



**VIJAYA
DIAGNOSTIC
CENTRE** ®

November 18, 2022

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

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

Dear Sir/Madam,

Sub: Transcript of the Earnings conference call organized on November 11, 2022.

We are enclosing herewith the 'Transcript' of Earnings Conference Call organized on November 11, 2022 post declaration of un-audited financial results of the Company for the second quarter and half year ended September 30, 2022.

Please take the information on record.

Thanking you,
Yours faithfully,
For Vijaya Diagnostic Centre Limited

Anusha Kanumuru
Company Secretary

Encl.: As above



Vijaya Diagnostic Centre Limited

Q2 FY 2023 Earnings Conference Call Transcript

November 11, 2022

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

I now hand the conference over to Mr. Anoop Poojari from CDR India. Thank you, and over to you.

Anoop Poojari: Thank you. Good afternoon everyone, and a very warm welcome to Vijaya Diagnostic Centers Q2 and FY ‘23 earnings conference call. We have with us, Ms. Suprita Reddy, Chief Executive Officer; Mr. Sunil Chandra, Executive Director; Mr. Narasimha Raju, Chief Financial Officer and Mr. Siva Rama Raju, Head - Strategy of the Company.

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

I would now like to invite Ms. Suprita Reddy to make her opening remarks.

Suprita Reddy: Thank you. Good afternoon everyone. I'd like to take this opportunity today to welcome each one of you to this forum, on behalf of the management team of Vijaya Diagnostic Center Limited.

I will first present the key highlights for the period after which Mr. Narasimha Raju will take you through the operational and financial highlights of the quarter and half year ended 30th September, 2022.

The second quarter saw a healthy improvement in the demand for Non-COVID business across all segments. The Company managed to enhance its network and make considerable progress on its calibrated expansion plan. The Wellness business is showing positive results and the Company continues to increase its revenue share from this segment. During Q2 FY ‘23, the Wellness segment recorded its highest ever contribution to revenues at 12.4%. This being the case, we are quite sure that the integrated diagnostic

service providers derived major business from B2C will not be influenced by competition of different formats.

I'm glad to announce the commencement of operations of a one of its kind center Panjagutta. This center is spread across 16,000 square feet. The facility is the first in South India to introduce a walk-in, walk-out dual source cardiac CT, and a biometric three tesla MRI apart from advanced imaging equipment such as a PET CT and Gamma camera.

During Q2FY23, we successfully commissioned one hub at Rajahmundry and 12 new spoke centers. A few of these spoke centers were set up to capture upcoming pockets across Hyderabad. This helped us ease up existing centers in the region, facing capacity constraints. These spoke centers also strengthened our hubs and contributed to positive growth in volumes. These small sized spoke centers are over and above our initial plan of expanding by 15 more centers in FY23.

I'm also happy to share that we have recently migrated all our centers and labs across the network to a more efficient, robust, and comprehensive ERP that will enhance operational efficiency, enable construction of useful and informative analytics, facilitate and interactive customer interface, help engage the customer and make the entire experience more complete and wholesome.

We are determined to stay committed to our systematically planned strategy and the business initiatives, which we believe will enable us to grow and strengthen our brand in our key markets. We will continue to intelligently expand into profitable tier 2 and tier 3 cities, across home markets and untapped edges in geographies. The promising dynamics of the Indian diagnostic sector coupled with our innate capabilities and that of being a trusted brand of choice will surely enable us to maintain steady growth in time to come.

With this, I would like to hand over to our CFO, Mr. Narasimha Raju, who will take us through the operational and financial highlights for the period. Thank you.

Narasimha Raju:

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

The consolidated revenue for the quarter stood at INR 121 crore as against INR 113 crore in Q2FY22. During the current quarter, the Company continued to witness month on month improvement in Non-COVID test volumes.

