPT Navi Mumbai. It is a 25-year contract; the purpose of the laboratory is to test all the food imports into the country through that region, that is for basically the quality and safety of the imported items. We have finished the infrastructure work and have formally inaugurated NFL on September 29, 2021, in the esteemed presence of FSSAI Chairperson and their CEO. The lab will start commercial operations early Q4 after we obtain NABL accreditation. We are in the process of validating all the test procedures. During Q2 we also inaugurated our diagnostic regional lab in Delhi. In Q1 we had inaugurated a regional diagnostic lab in Kolkata so this is other

one in Delhi that we inaugurated this quarter. The regional labs will take about two to three quarters to get significant customer traction in those regions.

Coming to electronics and electrical products testing division we have finally received all the equipment's and essential accessories. We are performing trial testing and also preparing for NABL accreditation, which we expect to receive in Q4. ESOPs have been implemented for our staff and I am very confident that the scheme will add great value to not only the employees but also a lot to the organization. With these few comments and updates I will now hand over to our CFO. Narahai please take over. Thank you.

**Narahai Naidu:**

Good afternoon and welcome everyone to Vimta's conference discussing our earnings results for the second quarter FY2022 which ended September 30, 2021. I am happy to take you through the financial performance of the company for second quarter followed by the half year ended September 2021. During this call we may be making certain forward-looking statements, which are predictions, projections or statements about future events and anything shared on this call which reflects our outlook for future or which could be construed as a forward-looking statement must be reviewed in conjunction with the risk that the company faces. We will proceed with discussing Q2 of FY2022 performance. The company delivered a robust result for the quarter ended September 2021 driven by continuous business performance.

Before I get into earnings detail I would like to brief on certain one-off items during the quarter and half year ended September 2021. During the half year ended September 2021 the company entered into 25-year PPP agreement with Food Safety and Standards Authority of India to set up, operate and transport National Food Lab. As a result, the company has received the right to charge the customer for the services to be rendered during the contractual period of 25 years on commencement of operations. Accordingly, an amount of Rs.104 million has been recognized as revenue from operations relating to lab set up services and a corresponding cost of Rs.104 million incurred to set up the lab has been recognized as cost of lab setup for the quarter and half year ended September 2021. The aforesaid treatment is very much in line with the Indian accounting standards.

Secondly, here was a notification issued by the government reducing the eligible rate of export incentive by 2%. We have been accruing export incentive under service export incentive scheme as and when they accrue. The company had accrued export incentive on its net foreign earnings for the previous financial years and therefore there was a need for us to reverse an amount of Rs.12.2 million for the quarter ended September 2021 to the extent we accrued at higher rates than the current notification, which was belonging to previous financial years.

Moving onto the financial performance during the quarter. For financial performance discussion, I will be excluding revenue and cost of Rs.104 million recognized on lab setup. Excluding the same, the company delivered its highest ever quarterly consolidated total income of Rs.652 million. Our consolidated revenue from operation stands at 651 million, which grew by 6.1% on a sequential basis and 9.6% compared to corresponding quarter. Our consolidated EBITDA of Rs.200.7 million grew by about 19% compared to previous quarter of around Rs.168.7 million and grew by about 25.2% compared to corresponding quarter which was about 160 million driven by strong underlying performance across almost all the business verticals of the company. Profit before tax stands at 143 million which grew by 31.1% which is before exceptional item compared to previous quarter level of Rs.109 million and the growth stands at 44.5% on a comparative corresponding quarter basis, owing to very careful cost management.

Moving onto half year performance, our consolidated revenue from operations increased during the half year by 37% to Rs.1264 million. Our consolidated EBITDA for the half year reported a significant growth of 86% at Rs.369 million compared to previous half year. Profit before tax for the half year stands at Rs.239.8 million, which is a growth of 3.2x compared to previous half year, which was about 75 million. With this brief summary I will hand it over back to the operator and would be happy to take any questions.

**Moderator:** Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Milan Shah from Urmil Research Consultancy. Please go ahead.

**Milan Shah:** I want to understand the expenditure to setup lab for which you spent 4 Crores in this quarter it is going to be in next quarter or you are going to set up in other ports it is in future possibly be?

**Harita Vasireddi:** We have spent about close to Rs.10 Crores in the setup of this lab. What we have done is, to speed up the project we have internally mobilized some excess capacity that we had at all our different locations so actual asset cost if you put new stuff would have gone up to maybe Rs.20 Crores but because this was an internal mobilization the investment stands at Rs.10 Crores, and we do not intend to, at the moment, start any other port laboratories.

