May 19, 2017

National Stock Exchange of India Limited
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BSE Limited
Corporate Relationship Department
Phiroze Jeejeebhoy Towers
Dalal Street
Mumbai- 400001

Subject: Disclosure of information under Regulation 30 of SEBI (Listing Obligation and Disclosure Requirement) Regulations 2015

Dear Sir/Madam,

Pursuant to Reg. 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (the “Regulations”), please find attached herewith Financial Results Conference Call Transcript of the Company for Q4 & FY17.

We request you to please take the same on record.

Thanking You,

Yours Faithfully,

For **Dr. Lal PathLabs Limited**

Dr. Lal PathLabs Limited

Rajat Kalra
Company Secretary & Legal Head

Dr Lal PathLabs Limited (LPL)
Q4 & FY17 Earnings Conference Call Transcript

May 12, 2017

Call Duration	▪ 1 hour 31 mins
Management Speakers	▪ (Honorary.) Brig. Dr. Arvind Lal - Chairman and Managing Director of Dr Lal PathLabs Limited ▪ Dr. Om Prakash Manchanda - Whole-time Director and CEO of Dr Lal PathLabs Limited Mr. Dilip Bidani – CFO of Dr Lal PathLabs Limited
Participants who asked questions	▪ Anmol Ganjoo from J&M Financial ▪ Sudarshan Padmanabhan from Sundaram Mutual Fund ▪ Sangham Iyer from Subhkam Ventures ▪ Nakul Manaktala from Samaira Investments ▪ Shaleen Kumar from UBS ▪ Sriraam Rathi from ICICI Securities ▪ Abhishek Sharma from IIFL ▪ Chirag Dagli from HDFC Mutual Fund ▪ Tushar Manudhane from Motilal Oswal Securities ▪ Rakesh Naidu from Haitong Securities ▪ Shivam Gupta from CWC Advisors ▪ Bhavin Shah from Kotak Mutual Fund ▪ Viresh Mehta from Axis Capital ▪ Prakash Kapadia from Anived Portfolio ▪ Deepak Malhotra from Silver Streak Asset Management

Siddharth Rangnekar: Thank you. Good Evening, Ladies and Gentlemen. Welcome to Dr. Lal PathLabs Limited or LPL Q4 & FY17 Conference Call for Investors and Analysts. Joining us today are Hon. Brig. Dr. Arvind Lal -- Chairman & Managing Director of the Company; Dr. Om Prakash Manchanda – Whole-time Director and CEO; Mr. Dilip Bidani – CFO, accompanied by Mr. Rajat Kalra – Company Secretary & Head of Investor Relations I would like to highlight that some of the statements made during today's call would be forward-looking in nature. Actual results may vary significantly from these statements. A detailed statement in this regard is available in the 'Results Presentation' which was been circulated to you earlier. I would now like to invite Dr. Lal to commence by sharing thoughts on the company and its full-year performance for FY17. Over to you, sir.

Dr. Arvind Lal: Thank you, Siddharth, and Good Evening to all joining us on this concall. On a broader level, we are pleased with our performance and the developments of our business plans against the backdrop of the impact on account of demonetization. Our strategic agenda centers around creating an ecosystem that will elevate the level of awareness about the diagnostic industry both amongst the general public as well as medical fraternity. And we do so by ensuring that Dr Lal Pathlabs is synonymous with the latest trends in the diagnostic industry. We have over the years systematically strengthened our framework. Our ability to make suitable investments in our facilities, processes and workforce stems from the Company's strong financials and balance sheet.

High-quality is our most important work ethic and the highest measure of achievement. Going ahead, we will continue to enhance the quality and diversity of our tests and services and deploy innovative technology solutions to improve the convenience quotient. Few principles that will still hold strong while we expand business activities: leverage scale and optimize operations, keep researching and introducing various diagnostics tests, locate areas where we see potential to grow and lastly staying true to our passion of providing quality service, accessibility and affordability to our patients. As we do this we will also continue to demonstrate a balanced approach to our use of earnings between capital investments and returning value to stakeholders. I'm pleased to share that the Board has recommended a Final Dividend of 1.70 per share in addition to Rs 1.30 of interim dividend paid earlier.With that, I will request our CEO – Dr. Om Manchanda to take this call ahead and thank you very much.

Dr. Om Manchanda: Thank you Dr Lal. I warmly welcome the participants on today's call and wish to thank you for taking time out and being with us. My agenda today is primarily to express my thoughts on the progress DLPL has made on the strategic and operating fronts. Operational progress during FY17 has been on track. We have added 17 labs, 200 PSCs to our franchise network YoY, where each centre has been entrusted with expanding the local service area by tapping into clinics, nursing homes and hospitals in order to strengthen the reach of the brand. Thus correspondingly the number of active PuPs stands at 5021 as at March 31, 2017. With this asset light approach to network and franchise building our role is to drive the marketing effort, supported with training initiatives

Progress on the regional reference laboratories is continuing at a rapid pace. We expect the Kolkata reference lab to be operationally ready on schedule. The commissioning of the Regional reference lab will create inflection points whereby growth of organized diagnostics services under the DLPL brand will accelerate. Our unique proposition of having a complete array of tests, experienced medical consultants and specialists on call backed by skilled technicians will cover high-potential geographies beyond the Delhi and NCR region. The effects of demonetization have subsided with the operations gradually coming back to normal. While the industry was subject to temporary stress during Q3, we continued to invest for the future in our infrastructure and people and continue to pursue our strategies outlined earlier by focusing on franchising our collection network and building scale. However competitive pricing pressures specially in the B2B segment are mounting and our efforts to improve productivity and optimize cost structures will continue.

Let me highlight that we have added nearly 100 new tests to our catalogue in FY17 underlining our promise of offering the widest range of capabilities through our chain of laboratories. Concurrently we have added 17 new satellite laboratories across India with a view to support broader growth.

Our model has the right ingredients to deliver a sustainable and healthy pace of growth. And the necessary investments in capacity & visibility creation are being made with the intention of building the business further.

With that I would like to request our CFO, Dilip to take forward this call and highlight the financial progress.

Dilip Bidani: Good Evening and thank you for joining us on this call today. Let me quickly update you on the Key Financial Highlights:

Q4FY17 revenues stood at Rs 2,199.0 mn which is a growth of 11.2% over the same quarter last year. This growth was supported by a 7.7% improvement in volumes. The impact of demonetisation has diminished we estimate the annualized impact of this on revenues at 2-3%.

Correspondingly in FY17 the topline increase of 15% to Rs 9124 was mainly on account of underlying patient volume growth of 10.5% coupled with higher realizations which improved 4.4% on account of mix. Our annualized growth in realisation per patient has shown expansion from Rs. 660 in FY16 to Rs. 688 during FY17.