Also, the transition in the revenue mix profile from COVID to Non-COVID continued in the current quarter as well. The Non-COVID business revenues stood at INR 117 crore comprising 97% of our revenue share as against 90% revenue share in Q2FY22. Overall, our Non-COVID business registered a growth of 15.1% year on year while COVID revenues registered a decline of 67.6% on a year on year basis. The number of footfall stood 0.85 million as compared to 0.87 million in Q2FY22. The number of tests registered a year-on-year increase of 11% from 2.36 million to 2.63 million. The number of tests per footfall has also increased to 3.09 in the current quarter from 2.72 in the last year Q2. The revenue per test was INR 459 and revenue per footfall was INR 1,418 during the current quarter.

EBITDA for the current quarter was at INR 49 crore as against INR 51 crore in the corresponding previous period. EBITDA margin stood healthy at 40.4%. Higher Non-COVID revenues, the test volumes coupled with the operating labor assisted us to achieve EBITDA margin above 40% despite the cost incurred due to this recently commission centers.

The profit after tax for the current quarter stood at INR 23 crore and the surplus cash balance amounted to INR 249 crore as of September 2022.

I will now summarize our performance for the half year ended September 2022. Consolidated revenue stood at INR 225 crore as against INR 235 crore in H1FY22. The Non-COVID business comprised 97% of our revenue share as against 82% revenue sharing in H1FY22. Our B2C share stood healthy at 94% in H1FY23. EBITDA stood at INR 89 crore as against INR 108 crore in the corresponding previous year. EBITDA margin stood at 39.4% and the profit of tax was INR 41 crore.

In conclusion, I would like to say that both the internal and external factors both well for Vijaya's growth and we remain confident of delivering consistent performance going forward.

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

Moderator: Thank you very much. We will now begin the question and answer session. Anyone who wishes to ask a question may press * and 1 on touchtone phone. If you wish to remove yourself from question line you may press * and 2. Participants are requested to use handsets while asking a question. We have a first question from the line of Aashita Jain from Nuvama. Please go ahead.

Aashita Jain: I have three questions. Firstly Raju could you help me with the growth rate three year CAGR for this quarter i.e from Q2FY20 to Q2FY23 on the Non-COVID side?

Siva Rama Raju: So Aashita may be we roughly grew at a CAGR of 8.5%. But that's not the correct number to see because in 2020, specifically in Q2, there was a dengue outbreak in Hyderabad. That particular year, you know, in just Q2 itself, we roughly did about Rs. 90 crore of revenue, which was a high on dengue and you know, malaria testing. That point in time, we roughly got about, say, Rs. 10 crore of revenue from this segment, which is not the case in the current year. So even with that, if you see we've probably grown at 8% to 8.5% CAGR.

Aashita Jain: And since we're already in the month of November, and you've mentioned that we are growing month on month. Just wanted to understand your take on the seasonality of the Q2 and how the volumes picking up in October month?

Suprita Reddy: For this particular geography, Q2 and Q4 are pretty seasonal in nature, Aashita. So typically we do see that Q1 and Q3 are more healthier quarters down her and looking at the, actually, if we do see Q2, we've seen lot of fever packages and a lot of more of basic radiology, wellness business do well. So that's a good sign. But we should always keep in mind that Q3 is going to be seasonally a little probably a lower quarter and Q4 can be a better quarter for us.