**Milan Shah:** That is also this kind of a laboratory?

**Harita Vasireddi:** There are four NFLs actually in the country, the one in Delhi is also in a PPP model that FSSAI has entered into with another private partner, the Kolkata NFL they are managing on their own and then there is another one, which is in the Chennai port area, which again they have another private partner.

**Milan Shah:** What is the probability of revenue after fourth quarter then we are going to start commercialize from these?

**Harita Vasireddi:** We expect a very strong addition to the topline and bottomline. We actually do not give out numbers but as such the committee is yet to sit down and fix the prices and in the port especially food imports this tends to be a seasonal business so quarter-on-quarter there could be fluctuations in the number of samples that we get for testing. So as we test the samples, maybe go through a few quarters, we will understand that.

**Milan Shah:** Are these kind of laboratories available on airports, so we can see in the future maybe?

**Harita Vasireddi:** I am not sure that any of the airports have attached laboratories.

**Milan Shah:** Thank you madam. Very good performance for this quarter and hope for better in next quarter.

**Moderator:** Thank you. The next question is from the line of Surabhi Saraogi from SMIFS Capital Markets Limited. Please go ahead.

**Surabhi Saraogi:** My first question is can you give some update on your electronic business?

**Harita Vasireddi:** As I was already mentioning in my opening comments the E&E project is actually close to completion at least at the project stage. We finally received all the equipment parts and accessories so we are doing some trial testing now. Simultaneously we are also preparing for the establishment of quality management system and its accreditation by NABL, so we expect accreditation to happen in Q4 and from thereon we will be able to accept customer samples.

**Surabhi Saraogi:** Can you give some color on the future outlook and your major future plans?

**Harita Vasireddi:** We have multiple business verticals. We are into food testing, we are into pharmaceutical testing right from preclinical research to clinical research, and we support testing services for small molecules and large molecules so we are into biopharmaceutical analytical services as well. We do environmental impact assessments, we do clinical diagnostics and now we are on the verge of starting electrical and electronics product testing. So for us the future outlook is very bright, all the four, five, six sectors that I named are the high potential sectors. We expect good growth in all our divisions.

**Surabhi Saraogi:** That is all from my side. Thank you.

**Moderator:** Thank you. The next question is from the line of Bezad Deboo from Nirmal Bang Institutional Equities. Please go ahead.

**Bezad Deboo:** Could you share some color on what gives us the strong growth of 25% on a quarter-on-quarter basis?

**Harita Vasireddi:** All the divisions did well because we have started pushing all the sectors. For us so growth came from across all our business units.

**Bezad Deboo:** When should we expect the food lab setup with the private partnership with FSSAI to start contributing to the revenue?

**Harita Vasireddi:** Q4. Like I was mentioning we are in the process of submitting our application to NABL, once we submit the application they take a month or so to review it and then come for an audit, the entire process might take two to three months.

**Bezad Deboo:** Thank you.

**Moderator:** Thank you. The next question is from the line of Neha Mehta from Pragya Equities Pvt. Ltd. Please go ahead.

**Neha Mehta:** My question is in connection with a continuation of the previous participant. I just wanted a sense on which would be the fastest growing business segment for the next three to five years and then now I believe pharma was dominating so which segment will do well in the future?

**Harita Vasireddi:** That is a very nice question. For us, yes pharma has been growing very well very strongly year-on-year and food and diagnostics - both these services also we expect to grow quite rapidly. Electronics and electrical testing products division is going to be maiden year this year so we hope things will be good, but we will have to travel and see how that goes for us.

**Neha Mehta:** In last concall and even in the updates you mentioned that we have expanded our diagnostic business so just wanted to understand that the growth is coming from COVID cases only or there is any non-COVID factor also?

**Harita Vasireddi:** In Q2 there are no COVID cases, in fact the numbers are really low across the country. There is no impact of COVID in Q2.