On the EBIDTA side, our normalised EBITDA after eliminating the impact of stock based costs and CSR expenses stood at Rs 538 million in Q4 FY17. The muted increase of 1.8% in EBIDTA was mainly on account of our continuous investments A&P, senior management hires and higher provision for doubtful debts in Q4. EBITDA margins in Q4 FY17 were at 24.5%. For the full year, normalised EBITDA growth stood at 16.8% to Rs 2465 mn with margins of 27%;

PBT in Q4FY17 stood at Rs 474.6 million while PAT was at Rs 311.6 million. For FY17 PBT was at Rs 2333 million and PAT at Rs 1552 million. EPS improved by 16% to Rs 18.55

To summarize, while Q4 and second half of FY17 was a tough period, we have continued to invest for the future and focus on expansion through franchising our collection network and building scale in the markets we operate. While our focus on cost and productivity improvement will continue, we expect margins to dilute as we reinvest in business growth and generate long term value.

With this, I would like to conclude our opening remarks and request the moderator to open the forum for Question-and-Answer. Thank you.

Moderator: Thank you. Ladies and gentlemen, we will now begin with the Question-and-Answer Session. We take the first question from the line of Anmol Ganjoo from J&M Financial. Please go ahead.

Anmol Ganjoo: Dilip, I wanted to understand that you spoke about 2-3% impact of demonetization on annualized basis. Could you just break it down for us and help us understand what exactly you mean by that because our understanding is that post GST, post demonetization, longer-term structural basis the growth should improve, so if you could just …?

Dilip Bidani: No, I think the intention of that 2-3% was merely to indicate what is the volume lost or revenue lost during this year on the annual impact. So while we grew at 15% for the whole year, our growth would possibly have been 2-3% higher had demonetization not happened because we did estimate that in Q3 we lost 9-10% of our revenues and that if you allocate it over four quarters would have actually impacted us by 2-3%.

Anmol Ganjoo: Therefore, is it fair to assume that next year we will want to recover this growth and then grow on the top of that, so to that extent growth should be at least 1.5-2% higher than what it would have been otherwise from FY'18 perspective?

Dr. Om Manchanda: First of all, there is improvement which we are seeing is very gradual in nature. So it is not a step jump. Q4 is better than Q3 and that is the way we are looking at going forward as well. Second thing is in our business as you know that spikes do happen because seasonal fevers like dengue and chikungunya and it is very –very difficult to anticipate right now as to how the season is going to turn out this year. So, we probably will be in a better position to talk about just couple of months down the line as to how the year would look like.

Anmol Ganjoo: My second question is around some of the cost items. What we have seen is that the cost structure has not been able to respond to whatever the demand disruption on account of demonetization has been. So just wanted to understand that while it is okay to be investing longer-term given the density of the landscape, but what amount of variability we have and what amount of levers we have in terms of making cost structure respond to leaner times, say for example, weaker season on account of chikungunya, if you could just help us understand, that will be great?

Dilip Bidani: As far as our cost structure is concerned, if you look at the major cost lines, let us say, material cost is directly variable and linked to the volumes we test. People cost on the other hand is largely fixed. So that cannot and does not change very rapidly. However, just to give you an indication we have hired and increased our headcount in the course of the year by over 300 people basically in new labs as well as in our existing processes and existing labs, basically to improve our customer service and enabling our people to work more closely with the market. So this is really a fixed cost. You cannot say that this would vary with and it will respond with the top line so easily. So if you look at our cost structure, there are certain elements of cost which are fixed in nature and certain which are variable. The variable ones obviously will respond with the change in the revenues, but obviously not the fixed cost base. But we do believe that our infrastructure can be made more productive, people productivity can be improved and that is what we are trying to see how we can make the entire shift in a manner that we can cater to protecting our margins, growing our margins even if there are pressures coming from external forces.

Anmol Ganjoo: Any commentary around pricing trends for the quarter and competitive intensity that you see, any color around that landscape would be helpful?

Dr. Om Manchanda: We are seeing some pricing pressure especially in B2B segment and B2B segment consists of hospitals and the private labs and my sense is this pressure has come on two accounts – One is I think overall table shifted downwards in terms of market post demonetization. So everybody wanted to grow faster, discounting started increasing. Second is we are also seeing entry of some of the new players and private equity funding in some of the regional areas. So they are also jostling for the shrunk markets. So that led to a pricing pressure in B2B segment. So the only way we can counter this is to really become productive and see that our entire logistics route, entire manpower productivity improves. So if you look at the last year, though we grew in volume at about 15.3% for full year, and volume was about 10.8% in terms of patients, but actually number of tests grew almost same as revenue growth. So the tests are growing faster than number of patients. The only way to drive this down is to if we can increase number of tests per patient. So to answer your question, pressure in more on B2B segment coming from hospitals and private labs.

Moderator: Thank you. The next question is from the line of Sudarshan Padmanabhan from Sundaram Mutual Fund. Please go ahead.

S Padmanabhan: Sir, my question is largely around what is happening in the industry especially in an environment where we are seeing lot of additional control being implemented by the government, whether it is pricing on the pharmaceuticals side or more regulation especially given that there is such a large unorganized player, do you think at some point of time there will be some kind of enforcements towards NABL accreditation, there would be some kind of a regulator who would come and some kind of pricing action which will come in? If that happens, how do we see Dr. Lal being positioned and benefited?

Dilip Bidani: So there is definitely a lot of talk around pricing regulations and all of that and also around accreditation. So as far as we are concerned, we have got two labs of our which are accredited not just NABL but under CAP. 27 of our labs are accredited under NABL. Now, on a national basis, if you look at the numbers, it is estimated that there are around 1 lakh labs and less than 1% of these are accredited. So obviously we have a much stronger foothold in these accredited labs gain. Even though we might not have taken accreditation for all our labs so far, most of them are ready for taking the accreditation in any case. They follow the good practices as we have defined as part of our procedures and protocols. So we are very well prepared for such an eventuality. As far as regulation around pricing is concerned, that is something which is very much imminent, it does keep happening from time-to-time particularly in the case of outbreaks in dengue and chikungunya come up… those are always there. Going forward, if there is price regulation, if you look at the kind of pricing which prevails in the market you have smaller unorganized labs, price themselves lower than us, we would be somewhere in the middle and higher than us are the hospitals which typically charge significantly higher than what we charge. So therefore there is going to be definitely some evening out of pricing and water will find its own level. The thing is that if everybody is at the same price, who will gain? We believe that the ones have a much higher quality aspect to it, will get much more people or testing coming and that is where I think we will gain quite substantially.

S Padmanabhan: So if I am able to recap what you said probably we are not at the higher end of the pricing, if at all it impacts, it will impact the hospitals to bring the prices down and we should gain the volumes, is my understanding correct?

Dr. Om Manchanda: No, I think there are all kinds of customers in the marketplace – one is there are quality conscious customers, there are people who actually want to go to lower price points, so one is the market forces. Our customer base is not really from the lower end of strata in terms of both socio-economic classes, that is #1. No one knows actually whether this regulation will come. We are assuming all that. Assuming it happens also, what we have seen is that there is a significant jump in the volume. It happens because we are an obviously preferred brand. So the moment there is a pricing, like we have seen in chikungunya or as well as dengue, the moment government intervention took place on pricing, our volumes just went up sharply. So as a strong brand in this space, we also would benefit out of higher volume jump if at all this happens.