- Aashita Jain:** Secondly on the Panjagutta and Rajahmundry, I think it's commenced both the centers now, and I understand your peak revenues will take time say two, three years, but your fixed cost is already hitting the P&L. Is it possible, could you quantify the opex from just these two facilities, which is currently in our P&L this quarter?
- Narasimha Raju:** So Aashita as we mentioned earlier the large format centers, have commissioned now, both the Rajahmundry and Panjagutta like Rajahmundry commissioned in August and then Panjagutta recently. But from last five to six months few of their costs are sitting in the P&L. So if you come to a number roughly like 0.9% to 1% of the EBITDA is impacted because of these cost coming from these two major centers and also couple of smaller format centers also. But these two centers form the major number of the total fixed cost sitting to the P&L.
- Suprita Reddy:** Just to add to that, it's also because of the advanced and very high-end center, we also do that, because we invest in people. You're getting the best in class technology, but you also want to make sure that they're trained and the centers are ready to take on a load. And keeping that point in mind, we still say that normally the breakeven happens as per three quarters is what we say, but we also make sure that we keep in mind that this cost is there for about four, five months, six months in advance because this is what is going to drive the volumes in these centers going forward. And it's just, in fact, today's the exact third month anniversary of Rajahmundry. So one quarter completed there and Panjagutta has just opened very large center with very advanced technology so training is a crucial part there.
- Aashita Jain:** Thank you. And lastly on your app. So any update on your digital app and the digital initiatives?
- Suprita Reddy:** Yes, Aashita like I mentioned in the speech, the lab information software and the ERP have just gone live on 1st of November, so they are in a state of stabilization at the moment. In fact, we did it all together in one go. So probably give it a month's time for the links to settle in and then we release the app. The app is absolutely ready at the backend. And the app and the website will both be in line once we release the app, probably December 2nd week or so.
- Moderator:** Thank you. We have a next question from the line of Prakash Kapadia from Anived Portfolio Managers. Please go ahead.
- Prakash Kapadia:** Yes, thanks for the opportunity. As we are adding 15 locations and you know, we are trying to move beyond greater Hyderabad, could you give us some sense, you know, what could be the pricing difference in these smaller towns versus a local player by us? And down the line, is the strategy to get basic pathology services first in some of these tier two, three towns and then get them to move to radiology and ensure stickiness? Is that the plan in tier two, tier three, or it is just a pathology focus, which is enough for us to grow?
- Suprita Reddy:** So like we've mentioned earlier, we normally go with the concept of going in with a large format hub first. So it's never this pathology, in fact, it's a large size center, about 6,000 to 10,000 square feet with both pathology and radiology. And once that stabilizes, then we start adding this spoke. It's never been a strategy to go with only pathology or a B2B kind of a business model into any geography that we go to. And the second thing is definitely

there is a pricing decrease in these tier two and tier three places. I think it should be about 10 to 15% lower than what would be the charge that we do in the core Hyderabad market.

Prakash Kapadia: And the pricing in these, you know, smaller towns and cities, how would they compare it with, say, a local player?

Suprita Reddy: It would be comparable, and that is why it's about 10 to 15% lower. Because in fact, in Hyderabad itself we are pretty affordable, and we are more or less priced at the unorganized sector level. So that is why you're seeing only a 10 to 15% lower gap there in tier two and tier three.

Prakash Kapadia: Understood. In Hyderabad, what is the sense you are getting from new age players? I was trying to understand about, you know, competitive pricing in Hyderabad. So you know, is pricing pressure increased from new edge players? Is it same? Is it decreased? What is the sense, you know, pricing in the Hyderabad market?

Siva Rama Raju: So Prakash, if you see the average revenue per test in the quarter two also, right, so we are on track. So as of now, we have not reduced the price because we are not seeing the pressure and today in Hyderabad if you see still the revenue that we get from online players is like less than 1% of our revenue. So in fact, in Q2, because like when you have this seasonality effect, so we have seen lot of testing in the basic and in the routine testing also coming back to us. So as of now we are not seeing any pressure on pricing.

Prakash Kapadia: if I look at the first half results, you know, our PAT is down roughly INR 20 crore or around 32%. You did mention, you know, some of the front ending of the expenses. So if I were to just try quantify these, you know, front ending expenses in terms of employees, opex and your incremental depreciation on some of the newer, large centers, so would, would that all amount to INR 10 crore of the INR 20 crore kind of fall? Is that a fair understanding?