**Neha Mehta:** Going ahead where do you see the growth coming from?

- Harita Vasireddi:** It will happen across food, it will happen across pharma, it will also happen from diagnostics. We have also expanded our environmental division. We have two satellite lab operations setup in Kolkata and also Noida so environment will also grow for us.
- Neha Mehta:** Capex plan for all these things for the next three to five years?
- Harita Vasireddi:** We plan capex on an annual basis, this year we have spent about 12 Crores and we might spend an equal amount in the second half.
- Neha Mehta:** So can we assume similar run rate in the future?
- Harita Vasireddi:** We want to maintain it, yes.
- Neha Mehta:** That is, it from my side. I will join back in the queue.
- Moderator:** Thank you. The next question is from the line of Charulata Gaidhani from Dalal & Broacha Stock Broking Pvt. Ltd. Please go ahead.
- Charulata Gaidhani:** Congrats for a good set of numbers. I wanted to know if you could give a breakup of the revenue contribution from different division and also if you could throw some light on the growth in EBITDA?
- Harita Vasireddi:** We do not bifurcate our revenue like that. For us it is one. It all falls under the testing and research services so we would not be able to share any bifurcation as such.
- Charulata Gaidhani:** What has given the growth in EBITDA?
- Harita Vasireddi:** Growth in EBITDA is partially because of the growth in the topline and also we had some establishment of some new long-term partnerships, so large projects also add to the EBITDA.
- Charulata Gaidhani:** How many scientists do you have?
- Harita Vasireddi:** For us the total strength is about 1300 and our scientific population is 70% of that number.
- Charulata Gaidhani:** Fine thank you. All the best.
- Moderator:** Thank you. The next question is from the line of Dixit Doshi from Whitestone Financial Advisors Pvt. Ltd. Please go ahead.



**Dixit Doshi:** My first question is regarding the growth so if I exclude Rs.10 Crores that one-off from the revenue our revenue grew by 10% and if I see our pre-COVID level we used to grow at 15% to 20% prior to 2019 for at least four or five years, now let us say this year if our Q2 performance continues for second half as well we might end up at Rs.240-250 Crores revenue this year and given that electronic business will start from Q4 onwards and even this FSSAI will start from Q4 and with the recently started diagnostic labs in Kolkata and Delhi will also get mature by year-end what kind of revenue growth percentage we can envisage for FY2023 or FY2024?

**Harita Vasireddi:** We do not make any forward-looking statements. I keep mentioning in these calls that we have a target for 2025 to be at least Rs.550 Crores to Rs.600 Crores company. We just have to break up that growth into these three to four years and take it from there.

**Dixit Doshi:** At least we can expect that in near future we will start growing again at those pre-COVID level of 15%-20%?

**Harita Vasireddi:** The numbers I think that you are referring to was for annual growth number, but if you see quarter-on-quarter I think we are doing pretty good. We can even better those numbers.

**Dixit Doshi:** Is there any further plan of expansion in diagnostic in H2?

**Harita Vasireddi:** This is the first time actually we significantly expanded footprint in a B2C market because in addition to putting up two regional labs we have also set up a few customer collection centers - company operated collection centers, so for us again this is a water testing year. Depending on how that pans out for us we might take up the expansion plans much more aggressively in the coming years.

**Dixit Doshi:** One last question from my side in terms of pharma business so obviously even in Q1 when there was a second wave of COVID there were difficulties in terms of importing animals and also difficulty in terms of finding up the patients so how are we seeing that trend now?

**Harita Vasireddi:** The animal imports problem has been resolved. We have been able to actually double our kennel capacity; we have one of the biggest large animal capacities in the country now, so that is resolved.

**Dixit Doshi:** Second one was related to the patient recruitment for the clinical trial.

**Harita Vasireddi:** We are actually at present not doing any clinical trial. What we do is bioavailability and bioequivalent studies so right now we do not have any trials going on for us. Diagnostics - yes in Q1 we still had lower footfalls in terms of patient's sample testing but it was

compensated by the COVID testing numbers. Q2 that is normalized we do not have COVID so the other business is happening now.

- Dixit Doshi:** Thanks that is it from my side.
- Moderator:** Thank you. The next question is from the line of Ranveer Singh from Sunidhi Securities and Finance Ltd. Please go ahead.
- Ranveer Singh:** Just wanted to understand that food lab setup so what kind of investment we have made in this food lab?
- Harita Vasireddi:** We had invested about close to Rs.10 Crores.
- Ranveer Singh:** That investment part is complete now?
- Harita Vasireddi:** Yes, the equipment and everything are setup, they are qualified; any residual investment might happen in Q3.
- Ranveer Singh:** I was asking investment in food lab you mentioned that there will be some strong flow of revenue so whether this revenue would be a permanent part of our revenue going forward this is going to be significantly contributing to our overall revenue or how this is going to for two to three years down the lines so what kind of contribution we can expect from this facility?
- Harita Vasireddi:** The revenue is entirely dependent on the number of samples that we test in the National Food Laboratory. Like I was saying earlier this is to mainly cater to the imports, the imports although they are not growing at any double-digit number but still they are quite stable. Going into the future it is very difficult to predict which way the imports will go; India is saying that there will be a lot of self reliance that we will develop but my guess is the food imports, even though we might become a strong exporter, the imports might still continue at those levels so we should expect the revenues to continue or even grow with the economy in the next 25 years.
- Ranveer Singh:** Apart from this facility is dedicated to this port facility or we can use this facility for other clients also?
- Harita Vasireddi:** We can use this facility for other clients.
- Ranveer Singh:** Secondly on diagnostic side our diagnostic business setup is similar to our peers like Thyrocare or something is related to preventive healthcare checkup or do we have some other origin diagnostic business?