S Padmanabhan: My second question is around probably Dr. Lal moving from a more of north focused entity to more of pan India entity and with increasing footprint towards Kolkata and other regions. Both on the organic level and I think we are also pursuing some inorganic pursuits as well. How do we see us balancing the cost as well as the revenue growth because if we are going too much behind putting up presence in newer territories the expenditure would be upfront while I think the benefits would be captured somewhere at a later stage. Broadly somewhere I mean how are we going to manage these two things and what is the kind of growth which we are comfortable with from probably two-three years? What are the kind of margins which we would like to kind of maintain?

Dr. Om Manchanda: First of all, our view is fairly long-term in this given very-very low penetration of diagnostics in general and our own past experience suggest that we have been able to garner so much of business in just north of India and our brand presence is now getting stronger in east, we believe that we will have first mover advantage by putting very good quality labs in east India. While I buy your point in the short-term it will put pressure on margins but we have a long-term view on the business. Now, where do we balance between the two, short-term and long- term? We have in the past also guided the market that our EBITDA margins will actually be down by 2-3%. Somehow we have been able to hold on to these margins for full year this year. It is about 27% which is similar as what we had last year, but maybe a couple of percentage down as September-October when the Kolkata lab gets launched. So I think anything around 25% should be a stable rate for margins.

S Padmanabhan: On the inorganic pursuits, what would be the strategy in terms of going after certain labs, I think we have done a couple of acquisitions in the past as well, so do we have any earmarked figure in mind for acquisitions and what kind of labs would we like to add into our fold?

Dr. Om Manchanda: We have earmarked geography definitely. We are keen to acquire in south and west. The logic for that is very simple because the global experience suggests that large labs have become larger only by inorganic growth, it is a highly fragmented industry, not only in India but worldwide. So we will continue to see opportunities in south and west India. In terms of any particular number that has been earmarked, it will be very opportunistic as and when something really materializes. But we are very clear that we will not do M&A for the sake of just doing it and building up top line, we will do it if there is a strategic fit especially on the governance side both on the quality of business, we are looking for quality players, not just like anybody to acquire. So I know it is a very unpredictable part, but we are headed, let us see how it goes.

Moderator: Thank you. The next question is from the line of Sangham Iyer from Subhkam Ventures. Please go ahead

Sangham Iyer: Sir, just a continuation of the previous question asked by the speaker here, in terms of growth if you could just illustrate how do you look at growth both near-term and long-term given that now you are stabilizing the ship and setting up your base in east and Lucknow as well, how should one be looking at the growth going forward?

Dr. Om Manchanda: The growth as we have always been saying we have two distinct segments – One is B2C and B2B. As a company, we are very well positioned to have very high B2C component and our B2C component is different from others where we own the patients. Lot of patients actually walk into our stores, our labs and then give their blood samples. So one element of growth is to continue to drive more footfalls. The second element of growth is today there is revenue per patient, a particular figure that is there. Since we own these patients, there are possibilities to do a lot of cross-sell and up-sell with these patients and see if we can move the average revenue per patient upward. We are trying new ideas. So that is another element of growth. Third element of growth would be when we put the centralized labs, the way we have in Rohini in Kolkata, there is a large amount of high-end testing that gets outsourced from hospitals and smaller labs that we call it "Pick Up Points" so that is third element of growth. So that is as far as the organic piece is concerned. We had also outlined our strategy in the past that we will go to hospitals and get into hospital lab management contracts. So we have made reasonably good progress this year in FY'17. We want to drive that part of the business as well because close to one-third of the market is also lying inside the hospital. As of today, many of these hospitals only outsource high end test. But if we go and manage their onsite labs, there is an opportunity to be tapped. So that will be the HLM management is another pillar of our growth. The last one we had articulated was M&A opportunity. As I mentioned, they are very opportunistic and when that happens we will communicate with all of you.

Sangham Iyer: But sir, when I look at your presentation when we were increasing the clinical labs by at least 10-10 percentage, we were able to see the number of patients' footfalls increase at least by 20% or at least the samples also growing proportionately. But having said that, when the incremental lab additions slowed down in '15-16, that is getting reflected in the numbers in

FY'17 in terms of slower growth even if we adjust for the 2-3% impact of demonetization. So when we are going into FY'18, when we have added at least 10% incremental labs, do we see the proportionate increase going forward similar to what we have seen in the past or are these more labs acquired from hospitals, etc., so the incremental patient intakes or the number of samples increase might be lower as compared to what we have seen earlier when these kind of proportionate increase in labs have happened?

Dr. Om Manchanda: Assuming that I do not put any lab, that does not mean my growth rate will stop. So I think this pressure on growth has built in the second half of this year post this demonetization. So lot of this dip actually has come from existing geography. So I do not think one should read too much into this if I put two or three labs lesser my growth will be impacted; because labs actually serve two purposes – one is to test, other is to collect. Collection is not necessarily always through labs, it can happen through collection centers, it can happen through pick up points, and there are many ways to collect samples. It is not that I need to only put up labs to have more footfalls. Labs are serving both collection as well as testing. The advantage in our industry is to scale is that I do not need to have testing in too many locations, I can manage it by centralizing it also. So I do not think one should read too much into this since I did not put more labs in '15-16 is showing up in volume growth in this year.

Sangham Iyer: So if I were to remove the inorganic part of it, wherein acquiring hospital labs or M&A opportunities, the first three things wherein the incremental footfalls or increasing realization, etc., from an industry perspective or from your perspective, should one be looking at maybe 20% kind of growth rate that is a sustainable growth rate and then anything that happens on inorganic front would be different or is the 20% growth rate something that is little bit too high for the industry currently given the under penetration I thought 20% should be something that should be achieved?

Dr. Om Manchanda: Unfortunately, in our industry, we do not have tracks like IMS or ORG data which tells you as to what the industry growth is. Because this is one off the studies that get conducted and we have one study when we went public that time, our industry growth rate estimates were about 16-17%. We do not have all the data in the public domain, but of late we have seen the growth rates for many of the similar players like us who have large lab network has been bit under pressure. We have also talked to hospitals, they also have been talking the same thing, but unfortunately, I do not have any published data to support this. But my sense is that 20% looks as of now a little ambitious, but we will have to see how it turns out to be after few months, but as of now, since we have done full year growth rate of 15% and we will wait and watch how this next quarter turns out to be and see what the number is. But 20% as of now it looks little ambitious.

Sangham Iyer: Finally, in terms of Vitamin D, means value added test, etc., as a percentage of your overall samples?

Dr. Om Manchanda: May I come back to this question a little later so I will just pick that data and come back to you. It is one of the top three tests for us.

Sangham Iyer: Are we looking for tie-ups with corporate, etc,. because that could give us a good annuity cash flows in terms of tests, etc., because now that the awareness of prevention is increasing significantly across the board and lot of corporates are also promoting that as a part of their employee activity, etc., So would that be something that you would be looking at as a growth opportunity going forward?

Dr. Om Manchanda: I think that is a good question. We are a business which is a full-service business where we have portfolio of 3000 tests, we work from end-to-end, we help our clinicians diagnose. So our business has disproportionately high component of illness built into this. We have always been promoting wellness wherever our presence has been there. But of late we have seen that wellness market is growing much-much faster than the others market. So we will continue to invest in this area as well and promote wellness definitely. We also have wellness already in our business; in Delhi, NCR, we promote heavily, but I think going forward, we will try and expand our footprint on wellness as well.