Narasimha Raju: Prakash, I'll just explain this. If you look at the numbers, try, you might see that the half-year PAT, there's a dip from around INR 60 crore to INR 40 crore,. Because of the preoperative expenses that I was talking, which is just like a 0.9% to 1% impact on EBITDA. The main reason is, as you know, last year was like a COVID year. In Q1, almost we did INR 30 crore revenue in the last year Q1 and also in the last year Q2, approximately like a INR 10 crore. So there is a reason why your EBITDA margin was sitting at almost close to 45.9% in the last year. As we highlighted in a general Non-COVID scenario, we expect a regular EBITDA margin of 39% to 40%, what we achieved in the current quarter. So if you see that clearly there is 6% to 6.2% margin difference is there from the last year first half to the current year first half, which boiled down to PAT level, apart from the below EBITDA, there is also increase the depreciation, interest because of the new centers that we added. So last year, post September, 2021, we added almost close to 10 new centers. And also in the current six months we added almost close to like 18 centers. So because of that the interest in depreciation because of India's 116 national numbers also have gone, which impacted in the PAT from 26% to almost close to 18% to 19%. But broadly the 6% gap is mainly coming from EBITDA margin level, which was due to the COVID season in the last first half.

Prakash Kapadia: Yes. So if I add all these notional and the depreciation, it should come to INR 8 crore to INR 9 crore roughly, if not INR 10 crore, is what I was trying to understand. And lastly, from my

side, you know, after four quarters we've seen a sequential improvement in Sales and PAT. So you know, going forward for the balance of the year in the coming quarters, what are we doing to ensure this trend continues for us and you know, we continue to grow on a sequential basis.

Siva Rama Raju: So Prakash, our efforts are always there and we are on track on opening our new centers where we are also going to come up with new hubs in the tier two, tier three towns where you'll get the fresh revenue. Apart from that, you know, the focus on the wellness and also with the few digital initiatives, you know, we can increase the efficiencies at our current centers where we are facing the capacity constraints. So I think like for the current year, like as we were indicating earlier also because the transition from COVID to Non- COVID is happening. So we would be in that, 13% to 15% year-on-year growth on Non- COVID for the current year. And going forward, we are sticking to our 15% growth.

Moderator: We have a next question from the line of Aneesh Deora from Nomura Holdings. Please go ahead.

Aneesh Deora: Yes, hi thanks for taking my question. So I have just one question about like six months back one of the organized retail pharmacy chains had announced the opening of a full fledged diagnostic center in Hyderabad, which is one of your core markets, I mean, which is your core market in fact. So just wanted your comments around whether you consider such opening as a potential threat or your views about how the competitive intensity is going to play out going forward?

Siva Rama Raju: So in fact, see Vijaya being a 40 year old player in the market and being the market leader, we are still say we would be like having less than 20% of the market share today because for every price there exists a market and these models are not new. Even previously also like we were having other players offering services at different prices. I think in healthcare it's you know, more than pricing it's about the trust and also the quality of diagnostics, etc. So we have a different kind of clientele and we believe that, we will not neither venture into these models nor these models will affect our business.

Moderator: Thank you. We have a next question from the line of Aditya Khandelwal from Securities Investment Management. Please go ahead.

Aditya Khandelwal: Hi. Thanks for the opportunity. I just wanted to understand do we have a very good doctor connect in Hyderabad who refer the patients to Vijaya? The reason why I'm asking this question is to just understand will it be difficult for the new player to take you know take market share away from us because of the relations we have developed with doctors over the years? Or is there any other reason you think it will be difficult for other players, you know, to take to take the market share away from us in Hyderabad?

Suprita Reddy: So I think it's not about a relation with the doctor. Like we mentioned earlier, see there are two people that we treat as a customers. The first one is the customer's walking into our center, and the second one who's the doctor who's actually referring that patient without certain clinical history and a diagnosis is going to be not complete and holistic in nature. Being in the market for 40 years has created trust is not in the customer, but also in the doctors. And like we mentioned earlier, there's a lot of work that we do that we have made our standards, gold standards, like in Epilepsy's and PET CT and Oncology

imaging, we have more than 120 full-time radiology consultants sitting here and it's like a tertiary care center. So we do make sure that we, like Siva mentioned earlier, it's about quality and we never compromise on that. And if we talk about Panjagutta centre today, a diagnostic center bringing in a walk-in, walk-out dual source CT is the second in India as of today. That's also because of the kind of work we do and the kind of consultants that we have with us. So we do have a relationship both with our doctors and customers. That is only because without a proper history, however, even going to report a case which is probably not possible on an inferior quality of technology or a lesser experienced kind of consultants sitting in one of the more unorganized or cost competitive kind of centre.