- Harita Vasireddi:** It is very similar to the peer group you mentioned Thyrocare so it is quite similar to that.
- Ranveer Singh:** It has been like hub and spoke model and we will be setting up different lab in different cities and then collection centers that is the way we will be going forward.
- Harita Vasireddi:** Correct.
- Ranveer Singh:** Okay fine and what is the investment in this diagnostic business so far?
- Harita Vasireddi:** It is not a very capex intensive business. It is more manpower; sales reach out.
- Ranveer Singh:** So that 12 Crores capex in first half was related to what visual maintenance or some growth capex?
- Harita Vasireddi:** That is distributed across all our business units. It could have included even diagnostics, it would have gone to pharma, food.... all the business units put together.
- Ranveer Singh:** Similar it is for next year also Rs.24 Crores, Rs.25 Crores annual capex should be across the segment that is what you are saying?
- Harita Vasireddi:** Yes, typically we tend to use up all the depreciation amount.
- Ranveer Singh:** Fine that is it from my side. All the best.
- Moderator:** Thank you. The next question is from the line of Sunil Jain from Nirmal Bang Securities Pvt. Ltd. Please go ahead.
- Sunil Jain:** My question is related to Rs.1.4 Crores which you had recognized as revenue so against that how much expenditure has been recognized and how is the profit impact?
- Narahai Naidu:** As you rightly said, we have recognized about Rs.104 million at the revenue from operations level, which is nothing but the cost what we had incurred to set up this lab. On a net-net basis there is no impact on bottomline as there is a similar amount of recognition at revenue as well as cost which is Rs.104 million.
- Sunil Jain:** So if I exclude that from the revenue and cost both side then your margin seems to have moved up very sharply in this quarter any specific reason for that?
- Narahai Naidu:** Yes, you are absolutely right. Margins did improve because, whenever there is incremental revenue there is better economies of scale.

- Sunil Jain:** Yes, but from Rs.61 Crores if I exclude this revenue then it is Rs.65 Crores from last quarter to this quarter but profit recognition is much higher than Rs.4 Crores?
- Narahai Naidu:** The EBITDA improved by around 300 bps for the quarter on a sequential basis, which is arising from the operational efficiencies during the quarter.
- Sunil Jain:** There is no exception because of operational?
- Narahai Naidu:** There is no exception in the EBITDA level or PBT level; exception has been shown separately, there is one line in the P&L statement which is about Rs.1.2 million.
- Sunil Jain:** Apart from that second question relate to this food lab what will be the revenue sharing with government and/or it will be more of a profit sharing how it will be working with?
- Harita Vasireddi:** As per contractual terms, it is a topline share.
- Sunil Jain:** These are all having a similar margin at company level or it will be a lower margin business?
- Harita Vasireddi:** It should be better.
- Sunil Jain:** Because of this lab any of our existing business will get transferred to this or no?
- Harita Vasireddi:** No.
- Sunil Jain:** Fine, great, thank you very much.
- Moderator:** Thank you. The next question is from the line of Vinay Nair from Emkay Global Financial Services Ltd. Please go ahead.
- Vinay Nair:** My first question is related to you mentioned that you are targeting revenue of Rs.600 Crores by the next two to three years so with the capex, which you had mentioned of around Rs.10 Crores to Rs.15 Crores is it achievable or you would be requiring additional capex for that and secondly pardon if my question is very basic, but if you can give me some understanding about the competition and the industry per se what is our market share and who are our closest competitors if you can throw some light on that?
- Harita Vasireddi:** That is a very big question, the second one. I will answer the first one first. Yes, we have an ambitious target of reaching close to Rs.550 Crores or Rs.600 Crores by 2025. This would require additional infusion of capex and it depends on which business unit we will be pushing hard to reach there. The second one is about market and our share we operate in