Moderator: Thank you. The next question is from the line of Nakul Manaktala from Samaira Investments. Please go ahead.

Nakul Manaktala: I have two questions: First, have you been able to understand the impact and implications of GST and how are you planning to kind of adjust to like changing tax environment?

Dilip Bidani: As far as GST is concerned, it is still not clear whether it is going to get exempted or it is going to get covered under the GST ambit. I think the GST council is meeting later next week and there should be more clarity emerging on it. If it is exempt, then it would be limited administrative change for us. If it is covered, there will be some significant administrative changes that we would need to make in the way we work and the way we do our processes of business model. So we are gearing up for both eventualities and we have taken external help on trying to assist us in building up the appropriate model for tackling the GST process.

Nakul Manaktala: Second question I have, the growth levels are not fantastic right now. So is it fair to say that maybe the northern region is reaching some sort of saturation point for you and that incremental growth has to come from the east and then obviously inorganic growth from the western and southern regions?

Dr. Om Manchanda: Not really, the drop in the growth rate has been similar all across, it happened in Q3 and the recovery is gradual across all the regions. As far as north is concerned, maybe pressure on the volumes but not on value because we have a very large footfall, there are huge possibilities of doing cross-sell and up-sell with these customers and we have ways and means of driving revenue foundation in these geographies. So I would not really say that it is too challenging for us in north but maybe overall patient volume growth has to be much higher in other geographies than in the north, that point is definitely well taken. But walk-in base is much higher in north, we also have the ability to drive average revenue for our business.

Nakul Manaktala: In regard importing the reagents that are used for testing, given the rupee appreciation versus dollar, has that given you benefit?

Dilip Bidani: As far as our imports are concerned, most of our contracts are denominated in rupee terms which are fixed based on a dollar benchmark range. If the dollar fluctuates plus/minus within the range, there is no negotiation on prices and if there is a change beyond that range, then we look at renegotiating prices. So this actually derisks us in a way both upwards and downwards.

Nakul Manaktala:: So what has happened right now wherein rupee has gone from…?

Dilip Bidani: Rupee has been quite range bound while it has appreciated a bit, it is still within our range. So we have not yet renegotiated any prices downwards but obviously if it depreciates further, there would definitely be renegotiation of certain contract.

Moderator: Thank you. The next question is from the line of Shaleen Kumar from UBS. Please go ahead.

Shaleen Kumar: Sir, can you give some colors on the regional performances like how the north has grown, east has grown?

Dilip Bidani: So we have seen that most of the growth has been pretty much uniform although we were impacted the maximum in the east. So our east business was somewhat muted on the growth front. South and west have grown with our focus city approach as well as our investments which we made in Bengaluru a couple of years back. So we have seen good traction coming in south and west. North and central have also grown. We had faced certain weakness in the third quarter onwards in the east. That has been somewhat muted.

Shaleen Kumar: What could be the possible reason for that, one? Second the growth in east is historically had been pretty strong for us and I think that is the reason for going ahead and doing some investments in that center, so how are we looking at it now?

Dr. Om Manchanda: It was little unusual, I think post demonetization, amongst all the regions, we found east got impacted adversely. There is one part of east where we had acquired a lab and that lab actually showed much more decline, that lab was in an area which was low income. But I really do not think one should really be concerned about that. Once our big lab comes up, that is only going to address lot of high end business. So it is not just Kolkata alone, it is entire Northeast. So slowly-slowly we are back, but we found that dip was much sharper in East India compared to other regions post demonetization.

Shaleen Kumar: Can you just help me with how much are B2B revenue contribution for FY'17 in terms of percentage?

Dr. Om Manchanda: So normally our ratio is about 60% of B2C. We do not accurately track it but the way we do it is 40% are direct walk-ins into our labs, that is easier number to be tracked, but another 20% is the walk-in business that comes out of collection center, because they have both components together. We track some of them where registration is done online there and in some places there is a manual registration. That part is estimated, but close to 60-65% of our business is B2C direct walk-in and balance is B2B.

Shaleen Kumar: So for this quarter per se, like your fees to collection center have gone up meaningfully. So does it suggest again the similar competition or how should we see this?

Dilip Bidani: I think that needs a bit of clarification. There have been just some reclassification and regrouping of some of our radiology franchisee which was earlier being shown and grouped under fees paid to technical consultants, has been regrouped as part of franchisee fees. So that is what has happened really, classification based on audit consideration.

Shaleen Kumar: Another question is regarding gross margin. Just wanted to understand, we understand the dollar bit over here but your margin also varies with the volume where you can go back and negotiate. So do you see you can go back and negotiate any near-time if your volume rises?

Dilip Bidani: If you are referring to our material cost, it is just around 20% of our total cost. That is something which we do on an ongoing basis keep renegotiating on specific test and specific items which we believe have become higher in volume, much higher than what we had committed earlier or if there is a market pricing change that is happening or a trend that is changing or a particular test is becoming a more of a commodity and there are many more vendors offering the same test on their platforms at cheaper prices. Then we do renegotiate those prices and that is a continuous process which keeps happening.

Shaleen Kumar: If not more, at least our gross margin will remain stable?

Dilip Bidani: That is definitely the intent, yes.

Shaleen Kumar: Do we also track like healthcare preventive percentage for our revenue?

Dilip Bidani: We do not track that as a separate vertical or anything like that, because it gets subsumed in our overall test packages and when we offer these camps we are offering panels that actually gets counted as a single test although it consists of a large number of tests within the panel. So we are not tracking it separately as of now.

Shaleen Kumar: But any rough idea like how big is that vertical for us… any ballpark number?

Dr. Om Manchanda: I think a rough number will contribute about 5-6% of our portfolio. But going forward, as we start focusing more and more that, we will try and give a better shape.

Shaleen Kumar: I believe it is not wrong to assume that it is like one of the fastest growing segments for you?

Dr. Om Manchanda: Yes, actually very difficult to say that the patient who has come he or she come for preventive test or there is existing illness and he just got upgraded to a panel because as a company one must clearly remember that we are a healthcare company, we are a medical company, our positioning right now is to help our clinicians to diagnose illness and the patient is actually coming to get the test done because right result has a lot of implication for that person and for our doctors. So we are right now focused on that he is getting it right, because eventually we know that we are addressing healthcare need. Within that is something called preventive area which is growing where wellness is falling, as you rightly picked it up, and we also know that piece is growing faster as healthcare awareness grows, and we time to time keep launching lot of these camp activities which we do as a panel, that aggressively is done in our existing network but we are definitely recognizing that opportunity because the growth rates are much higher there and we will get aggressive in that segment as well.

Shaleen Kumar: What we are seeing now is around 10-11% kind of growth right now and two quarters back we were seeing around 20% growth. I understand that you said 20% growth is difficult right now, but still this is a wider range 10-20%. As we see, almost half of this quarter is bypassed now. So do you like to give any kind of guidance based on what way we should look at or where should we adjust our numbers?

Dilip Bidani: We had in the last quarter done 10% value growth, in Q4 we have done better than Q3. Gradually we are seeing an improvement that is taking place. Our volume growth has picked up from 5% in Q3 to 7.7% in Q4. So gradually we do see the entire thing coming out but we are still not yet totally seeing the same kind of growth which we were seeing in the first half of last year. So we are taking a very cautious approach on this around trying to give a guidance around it. If you recall in our last call in February we had also said that it will take us till June quarter to really see what is actually happening and what is the kind of growth which is going to take place. So I would hesitate to give a guidance around a number but definitely what our goal will be to grow at least at the market if not faster than the market in the near to long-term.