Aditya Khandelwal: Right, okay. And are there any plans open more centers in Hyderabad or we have reached the saturation point over there?

Suprita Reddy: I would not say we reached a saturation, but our concentration is to actually move into remote areas into Andhra and Telangana, Tier 3 and adjacent geographies where we do see scope in Hyderabad, we will continue to put up smaller format centers. We are not looking at adding any more large hub centers immediately in the near future until and unless we see a capacity constraint. So whatever new hub, large format centers will come, will be in West Bengal, the adjacent geographies and in rest of Andhra, and rest of Telangana market.

Aditya Khandelwal: Right, we have been seeing and increasing in the share of our wellness testing for, and this trend has been in our peers as well. So just wanted to know from you, what do you think is driving the increase in wellness testing?

Suprita Reddy: So there are two things here. One thing I would definitely say is COVID has brought a lot of change in the mindset of the people itself. That itself is when driving for just not for us, for the entire industry. They've become healthier, they're thinking better. So that's one. And the second thing that we like to see is not just us, if you look at even our peers, you've seen an improvement in this line. Even though we always keep talking about aggregators coming in, you still see that customers prefer to walk into centers where they can put a face, where they can talk to a consultant. And this is actually driving the business. In fact, this was a segment where I think in the Q1 call we had mentioned that we will have to see how this sector will take off. It's actually doing better. We are seeing more walk-ins come in for this wellness. And we are also seeing that we have a larger footfall in this sector because we are integrated, we have both radiology and pathology and that's giving a more holistic and a full checkup. So we in fact see this growing given coming in near future with the app releasing in December. So we'll just have to wait and see. But we're very confident of this sector growing.

Aditya Khandelwal: Right. And ma'am, what are the economics like for this bundle packaging? Does it make Company level margins or lower margins? Because if the share of this increases, how will the margin profile change for the Company?

Suprita Reddy: I would not say that the margins would be same. They'll be slightly lower, but it would not make a large difference in the overall EBITDA going forward. Probably the pricing would be about 10%, 15% lower, not greater than that.

- Moderator:** Thank you. We have a next question from the line of Girish Bakhru from OrbiMed. Please go ahead.
- Girish Bakhru:** Yes, hi actually going back to same question that probably has been asked before in previous calls that with these two centers now firing, and overall momentum in radiology pretty good, what is the mix that we will see, let's say two, three years down the line, pathology versus radiology?
- Siva Rama Raju:** So Girish, at a network level there may not be a big shift, you know, depending on season to season you'll see like 1% to 2%, you know here and there because last quarter you've seen radiology 66 and in the current quality of seen pathology at 66, right. But coming to Panjagutta and Rajahmundry generally hubs are like radiology heavy, and spokes are where, you know, where you get a higher amount from pathology. So definitely in center like Panjagutta, so you'll be seeing about, you know, 50, 55% of revenue coming from radiology. But again, we have to wait and watch. Right. And you know, 40, 45% of revenue coming from pathology because they have all the modalities like PET-CT, gamma camera and the high-end MRI and CT.
- Girish Bakhru:** But realization or general value of radiology is higher. Assuming that, so I mean, what you were saying, if the mix is same, growth in pathology volumes ALSO is very strong, is that the correct way?
- Suprita Reddy:** Growth in pathology is strong, Girish. In fact, even if you look at number of tests going up now in wellness will also be a greater mix of pathology, right. So overall on a Company level with a few more hubs adding also, we would still say that it'd be very good if that ratio gets maintained at that 65-35, two to three years down the lane because you'll still see new hubs coming up in new geographies and they take another one year for spokes to come up and to maintain that ratio of 65-35 is what we try to achieve.
- Girish Bakhru:** Okay. And just on related to this, I mean given that looking at this quarter and good to see that revenue per footfall is largely to those previous levels before COVID, but revenue per tests is still lower. How should one read that then?
- Siva Rama Raju:** No, it's not actually lower. So if you see we were at, Non-COVID revenue per test is about 470. In this last quarter we were at you know, 460. Its because you've seen the pathology revenue growing in that quarter because of the seasonality effect you know, pathology was about 67% of the revenue. That's the reason. And also the other fact is that even in radiology, because we have opened more and more spokes in the last one, one and a half year, you've got lots of contribution from basic radiology where the average revenue per test is low, it's more of a mixed change and where you have seen the 2% change on the average revenue per test.
- Girish Bakhru:** And just lastly, when you said you open more spokes, these are new spokes largely around these two new hubs, right?
- Suprita Reddy:** Not these two, Girish. So they would be around more of the newer hubs that you're seeing, like the Rajahmundry hubs, the ones that are coming up in future, I don't know if you told them already, the edges in geographies, the Gulbarga, those are the areas that you'll be seeing a lot more spokes add up. Like I told you, we see that when there's an expansion of