multiple verticals. On the pharma side analytical especially we are the leader in the market, all the U.S. Oriented business we work with practically everybody who is in that market. Market share wise we have honestly not done any specific estimation, but if I were to take a good guess then I will say that US oriented Services we probably have the lion's share. We have good number of competition in Hyderabad, in Mumbai and Ahmedabad, but I think we take the lion's share there. Coming to clinical research and preclinical again preclinical we are one of the premier research centers, one of the preferred ones in the country because of our strong regulatory track record. We have strong competition from one multinational and then half a dozen local players. Pharma side we could be enjoying the share of maybe 10% to 15% so that would be my guess. Clinical research, bioavailability, bioequivalent market is a big one with many players. I think there must be at least around 100 or 150 service providers so market share there might not be very big for us but we are one of the premium laboratories. We work with highly quality conscious organizations and most of our business comes from overseas for these services. Coming to food, it is highly fragmented. There are hundreds of NABL accredited labs, small mom-and-pop type of setups as well, so given the number of players I think if you just divide among the top maybe 8 to 10 players then I think we have a good share there may be 10%. Environment - we are a leader, there also you have good number of laboratories, but the revenues are pretty small. For us we might be in the top 5 labs to do environmental studies. Coming to diagnostics we are not big at all there, there are very big companies there, so our market share might not even be worth mentioning at this point of time.

**Vinay Nair:** See the rest of the business segments the competitors you are talking about even the largest one would be somewhere close to the revenue sides would be somewhere similar to what you are reporting right, no one would be like Rs.1000 Crores plus revenue generator if I am understanding you correctly?

**Harita Vasireddi:** Which?

**Vinay Nair:** Apart from the diagnostics the rest of the segments which you are talking about you said that either it is segmented or you are the market dealer neither it is segmented or the ones which are specialized there you are already one of the market leaders, which means that in even amongst your competitor's no one would be like more than Rs.500 Crores, Rs. 600 Crores revenue enterprise am I right in the assessment?

**Harita Vasireddi:** Not entirely because the unique mix of services that we have is not exactly matched by the competition., It is very difficult to compare like that.

**Vinay Nair:** Just to give you an example if I compare you to this company based in Ahmedabad who had filed for an IPO would you call them your competitor Veeda Clinical Research just for

my understanding so that I am also able to analyze it better, I just wanted to understand if Veeda like competitor in one of your segments or it is a competitor as a whole?

**Harita Vasireddi:** Just one of our segments, they do only BA BE studies.

**Vinay Nair:** In the rest of the segments you are saying that each segment has prominent players and you are one of them that is what you meant to say, you are among the leaders and all the rest of segment that is what you said right, like in clinical research you would be like and I am sure Veeda is also somewhere around 200 to 250 Crores revenue company I do not know about the other players in the other segments, but going by what you have told me it is very clear that you are among the industry leaders in most of the segments am I right?

**Harita Vasireddi:** Yes.

**Vinay Nair:** That answers my question thanks a lot.

**Moderator:** Thank you. The next question is from the line of Aman Vij from Astute Investment Management Pvt. Ltd. Please go ahead.

**Aman Vij:** My first question is on our clinical research and pharma business so in terms of number of beds could you talk about where do we rank and only plans to do addition on that number of beds?

**Harita Vasireddi:** Number of beds we might be in the top 10 definitely and yes we do have thoughts about expanding it not necessarily in the state of Telangana, but maybe we look towards the North, then we do that.

**Aman Vij:** Current bed number is around 180 to 200?

**Harita Vasireddi:** Correct.

**Aman Vij:** Utilization level madam?

**Harita Vasireddi:** 100%.

**Aman Vij:** This expansion can be full length we are already utilizing?

**Harita Vasireddi:** Yes, we think there is a possibility of requirement of expansion may be sometime in next year.

**Aman Vij:** If you can give roughly if you have to expand say similar capacity 200 beds what is the normal capex for such expansion?

**Harita Vasireddi:** The capex in these studies there are two half's of the service; one is clinical part and other is bioanalytical. Clinical part does not need a lot of investment, bioanalytical - it depends on how many mass specs you wish to deploy. It all depends on that.

**Aman Vij:** For a rough approximation if we have to set up similar facility like we already have what will be the capex required in new regions?

**Harita Vasireddi:** Just on the bioanalytical side if we have to build equal number of instruments then it might cost about Rs.10 Crores to Rs.13 Crores.