Shaleen Kumar: We say market is growing at around 15-16%?

Dr. Om Manchanda: Yes, that is the number which CRISIL gave.

Moderator: Thank you. The next question is from the line of Sriraam Rathi from ICICI Securities. Please go ahead.

Sriraam Rathi Is it possible to give a break up of revenue and patients geography wise in terms of region wise, north, east, west and south?

Dilip Bidani: As far as revenue by geography is concerned, it is largely the same as what it was earlier, about 72% continues to come from north, about 12% is east, south plus west is about 13% to 14% and 1% is about balance. In terms of number of patients, it would follow similar. I do not have that number off hand readily available.

Sriraam Rathi: But it should be more or less in the similar range ideally?

Dilip Bidani: Yes, actually the patients would be slightly more in south and west in proportion because the realization per patient is lower in those areas.

Sriraam Rathi: Secondly, this 7.7% volume growth this quarter and we said that the impact of demonetization was largely from Q3 that was 8-9%. So does that mean that 7.7% was more or less kind of base growth without any significant impact from demonetization or there were some kind of impact?

Dr. Om Manchanda: There are a couple of very-very small variables that will be like splitting hairs because we had elections in four or five states and most of these states were in north India and like February being lower by a day or something. All put together I think that is what it led to this. We are definitely seeing gradual improvements. It is very difficult to say that this is the number which will be there going forward. But in the previous question I think as we mentioned that we do expect in a revenue term, growth to be in line with the market growth.

Moderator: Thank you. The next question is from the line of Abhishek Sharma from IIFL. Please go ahead.

Abhishek Sharma: One question on wellness versus illness. You said these are two different businesses. So I just wanted to know how is the test procurement or sample procurement different in these… are these different channels and if you could just take us through that?

Dr. Om Manchanda: No-no, it is not really channel as much as, I would say it is probably a state of mind of the patient. In illness there is some anxiety, some state of urgency as far as the patient is concerned. It is not that we are dealing directly with the person, there is also a doctor involved, there is a prescription in the hands of patient, the guy has been to a doctor. There is some sort of anxiety. So the state of mind of illness is very-very different from wellness. Wellness is the state of mind where I am aware about my healthcare, I'd need to take care of it once in a year, so I want to get those tests done. It is also emanating out of general tendency within the family saying that, why do we not get our health checkup done. So to me right now it is the same channel because a doctor prescription we tend to upsell when somebody is walking to our lab and help them to go for higher number of tests, but we have seen in the industry right now that there are many players who are trying to promote wellness through a different channel. So that piece right now we have not explored but let us see how it goes. But definitely one thing is very clear that wellness is a segment is clearly getting defined and growing much-much faster. So we will address that opportunity as and when we are ready for that.

Abhishek Sharma: What is that different channel that the competitors are using – is it only camps or, I mean, how does the patient make a decision as to where to get his annual checkup done?

Dr. Om Manchanda: The digital vehicle which is being used, people are just getting into online, people are also appointing some direct sales associates and things like that. So, it is not a traditional channel of promoting these tests because in medical field we do not solicit business like this because you are actually dealing with the patients where you are helping the clinician to diagnose. In a wellness segment, there is nothing you are trying to diagnose, right. You are just trying to do screening test. This tends to behave like any OTC business or any consumer diagnostics business. So that may require a different channel strategy and promotion strategy which we have seen some competitors are following. Let us see how it goes. We will also try and evaluate some.

Abhishek Sharma: Is Kolkata also having a high share of dengue and chikungunya patients?

Dr. Om Manchanda: If I am not mistaken, it has a high share of dengue actually and malaria.

Abhishek Sharma: You also said something about you have seen B2B competition from hospitals. How does that play out because I guess B2B would require your guys going and collecting samples from various places. So are hospitals doing that, I mean, are they offering better turnaround time?

Dr. Arvind Lal*:* What has happened is that the pathology lab is one of the two things which the hospitals make money in, the other being the dispensary or the chemist shop and there is also a tendency amongst the hospitals to overcharge the in-patient more for the pathology test. So you see that cycle which has been created that the patient is a captive patient, he cannot say anything and they start doing more and more tests, you cannot question anybody and that has given them a fillip that "Well, okay, why not increase our revenues here which are the captive revenues?" So we do not know of this thing is going to succeed or not, but the tendency is definitely there to keep up with the zones and try and see. But this is a completely different ballgame because they are not standalone independent labs who understand the game and the patients concern, etc., But since there is something is available they want to try out these kind of waters. So we will have to wait and see how they all perform. So far we have not actually seen anybody succeeding in this line.

Abhishek Sharma*:* But they are collecting samples from patients outside the hospital, is that the understanding, sir?

Dr. Arvind Lal*:* That is exactly what they are trying to do and when the patients go out after all the patient is an in-patient who has to be discharged one day and second thing is there is an outpatient. So they start off with that, "Okay, now you need not do it here." In Delhi of course it is very common that Medanta which is actually in Gurgaon, they have set up their centers in Defense Colony in South Delhi, so the patient does not have to go. So similarly if you have a kind of polyclinic of a hospital, there is no harm in putting a path lab also. So that is how it all starts.

Moderator: Thank you. The next question is from the line of Chirag Dagli from HDFC Mutual Fund. Please go ahead.

Chirag Dagli: Sir, you talked about pricing pressure in B2B business. Which specific test is seeing that kind of pressure – is this region-specific, some test-specific, how should we think about?

Dr. Om Manchanda: This is some test-specific I can mention one test which is (HCV), it is a high end test for Hepatitis. This test actually has seen in the last three years very sharp decline in realization. So the volume have sharply gone up as well, but revenue per patient has come down. It is a very common test in Punjab, Haryana belt and Northeast belt. So that is one test I can think of. The other tests I can think of is even Vitamin D also has seen lot of pricing pressure in the recent past.

Chirag Dagli: Sir, in the past over the last decade or so, you would have come across several of these kinds of tests, right, either technology changes or nuclears come in, pricing changes some bit, why is it that this time around is this any different?

Dr. Om Manchanda: I think what has happened… is my hypothesis, maybe wrong, is that last six-seven months overall industry growth rates have fallen and it has impacted everyone. Because everybody is trying to chase growth and the only thing is that this would offer more discounts, we also lost one customer recently in a hospital lab where one of our competitors actually went and offer virtually 10-15% higher discount. So obviously I could sense that there is a growth pressure in many of these players and they go and offer higher discounts. I think that could be one of the reasons why in recent past we have seen higher pressure in discounting. A couple of players have got private equity funding, then the growth rate pressures are there, so they just go and offer higher discounts.

Chirag Dagli: So this large customer you are alluding to is for this specific test, is it?

Dr. Om Manchanda: No, this is some different. I am broadly saying that as the pressure builds up on everybody to grow, they tend to throw higher discounts.

Chirag Dagli: In such a case, why would not DLPL sort of take the price cut as well and match prices, I mean, what is it that is going in this decision making for you to leave that business?