geography and Hyderabad or there's a capacity constraint, only then do we add the spoke in the existing geography.

Siva Rama Raju: So in the last one and a half years, the spokes were opened, you know, closer to our existing hubs.

Suprita Reddy: Yes. In rest of Telangana.

Moderator: Thank you. We have a next question from the line of Priya Harwani from Perpetuity Venture LLP. Please go ahead.

Priya Harwani: Thanks for the opportunity ma'am. So I have couple of questions firstly on your plan regarding addition of labs for the next two to three years, like you have already mentioned in last two to three quarters that you'll be adding 15 labs per annum. So is this plan like are you targeting the same this time also?

Suprita Reddy: So Priya, 15 centers is combination of three to four hubs versus rest of them being spokes. So the plan is to continue that and the plan is to continue to open these hubs in the rest of Andhra, Telangana and adjacent geographies and West Bengal. And we are I think going as per plan on that.

Priya Harwani: Understood. And what would be the capex for our second half of FY '23?

Narasimha Raju: So Priya, as we indicated this year is a different financial year with large hub like Panjagutta and Rajahmundry. So that is why we estimated, in the previous quarter that this financial year capex will be somewhere around INR 110 crore to INR 115 crore because of Panjagutta and other large hubs. So already for the first half the capex was approximately INR 89 crore to INR 90 crore. So as per the target, we need to open one more hub and three to four more spokes, which will add up to the guidance of INR 110 crore to INR 115 crore for this current financial year. But I will just add one more point. So we are targeting other hubs like as we mentioned, like Kolkata, Gulbarga, Tirupati which are planned for the next financial year. The work is already going on at these centers in case successfully, we complete these two or three hubs in the last quarter of this financial year for accounting purpose that capitalization might come and sit in this financial year. But that will be good to us because the revenue also will start. So otherwise for the current year guidance of 15 centers, including 4 hubs and 11 spokes, the capex for the current financial year will be around like INR 110 crore to INR 115 crore.

Priya Harwani: Understood. Just one clarification on the guidance part, I think you mentioned 13 to 15% growth going forward, is it?

Narasimha Raju: Yes. On the Non-COVID revenue.

Priya Harwani: Understood. Just one last question, like just sort of curiosity on your Panjagutta and Rajahmundry, how you are seeing demand from the last month in these two facilities?

Siva Rama Raju: So Priya, Panjagutta, we just launched about eight days. And then, Rajahmundry we just completed the third month and the numbers are in....