**Aman Vij:** We are in top 10 and not in top 5 or top 3 because I had the assumption we should be in at least top 5?

**Harita Vasireddi:** Clinical research we maybe in the top 5 but the top 1 and 2 players their capacities are really high so even 3, 4, 5 are probably at our shoulder level only.

**Aman Vij:** They have 400-500 beds but they also cater to, we have some beds outside India, we will be focusing only on domestic expansion?

**Harita Vasireddi:** For now, yes.

**Aman Vij:** Second question is if you look at our 4, 5 business segments amongst diagnostics I think we are second biggest, which we in that four-year vision of 500 to 600 topline so you had earlier talked about Rs.100 Crores each from the newer segments, so which segment do you think will cross that threshold of Rs.100 Crores according to you?

**Harita Vasireddi:** Food. I think food should go first.

**Aman Vij:** Okay and followed by?

**Harita Vasireddi:** Diagnostics.

**Aman Vij:** Sure and what is our total capex plan for this year FY2022 as well as next year?

**Harita Vasireddi:** For next year we would be planning only towards the end of this quarter but this year we have already spent 12 Crores we might spend equal amount in the second half.

**Aman Vij:** Sure madam. Thank you so much.

- Moderator:** Thank you. The next question is from the line of Milan Shah from Urmil Research Consultancy. Please go ahead.
- Milan Shah:** Thank you for considering my question and this is for Mr. Naidu, in third concall I asked Madam to update our website because I am doing service for client our site is not going to update any news which has happened in the last two to three quarters so my request to update this one or maybe permanent website for our company and second every company are going to make a presentation after declaring the results so it is very useful to understand for client also.
- Narahai Naidu:** Noted Sir, we are in the process of launching our new website so probably in the fortnight or a couple of fortnights we will be launching our new website.
- Milan Shah:** Congratulation in advance and regarding maybe possible then do presentation for quarterly results because once you are going to make a presentation because all customers not going to understand our previous model.
- Moderator:** The line for the participant dropped we move onto the next participant. The next question is from the line of Dilip Sahu, Individual Investor. Please go ahead.
- Dilip Sahu:** It is regarding the investment we have made in the new food laboratory. You talked about 0.4 Crores investment, but using your existing resources and if it has not been that it would have been 20 odd Crores if I heard it correctly we typically do 1.5 to 1.8 times in our regular business and can we say that on a 20-Crore kind of investment the 1.8 two times for the new food laboratory?
- Harita Vasireddi:** For us it typically tends to be around 1 to 1.5 only depending on the service line so that's what we can expect.
- Dilip Sahu:** So around 30 odd Crores of business assuming that we had a similar kind of growth that is what in near future may not be quarter or two maybe year or two it will happen?
- Harita Vasireddi:** I can say we are yet to start the operations. FSSAI and Vimta Committee is yet to freeze on the prices, we are yet to explore the volumes because you do get some numbers when you are bidding but you will have to experience that. Once we go through a few quarters I think we will be in a better shape to respond to that question.
- Dilip Sahu:** Sure no problem. Coming back to the diagnostic business we had RRL in Hyderabad and then Kolkata and Delhi we have 3 RRLs now, but we have had 50-odd customer collection centers I am just trying to understand the business model this is different than the ratio of



RRL versus collection centers so is it B2B business for us or how is it or is it a B2C business?

**Harita Vasireddi:** It is predominantly B2B business., What we have in Hyderabad is the main reference laboratory. Ones that we set up in Delhi and Kolkata are mini versions of this but they are having a good size of menu at these two locations. They have biochemistry, microbiology and molecular biology, everything. Now our collection centers are 40, but we have a lot of franchisee network so we get samples from clinicians who work with our franchisees so the number of franchisees that work with us is in higher numbers close to 500-600 plus.

**Dilip Sahu:** If I remember correctly you said in Q2 last year or Q3 you have reached Rs.10 Crores kind of revenue for your diagnostic business obviously that was because of COVID and all getting relaxed now so reaching 100 Crores for diagnostic means you would be growing around 25% or more in the three years, am I missing something else 25% to 30% growth in the diagnostic business you will see in the next three years?

**Harita Vasireddi:** Numbers that you have 10 Crores is wrong, but at the same time I would not be able to correct you with a specific number. Growing from where we are into that, it will be a very challenging task, but I think we are geared up with our strategy, we are geared up with the team to reach our target.

**Dilip Sahu:** Okay thank you very much for answering my questions.

**Moderator:** Thank you. The next question is from the line of Sunil Kothari from Unique Portfolio Management. Please go ahead.