Dr. Om Manchanda: No-no, we do not leave the business, in fact, if you look at this particular year, we took a price increase in the month of June-July last year in Delhi NCR. But our net price impact is virtually neutral for the year because at some places we have taken a price drop as well. So we are correcting our prices wherever required.

Chirag Dagli: No, for such B2B businesses, you do not match the price and sort of make sure that you do not lose the volume?

Dr. Om Manchanda: No, essentially at the end of the day we want to be positioned not as the lowest price player, to us quality is very-very important and we are very clear that somebody who comes to us for testing has a strong belief and trust in our quality. At any point in time, if we feel that it is going to be affecting the quality and service, we just walk out of that. So we are conscious of that factor as well. In this testing business one should remember 60% of errors take place in pre-analytical phase. It is very easy to test a sample when it comes to the lab. Quality inside the lab is much easier to monitor. The quality outside the lab is much more challenging. We are very conscious of the fact that we want to take custody of the sample from the time it is collected, not at the time it hits my lab. 80% of the time the sample lies outside the lab. If I leave that sample in the hands of all kinds of agents and channels on which I have no control, then I run risk of losing out on quality. While short cuts are possible when sample is outside, but we are conscious of the fact that we do not want to compromise on quality.

Dr. Arvind Lal*:* Another thing which has happened is you must see the external environment. The external environment in our case is extremely fragmented and what we used to call unorganized or disorganized and according to market estimates it could be about 100,000 labs in India, out of which only 820 right now are accredited. So if you imagine, there are 100,000 labs are running after the same business as to 820 labs. So it is trying to commoditize pathology kind of product which is actually it is not. So the market pressure, the regulation and the quality, the accreditations and all are very-very deep kind of topics which we hope and pray that one day India also wakes up, at least ensure there are regulations for who can run a lab at least. Right now, anybody, anywhere, anytime can open a lab and therefore these kind of practices.

Chirag Dagli: Just one clarification on this; on the pricing pressure that you are seeing on specific tests, this is not because some of your competitors who are offering lower prices have got a better deal from the reagent supplier or something like that, is just that they are now okay with lower margins? Is that understanding is correct, sir?

Dr. Om Manchanda: I think so, because the region cost, if you look at the P&L of at least similar players like ours, which have large network of labs and overheads, reagent cost is about 20%, it is about 40-50% is the fixed overhead. So I am not too sure if somebody has got a better deal on the region, that is why they are able to drop prices.

Chirag Dagli: Or if somebody is able to manage the overheads better?

Dr. Arvind Lal: The overheads do not matter here as much. This service is actually doctor-oriented from our side and of our peers. But one-odd player is bound to be there who is just pushing tests for the sake of testing. Now, as I said earlier you do not have to commoditize, etc., etc., but the fact of the matter is we are sticking to a segment which is largely doctor-driven.

Moderator: Thank you. We take the next question from the line of Tushar Manudhane from Motilal Oswal Securities. Please go ahead.

Tushar Manudhane: My question pertains to the volume growth. So this 10.8% volume growth, the way demon has impacted 2-3%, how much would be on the positive side because of the epidemic like chikungunya or dengue for FY ’17?

Dr. Om Manchanda: Actually, this year our volume growth on account of outbreak was not much compared to value. We had much higher share of chikungunya this year compared to dengue… let me take little time to explain as to why I say so. Even the dengue outbreak takes place, number of tests required per patient is much higher than chikungunya. Chikungunya is only one test. If you are diagnosed positive for dengue, then you have to do lot of platelet counts which are very low value test but virtually every day you have to get one test done. So this year value component was much higher than the volume component. So just to estimate value component, I think it will be about 1.5% on annualized basis, the spike may have been there. But that happens every year, some year it happens more, some year it happens less, but it happens around August-September.

Tushar Manudhane: one question on the pricing growth for the overall year given the 10.8% volume growth and 15.3% is the revenue growth?

Dr. Om Manchanda: Actually, that is a good point. While we analyze it, we found that it was more because of number of tests per patient went up this year. So one is volume growth. Volume is equivalent number of patients coming into our system. The other is number of tests done per patient. That number is close to 15%. So number of tests have almost grown in line with our revenue growth. That means the pricing impact is virtually neutralized, in some places we took it up, in some places it went down. So it is a mix change that has helped in number of tests per patient that has helped our revenue growth.

Tushar Manudhane: So the growth guidance is largely on the basis of number of tests growth?

Dr. Om Manchanda: While I know at this time, we are very cautious to put a number as to what the year would look like. As Dilip earlier mentioned that our endeavor would be to grow at least in line with market which is growing at about 15-16-17%. We know that the first half because our base last year has been high because chikungunya and dengue we do believe that second half will get benefited by this. As of now, it is very difficult to put a figure but our endeavor will be at least to grow in line with the market.

Tushar Manudhane: Secondly, the B2B segment growth was how much for the quarter and for the year?

Dr. Om Manchanda: B2B segment, that number unfortunately I do not have readily available. May I give you offline?

Tushar Manudhane: Okay, no issues, thanks.

Moderator: Thank you. We take the next question from the line of Rakesh Naidu from Haitong Securities. Please go ahead.

Rakesh Naidu: Just wanted to understand what would be the realistic growth expectation from the Diagnostics business both for this year given that there is a lingering impact of demon and in the medium term. You have commented that industry growth is around 15-16%. So what could be the likely your view on the growth for your business? Second part of the question is that we would likely see three or four more organized players coming into the fray. So how do you see that impacting the competitive intensity, I mean, how, what kind of impact that could have on your business?

Dr. Om Manchanda: First of all, now I think demonetization impact is no more there. So I think whatever has to happen has happened. If at all any business impact which one sees, I will not attribute to demonetization from now on. Second is in terms of our view on market growth, these numbers 15-16-17% are what CRISIL has mentioned just to us, but overall I do believe that market has slightly slowed down as to what it was let us say a couple of years back. That is what one is seeing directionally. One can attribute this to many factors, but overall, we are seeing healthcare is slightly lower growth than what it used to be couple of years back. Third question is related to competition that is coming in. I guess, a couple of companies that have got listed, so many of these guys are seeing this as a great opportunity, but I just also want to mention that past experience suggests that it is not very easy for a new player to come and establish. I have been in this space for nearly 12-years. I have not seen a single new player coming and establishing itself whether it is a local or global player. So it is a highly operational business, it is not so easy to settle down but let us see, jury is still out there, see what happens.

Rakesh Naidu: Would you like to give any view on the kind of any numbers that you were looking at for this?

Dr. Om Manchanda: I think this question has been asked a couple of times earlier on the call. I would again reiterate that our endeavor will be to grow at least in line with the market.

Rakesh Naidu: My second question is on the cost structure. You earlier alluded that part of fees to consultant is now categorized under "Collection Centres." So I want to understand this current cost structure. Is this something which will sustain or is there a scope to improve upon structuring?