- Suprita Reddy:** Line with what we had projected and in fact there's a lot of demand for high-end testing which we did not expect to see so fast. So I think Rajahmundry is definitely given us good vibes and it's in line with what we've projected and Panjagutta, like we've mentioned, it's just been eight days, probably I'll be able to give you a better picture, but we are very confident about Panjagutta's growth also.
- Moderator:** Thank you. We have a next question from the line of Namit Mehta from KC Capital. Please go ahead.
- Namit Mehta:** Hi. Congratulations on this quarter. Just one question that I had. When you look at opening new hubs how large must the population be of that town or city for it to be viable? Have you done some sort of calculation around that? Just curious to get a rough sense of that?
- Suprita Reddy:** Namit thank you so much. And I would say that probably we don't have a formula or we don't look at going to a market with that kind of strategy. But we do look at towns where we see that they're more like district headquarters or there's a Government medical college where you have about 200, 150 kilometers of population coming into that town or a smaller kind of city. So if you look at Kurnool per se, we did not look at Kurnool population wise, but we looked at Kurnool into how much of feeding comes into Kurnool. So we normally look at those, the dense, probably the housing, the affordability of the population in that area, and availability of say two or three medical Government hospitals and one medical college. This is something that helps us understand the market and decide whether a hub is feasible there.
- Namit Mehta:** Understood. And so just to take Rajahmundry as an example. Can that market take multiple hubs over a period of time? You know, can that scale up to two or three hubs within Rajahmundry or is sort of one hub the max that you can go to in a town?
- Suprita Reddy:** I would not say that it would take up three hubs as of today, but at the pace at which Rajahmundry is growing, probably it will take up two more hubs going forward. But it has capacity to take in a lot of spokes and the affordability is very high in that particular geography. And we don't have a Vijaya center in a vicinity of 200 kilometers. And the technology that is there is something that patients were traveling all the way to a Vijayawada to Hyderabad to get that kind of testing done. And that is why we see that the center is ramping up well already, and then you have in a close proximity of Rajahmundry about five medical colleges. That is the basic out view of Rajahmundry, but if you ask me, ma'am, will you add one more up in the next one year; no, we will give some time for this to actually stabilize and then probably look at adding one more.
- Namit Mehta:** Understood. Thanks. Thanks so much. That's all from my side.
- Moderator:** Thank you. We have a next question from the line of Sudhir an individual investor. Please go ahead.
- Sudhir:** Hi. So my questions are mostly answered, but I have a couple of questions. Say, considering the EBITDA margins moderating now close to the pre COVID levels of around 37% to 40%, can this be considered a sustainable level or do you think this 40% to 44% that we've seen in the last two years is still let's say given on a long term basis? What I'm trying to understand is the cyclicity of the margins. Is this a common phenomenon here?