**Sunil Kothari:** Thanks for the opportunity. Congratulations madam and team for such a good and better number. My question is on cash flow we have two items which talks about impairment loss on receivables and that gets return of which is also 3.5 Crores for half year, would like to understand from your strategy we want to tighten our receivable systems to not lose this type of money maybe nearly 5, 6 Crores, which is a big amount for us so what thought process on that and second is we have paid some 5.2 Crores for a purchase of intangible assets so if you can talk a little bit more on which is this intangible asset and related to that?

**Narahai Naidu:** I will be answering those two questions, on the first thing there is a provisioning of Rs.1.7 Crores for the first half of the financial year. This is in line with Ind-AS requirement, which is as per expected credit loss method. On the second line item there is a write off of about Rs.1.7 Crores. We had been very prudent in terms of our receivables assessment and accordingly providing for it when needed. It is a continuous exercise. On the action plan, the entire management team is very closely working on it to improve the situation. Having

said that, this is very regular in nature and the situation is not alarming when it comes to the provisioning as well as write-off of receivables. Point number two is the investment deployed for purchase of intangible asset. This is the cash what we incurred in setting up of a National Food Laboratory. The total investment comes to around Rs.10.4 Crores. Some amount we incurred out of cash, and some out of our existing resources which were transferred towards lab set up.

- Sunil Kothari:** So total investment we made is Rs.10.4 Crores out of that Rs.5.2 intangible related?
- Narahai Naidu:** Total Rs.10.4 Crores is classified as intangible, but cash impact is Rs.5.2 Crores, there is some transfer from our existing assets, which are about Rs.5.2 Crores.
- Sunil Kothari:** Understood thanks for that clarification. My question is to Madam this almost Rs.3.5 Crores half yearly we are losing on this **(inaudible) 54:15** to lose Rs.6 Crores, Rs.7 Crores per year I do not think it is acceptable to you or your management, but I wanted to understand your thought process what steps we are taking and how you feel this is acceptable?
- Harita Vasireddi:** Typically, in our industry 1, 1.5% is not at all alarming and like our CFO was mentioning earlier we just follow the formulas in order to provide for the provisioning. As such there is no lack of control over this item. Things got a little sticky especially on the retail business during COVID because we were not traveling, our team could not travel, our team could not meet the customers, so some accounts became a little sticky but we keep working on those things so it is all part of business for us. I do not see there is anything alarming about it.
- Sunil Kothari:** Would like to throw some light on some type of EBITDA margins in the next three, four or five years or this range is maintainable or is there scope to improve it?
- Harita Vasireddi:** We want to maintain it and in fact try and better it.
- Sunil Kothari:** Thanks wish you a good luck madam.
- Moderator:** Thank you. The next question is from the line of Viral Bansali, Individual Investor. Please go ahead.
- Viral Bansali:** Thanks for the opportunity. Congratulations for a brilliant set of numbers and it is really refreshing to see Vimta so aggressive again after having seen it so aggressive between 2000 and 2010 so that is a very refreshing change from Vimta even without Rs.10 Crores one-time revenue that Vimta has had. My question is regarding the JNPT lab which Vimta won on the PPP basis so the Ghaziabad lab went on 15% minimum revenue share that was mentioned in the RFP so what could be the revenue share for JNPT labs?

- Harita Vasireddi:** You are asking us to share with you or secret Viral I would not be able to say that because it would not help me in the next bid, right?
- Viral Bansali:** I understand and I was coming to that only so because I think that RFP is for Chennai and Mumbai were floated together?
- Harita Vasireddi:** Yes, we bid for both, but the size of JNPT lab is much, much bigger than the Chennai lab. 66% of the imports happen through JNPT and the model that we have entered into with FSSAI here at JNPT is not similar to the one that they have at Ghaziabad, they are slightly different.
- Viral Bansali:** Because Ghaziabad is an ICD I guess, it is not a port so that the volumes would be 110 may be 115 over there so now based on figures mentioned in the RFP JNPT does close to pre-COVID levels close to around 1 lakh samples for input consignments of food every year and the charges at that time like before COVID were around 5000 for everything apart from milk and beverages part and Rs.2000 for the visit in case you have to visit the client side so are these charges now there or maybe there is upside potential to these charges?
- Harita Vasireddi:** The charges have recently been revised; they have been doubled in fact very recently.
- Viral Bansali:** So I do not want to get you into any uncomfortable situation about the numbers, but I can get sense of numbers based on one lakh samples so any idea of Kolkata labs?
- Harita Vasireddi:** They have no plans of going in for a PPP there and nothing that we are aware of at least.
- Viral Bansali:** So coming back to the JNPT lab since you have provided 10.4 Crores for the infrastructure setup over there and RFP mentioned that the lab is on setup, operate and transfer so what I presume is whatever you have setup you billed it to JNPT so whatever infrastructure that you build belongs to FSSAI, Vimta will just be the operator of it and you will have the license to operate for the next 25 years and then transfer it back is that correct?
- Harita Vasireddi:** Correct. The site was provided by them, of course it was an old hostel building that we got so hawse had to do a lot of modification, we put our equipment, our people and then at the end of 25 years if we not able to renew the contract then we transfer it on an as is basis.
- Narahai Naidu:** Just to add to that so this revenue what we had recognized is not billed on FSSAI and it is more of an accounting treatment of the investment made by Vimta an asset recognised in the form of intangible which is routed through P&L.
- Viral Bansali:** You have not received any payment on this?