Dilip Bidani: So that is a continuous process on trying to see what are the cost line items that we can optimize, how can we control them, how can we look at utilizing the costs better or spending the costs better? So even for example, on rental areas which we are taking, can you take a smaller space than you would normally do instead of taking 2,000 sq.ft., can you manage a lab and redesign it in 1,200 sq.ft. So those are the kind of things which are a continuous process, it is not as if it is 01 kind of a situation. So you have got to keep evolving and seeing how to change your cost structures and improving your productivity of the costs incurred, be it in people costs, infrastructure costs, logistics, A&P, anything. That is the way we look at it and we keep identifying projects from time-to-time to see if there is some improvement we can do in these costs.

Dr. Om Manchanda: So one thing is very clear, given little softening of growth we will go after improving our productivity and redeploy some of our costs we drive the volume growth which help us to be competitive on pricing. So we will be consciously working on this area in a particular year.

Moderator: Thank you. Next question is from the line of Shivam Gupta from CWC Advisors. Please go ahead.

Shivam Gupta: First question, I just want some reconciliation been two lines of thoughts which have been going on here. One is that in the 40% of your B2B, you are categorially stating that there is a little bit of on your rationality around pricing and the way that business is being done, on the other end, you are focused on driving more efficiency in your business. So are you saying that you are going to match the rates or come closer to those rates and still compete in that market or you are taking a choice of not being there?

Dr. Om Manchanda: No, we will compete in the market. By the way, let me tell you that we are a preferred brand not because of price in that segment. That segment is all about high-end tests, that segment is all about quality, that segment is about hospital gives us those tests because not that we have the lowest price, they give us because they trust our quality. I am not really going down as long as I maintain good enough premium which these hospitals are willing to pay, I will definitely maintain that premium; however, I am recognizing the fact that given the competitive intensity in the market, one will have to look at the productivity and cost structure because the pricing pressures are building up. That does not mean I am going to leave this segment to someone else.

Shivam Gupta: The second part that I wanted to have some color on was that on the side where you can play aggressive on and one of the potential things which have been asked multiple times, we call as wellness and that could just be that we are limited by the evidence that we have. But that you own the customer and you have mentioned multiple times that they walk in and they have been with you and you are the quality player. What are the things which the management is currently doing in order to drive down that so-called test per patient in that B2C space?

Dr. Om Manchanda: Once in four to six months, we have such kinds of activities in primarily North India because we have very high walk in base, we call it a camp activity where we promote some of these panels and these panels are technically up selling to the walk-in customer. The effort is definitely to get more customers, but you are still using the same channel. But off late one is seeing that in market lot of players have come in where they are using digital medium to promote some of these tests, they are using different kind of channels like sales agents, etc., that something we have not done. It is a new trend we are seeing. I think the pointers are that wellness market is growing faster and it could become a large opportunity and we are acutely aware that, that segment is also going to go aggressively after.

Moderator: Thank you. We take the next question from the line of Bhavin Shah from Kotak Mutual Fund. Please go ahead.

Bhavin Shah: You ended the year with 189-labs. Is it possible to get some idea of how many more you intend to add in the next year?

Dr. Om Manchanda: I think our focus right now would be to build a central lab in Kolkata and that will be the main focus and get more and more testing done in the central lab. As I mentioned earlier, labs serve two purposes -- one is to enhance the capacity to test, other is to enhance the capacity to collect. While capacity to collect can be franchised out, so I think this year my significant focus would be more to enhance the capacity to collect than to test because more and more testing capacity I had, I may end up increasing my cost structure. So I am acutely aware about the productivity enhancements that I need to do. So I am not really putting a large figure on adding labs but driving more traffic in our existing infrastructure.

Bhavin Shah: But would it be fair to presume that the addition on labs apart from Kolkata would be discernibly lower from what you have had last year without maybe specifically pointing out to numbers, or would it be in the ballpark or marginally lower than what you have had?

Dr. Om Manchanda: It will be marginal. I do not think significantly lower or significantly higher.

Bhavin Shah: Secondly, you alluded to the point that the competitive intensity has gone up. Have you experienced competitive intensity going up more or less equally across all regions or do you find this phenomenon sort of being specific to few regions geographically speaking?

Dr. Om Manchanda: Very large part of our business comes from North and East. So we have felt it here. If South and West is happening, then I am not that impacted by this. So we see more on North and East, not because by anything else, but our proportion of business is higher from there. So I presume it must be going elsewhere as well.

Bhavin Shah: Finally, would it be possible to get a breakdown of the labs and POPs and TSCs region wise?

Dr. Om Manchanda: That data we do not have unfortunately readily available.

Dilip Bidani: But that is available on our website on the locations of the labs.

Moderator: Thank you. Next question is from the line of Viresh Mehta from Axis Capital. Please go ahead.

Viresh Mehta: Couple of questions. One is with regards to key highlights you mentioned that the company has added on and build up further senior management bench strength. Would it be possible for you to share or give some color on that please?

Dr. Om Manchanda: We hired two senior people this year -- One is Chief Operating Officer for region-one which is our biggest region though geographically it is not that large, then we also added Chief Strategy and Marketing Officer. We wanted to build capabilities in the area of Medico Marketing as well as Digital. So these two people have been added in the last 6 months.

Viresh Mehta: The second question is with regards to CSR. I see spend of about Rs.1.8 crore for the fiscal. If we were to look at the average of 2% for the last three years, then that number goes to about Rs.7-odd crore. So would we be under spending on CSR and would we have some specific plans in terms of how we would look to catch up?

Dilip Bidani: So it is actually 2% on the average profits, it comes to slightly over Rs.2 crore, we will have to divide that Rs.7 crore by 3, so it is 2 point something crore is the actual requirement. We have upped our expenditure which was about Rs.40 lakhs is what we spend in the previous year. We have identified more projects and contributed to Rs.1.87 crore this year towards CSR trust, which is now implementing many of these projects. So on an ongoing basis, we plan to keep increasing the expenditure and taking it up to the desired level.

Viresh Mehta: Just wanted to get your thoughts in terms of the ability for us as a company to be able to monetize the patient data especially the B2C customers which are supposedly our customers, is this something that is a possibility that company can explore?

Dr. Om Manchanda: It is certainly a possibility, we have not done it in the past, we have been conscious of the fact that many of our accreditation bodies, as part of the protocol, we are not allowed to do that, but I think there is some progress being made in terms of anonymizing the data and truncating it for patient details. There is definitely an opportunity. We have not done it so far. So it is very difficult for us to put at number, but we are definitely open to exploring that area.

Viresh Mehta: Again from the key highlights and this goes back again to the market growth. We say that we are looking to grow in line with market growth on back of brand salience, etc., Now, should I assume or should we sense conservatism in the management stance given what has happened in the recent past? I am coming from the point that a) clearly the diagnostic space is underpenetrated and we are or peers as the segment that we fall under is a smaller segment and has a large opportunity, so should we consider this as something as the management being very conservative in that sense or are we talking more from a very near-term perspective because I would have expected that we should be able to grow higher on a steady-state basis?

Dr. Om Manchanda: Yes, we are very high base now, nearly about Rs.1000 crore. Second is we are also seeing it is a gradual recovery from where we fell from 20% to 10%. So it is not a step jump that we are back to normal. So we are factoring all of that in and then that is what we are saying. If life improves, we will come back to you probably in next quarter and tell you how it is looking like. But as of now, we are little conservative because our recovery is much more gradual than what we had thought.