- Narasimha Raju:** So as we informed in the earlier communications, we are quite confident on 39% to 40% sustainable margins, in the long run on Non-COVID revenues. So that's what we are confident. And if you talk about, in the short term, there might be a few percentage of drag might be there because currently we are expanding with large center formats in and around Hyderabad, like Gulbarga, Tirupati, Kolkata and also the revenue transition is happening from COVID to Non-COVID. So because of these couple of points in the short term quarter on quarter, there might be a drag of few basis points. But what we are confident is this 39% to 40% sustainable margins on Non-COVID revenues going forward.
- Sudhir:** So, another question is on, do we have the franchising model already or we are yet to have that kind of a model? I'm assuming that we have mostly owner operated model at this point.
- Suprita Reddy:** So Sudhir, we've done a lot of brainstorming on the franchisee model, but keeping this integrated kind of model with both radiology and pathology and radiology being a lot in terms of an opinion that we give rather than something that we get like in your lab, we decided to make sure we maintain this quality and have all Company owned centers, but saying that we are not saying we are absolutely averse to that, but immediately in near future, we've not planned anything and all of the centers that you see today are Company owned centers.
- Sudhir:** I'm asking this question because the presentation you said you'll be leveraging the, this owner and franchisee model.
- Suprita Reddy:** Like I told you Sudhir, it is not that we are not planning to do it, but immediately in the near future there's enough and more than growth that we see for the Company to start centers. So, we've not, we don't have anything concrete in plan, but if there's something that comes up, it will surely do it.
- Sudhir:** Yes. So another question pertaining to this, I just wanted to understand how does this auger for the current business in terms of margins, assuming your focus, maybe at a later point regarding franchise model.
- Narasimha Raju:** Currently, what we are expecting, assuming that all the centers are owned by the Company, that on 40% on a sustainable basis. But once we get into a franchisee model, you need to leave something on the table for the other partner. And generally what we have seen is that okay, there will be a revenue share mechanism. Something like 20% to 25% and then 70% to 75. So, if you go with this model, for the centers under franchising model there will be dip in the EDITDA margins to that extent. But the object of doing that is to ramp up the revenue in those new markets quick and also you need not have that management bandwidth in those small format centers. You need not spend a lot of time there, but you can quickly ramp up in those areas if you go with this kind of model.
- Sudhir:** So, one last question. This is regarding the new equipment, the dual source CT and the PET CT, MRI, which you already launched it here in Panjagutta branch. So, I just wanted to understand having this high-end equipment, will it add to the topline considering the pricing should be at a premium?

- Siva Rama Raju:** See we are not going to charge anything premium on the price except for few high end tests which are not available in the current network. So, on the topline, yes, definitely, Panjagutta is going to contribute a good chunk of revenue in the coming years in the span of next three to four years. But on the pricing front only few tests are where we have the, we are going to have a differential pricing, but all other regular tests will be like normal, like any other branch.
- Sudhir:** Okay, so will this new equipment, this high-end equipment will be eventually rolled out into the other reference or hub labs eventually. Is there any exclusivity to Panjagutta branch, since the cost of equipment and probably the rentals should also be on the higher side?
- Siva Rama Raju:** So as now Sudhir it is only for Panjagutta branch. See, because first of all, Hyderabad itself has got that equipment today, right. And the best part of this equipment is the number of scans, the throughput of this machine is high. For example, if you're doing say something like 10, 15, 20 scans on a regular machine, you'll be able to do perform the scans quicker with 35 scans per day where the revenue output for each mission, you know, there's a lot of difference.
- Suprita Reddy:** Also more than that, it's the safety of the patient. This dual source walk-in, walk-out CT basically CT scan is known for little amount of radiation. This is very, very negligible radiation to the patient. So in terms of safety, this is the best equipment that you can have as of today.
- Moderator:** We have a next question from the line of Aneesh Deora from Nomura. Please go ahead.
- Aneesh Deora:** Yes. Thanks for allowing the follow up. So I see the revenue per test is around INR 460. I just wanted a sense about how this varies for the radiology and the pathology segment separately?
- Siva Rama Raju:** So generally, revenue per pathology test would be in the range of say INR 330 to INR 350 and for Radiology it will be something like INR 1,150 to INR 1,200.
- Aneesh Deora:** Understood. Okay. And could you just also give a sense on the, how the EBITDA margins vary between these two segments?
- Suprita Reddy:** Don't look at the center like that Aneesh at all. For us, it is one center, one customer, one prescription. So we've not been able to do a differentiation on EBITDA margins because it's all shared costs. When a customer walks and it's the same biller who will be billing both of pathology, radiology, it'll be the same staff nurse being utilized for both and centre overheads are all shared. So it's difficult to give you on EBITDA margins in that format.
- Moderator:** Thank you. As there are no further questions, I now hand the conference over to management for closing comments.
- Suprita Reddy:** I would like to thank everyone for attending this call and showing interest in Vijaya Diagnostics. I hope we were able to answer all of your questions. Should you need any further clarification or seek to know more about the Company, please feel free to reach out to us or to CDR India. Thank you all once again and I hope to see you next quarter.

Moderator: Thank you. On behalf of Vijaya Diagnostic Center Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.

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