- Narahai Naidu:** No. Because this is the asset what we have recognized against the right to receive the revenue for the next 25 years. We had recognized intangible and corresponding revenue and cost which is in line with the accepted accounting principles.
- Viral Bansali:** Yes, so basically that comes as an intangible asset and so we will get a cost for it and we create that as an intangible asset.
- Narahai Naidu:** Absolutely right.
- Viral Bansali:** Based on what you said that the price is almost intangible and based on RFP the samples are close to 95000 a year obviously I expect some growth here on lab samples so that can be significant amount of Vimta's revenue coming next year FY2023 am I correct?
- Harita Vasireddi:** Yes.
- Viral Bansali:** My last question is regarding capital work in progress that I see is Rs.45 Crores right now as on September 30, 2021, so can you give us the breakup on the capital working in progress?
- Narahai Naidu:** This largely represents our E&E vertical what we call as electronics and electrical division, which is yet to get commercialized. We are expecting this to be commercialized in the fag end of the quarter or early Q4. We are in the last leg of getting accreditations, qualifying assets. The entire amount of 25 Crores belongs to E&E verticals.
- Viral Bansali:** Electronics?
- Narahai Naidu:** Correct.
- Viral Bansali:** My last question is regarding recently there was government notification, which amended compulsory testing of egg and egg powder exports from India by a National Laboratory so can Vimta get a share of this export market is there a possibility?
- Harita Vasireddi:** If they have specified that National Reference Lab take it then there are identified labs for each product then that would go to that particular lab, but if it is a tendered project then we could have a chance it as well. I am not really aware.
- Viral Bansali:** Now regarding the export front for example RFP I am just quoting what I read in RFP and may be wrong correct me if I am wrong. RFP suggest that Vimta can also use the national reference laboratory setup in JNPT plus other services for providing other services to client so is there a possibility of getting a significant chunk of this business since we already have

a brand name of FSSAI and we are at the port so is there an opportunity of good business from this?

**Harita Vasireddi:** There are plenty of opportunities. But for us the capacity is limited because it is just 12000 square feet lab that is setup right now. If we have to expand the capacity, then we have to work with FSSAI and do that, but right now I think we will be using the entire capacity running the lab in multiple shifts to handle those volumes.

**Viral Bansali:** But considering that there is also a food park coming up in the JNPT area itself?

**Harita Vasireddi:** Like I said we have a lab close by in Pune, so maybe we will have to send it there, depending on the capacity utilization and the time of the opportunity. It all depends.

**Viral Bansali:** **(inaudible) 1:4:05** subcontract the testing part for the export consignments?

**Harita Vasireddi:** I would not imagine because I think all of them are full scoped labs like us. One or two tests maybe they do. I do not know.

**Viral Bansali:** There is no possibility of getting a significant chunk of export market since we are already at JNPT?

**Harita Vasireddi:** No.

**Viral Bansali:** Fine. Thank you so much and please keep up excitement and enthusiasm for the entire once again quarter. Good luck.

**Moderator:** Thank you very much. Ladies and gentlemen that was the last question for today I will now hand the conference over to the management for closing comments.

**Harita Vasireddi:** I just want to thank everyone who has participated in the call, appreciate all the questions that have come in. Thank you very much. Good day.

**Moderator:** Thank you very much. On behalf of Nirmal Bang Institutional Equities that concludes this conference. Thank you for joining us. You may now disconnect your lines.