Moderator: Thank you. We take the next question from the line of Prakash Kapadia from Anived Portfolio. Please go ahead.

Prakash Kapadia: So two questions: In order to offset some of the challenges which you highlighted due to increased competition in B2B segment, given our experience in the industry, what are we doing to remain ahead of the curve -- are we adding new tests, are we building a loyalty program giving more discounts to existing customers or we are innovating and looking at new ways of testing which can ensure sustainable differentiation, so if you could throw some light on that, that would really help?

Dr. Om Manchanda: It is a very good question. First of all, we do not want to lose control on the entire chain from collection till the point of report delivery, because in order to cut cost, you lose control on one of these elements of the chain then you have a problem on quality. Without compromising the control on this entire chain, we want to streamline processes and use of technology with digitization, etc., and see where we can enhance the productivity because one of our costs if you see is very high on manpower. But even manpower cost is also building a very strong management bandwidth which we have done now.

Prakash Kapadia: That I would guess incrementally, volume growth records and we go back to high growth that should normalize?

Dr. Om Manchanda: That should normalize, but as of now, our conscious effort would be to first admit the fact that competitive intensity is growing and I may not be in a position to increase prices as I may have done in the past. So that first to accept that fact. The moment I accept that, then what is that I need to do? I need to go back into my cost structure and see how do I enhance the productivity. So we will look at all these possible areas. One area is the application of technology and streamlining some of this workflow where my productivity enhancement takes place. So that is #1. Second is that; look at my infrastructure of labs because it is not that I am not getting business because I do not have a capacity, there is a lot of unutilized capacity that is lying in these labs. So I want to really drive traffic and see how I can enhance the capacity utilization in many of the existing locations before I go to new ones. In the past since existing business was growing much faster, so I could afford to expand new places. So that is another area which we look at. So all possible areas we will see that how we stay competitive on pricing because one thing is very clear that the pricing in times to come will come under pressure.

Prakash Kapadia: Sir, some of the existing customer base we have like a 13.3 million patients as of the year end, how are we tapping the existing customer base and directionally, in terms of number of patients, when do you think we can double this over a period of time?

Dr. Arvind Lal: It is going to happen gradually. As the awareness for testing growth and there is a shift which may not be seen right now but in a subtle way from illness to wellness and the educational level and the monetary level and hope there is no further demonetization or nothing untoward, etc., because you will appreciate that this is the doctor-driven kind of a thing, and the people, why should they want to go and get a blood tested if they do not have to. It is a very simple kind of a thing. I would not go. I am sure many people will not go. But yes, there is a wellness market which has now surfaced, which is for the good. As doctors we all appreciate that but that awareness and that advocacy has to come in. Again, there is a whole gamut of diabetes and high blood pressure and cardiac diseases, cancer, etc., which everybody knows is increasing. So gradually when these diseases catch up, they are actually killing 65% of our people. So that awareness comes in each family and then the mother would tell a daughter that "Look, your aunt suffered from breast cancer, go and get a mammography done and so and so suffered from a heart attack, go and get at least cholesterol level done." So that is what change we are feeling, but it is happening in a very slow gradual way.

Prakash Kapadia: If five years are a realistic path to look at if you are to target number of patients doubling even our reference lab coming, newer geographies…?

Dr. Arvind Lal: I would definitely target the (+70%) of Indians who are in Tier-3, Tier-4 and rural setting also. But our targets have to be realistic but here put yourself in our shoes, you cannot say that so and so will get ready for testing.

Prakash Kapadia: I am looking for a direction. I am not looking at…?.

Dr. Om Manchanda: I think that is fair to assume.

Prakash Kapadia: Lastly, some of the initiatives in terms of the senior management, the online digital, some of these things could lead to some changes in our business model and we would see usage of technology or even newer ways to mine customer data and focus in the coming months in case the current scenario pricing continues in the industry?

Dr. Om Manchanda: I think Digital and Data Mining is going to be a priority for us.

Moderator: Thank you. Next question is from the line of Deepak Malhotra from Silver Streak Asset Management. Please go ahead.

Deepak Malhotra: While the question that I want to ask has been answered little bit but let me just still rephrase it. This is basically regarding the emerging competitive intensity and the landscape which what we have seen over the last few quarters which has also got exemplified more by demonetization in terms of the actual result. But going forward, how do you really assess it over the next 3 to 5-years because today we have lot of hospital chains, lot of private equity players bringing up much more smaller players trying to scale up their businesses and coming up in all over the regions, so how do you really access it terms of 3 to 5-year horizon rather than looking it on a quarter-to-quarter basis?

Dr. Om Manchanda: It is anybody's guess.. At some point of time, water will fill find its own level and then some sanity should prevail after a couple of years.

Deepak Malhotra: Then, you mean that in the short-term because now with GST and all sort of confusion which is still there in the market, this next 6-months to a year, should we basically see muted level of growth or you feel that recovery now from hereon should really…?

Dilip Bidani: I think it is a very good question, difficult to answer but that is what makes it all the more exciting to find solutions, innovations to keep ahead of that, anticipate and keep moving ahead.

Deepak Malhotra: This is a very lucrative sector, sir and especially for a company like yours which is really I think the best performing one in the sector or among the best performing one, so the pressure is always on you, sir.

Dilip Bidani: Definitely. I think that is what makes it more challenging and exciting for all of us.

Dr. Om Manchanda: We continue to see the opportunity. I think let us just step back a bit. We are as a company synonymous with pathology. We have been in this not for 1 year, 2 year, 10 year, 20 years, we have been in it nearly 60 years and we have demonstrated our ability in a cluster like North India, we are now moving to East and at 13 million patients is nothing in terms of population in this country. We continue to see long-term opportunity and we are a serious healthcare player. We believe we add value not in frivolous testing but in really helping our clinicians, our patients to diagnose illness and illness is not about finding black and white, it is all about grey zone when it is very-very difficult for doctors to decide what the illness is. We all want to see our company to play a big role and be at the cutting edge of pathology. Yes, the short term issues will continue, but we are keeping our eyes on the long term.

Deepak Malhotra: Can we say that over the next 5-year horizon, all India player with the number of labs really becoming two times, three times, do you really have that kind of discussion at the board level at least in-house?

Dr. Om Manchanda: I think all of you should not look at number of labs as one parameter for growth. Our growth actually can happen if I collect and transport samples to a central lab. It is not that I have to keep on growing. It is not that all the time footfalls to the labs only lead to growth. Footfalls to franchisee collection network, samples are being collected in physicians clinics, samples are being collected in the hospitals. So my ability to collect and pick up this business is what will determine growth. It is lab just giving you additional sort of testing capacity. So I will add labs as and when they are required because adding to many labs also you may be adding too much to cost structure. So it is economic decision which we are allowed to take. While number of labs obviously will grow as I increase my number of towns, but it is not that I will mindlessly keep on growing in terms of number of labs.

Moderator: Thank you. That was the last question. I now hand the floor over to the management for their closing comments.

Dr. Om Manchanda: Thank you all for attending this call and we see you again, next quarter. Thank you once again.

Moderator: Thank you. Ladies and Gentlemen, on behalf of Dr. Lal PathLabs that concludes this conference. Thank you for joining. You may now disconnect your lines.

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