

## Vimta Labs Limited

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



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Date: 02.02.2023

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

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

Dear Sirs,

Ref: Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

Sub: Transcript of the Q3-2023 earnings/investor call held on 30<sup>th</sup> January 2023.

Please find enclosed herewith the transcript of the Q3-2023 earnings/investor call held on Monday, 30<sup>th</sup> January 2023.

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

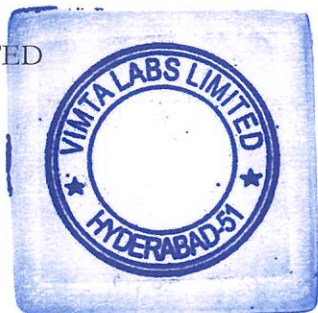
This is for your information and necessary records.

Thanking you,

Yours faithfully,

for VIMTA LABS LIMITED

Sujani Vasireddi  
Company Secretary



Encl: as above.



**“Vimta Labs Limited  
Q3 FY '23 Earnings Conference Call”  
January 30, 2023**



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

**MODERATOR:** **MR. BHAVYA SANGHAVI – NIRMAL BANG EQUITIES  
PRIVATE LIMITED**

**Moderator:** Ladies and gentlemen, good day, and welcome to the Q3 FY '23 Earnings Conference Call for Vimta Labs Limited hosted by Nirmal Bang Institutional Equities Private Limited. There will be an opportunity for you to ask questions after the presentation concludes. As a reminder, all participant lines will be in the listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during this conference, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Bhavya Sanghavi from Nirmal Bang. Thank you, and over to you, sir.

**Bhavya Sanghavi:** I would like to thank the management of Vimta Labs for giving us an opportunity to hold this call. Today, we have with us the senior management of the company to be presented by Ms. Harita Vasireddi, Managing Director; Mr. Satya Sreenivas Neerukonda, Executive Director; Mr. Narahai Naidu, Chief Financial Officer; and Ms. Sujani Vasireddi, Company Secretary. I now hand over the call to the management for opening remarks, post which we can take questions from the participants. Thank you, and over to you, ma'am.

**Harita Vasireddi:** Thank you. Good morning, everyone. Thank you for joining us on our Q3 results conference call. We are pleased to have this opportunity to update you on our business performance and answer any questions that you may have. I will share with you financial and operational highlights and updates for the quarter and also 9 months. And then our CFO, Narahai will get into a little more detail on the numbers side.

Overall, we had growth for the 9 months ended December 2022. We achieved a consolidated total income of INR 2,391.5 million. This is a growth of 16.5%. Q3 revenues are slightly lower when compared to previous quarters. This is mainly because a few projects are slid into the next quarter and hence slight dip in revenue. We think of this as a small aberration. For the quarter ended December 2022, we achieved consolidated total income of INR 785.1 million, which is a growth of 15.4% when compared to Q3 of previous year. The outsourcing market in year 2022 for the industries we serve, remain very strong and particularly good growth momentum led by the pharma and food industry. Future outlook of these markets is also very positive. Our reach into overseas market is also progressing, and we continue to have a strong order book and pipeline. On the operations side, we have successfully completed a US FDA inspection of our clinical research operations. We also went through WHO inspection of our pharma analytical operations.

In Q3, we continue to invest in newer analytical technologies and also capacity. The facility expansion project that we have undertaken at our Life Sciences facility to augment the future growth is progressing as per schedule. We continue to channelize our efforts and to achieve both short-term and long-term growth goals and remain confident on the results.

Normally, we said we told our investors that we would connect with you once in 6 months, and we will make that a quarterly connect in case there is a need for us to clarify a few things for you. So that's the reason we have taken up this. Q3 results are slightly lower, but we are happy to address any questions and concerns that you have. With these opening remarks, I will now conclude and request Narahai to please take over.

**Narahai Naidu:**

Very good morning, everyone. Thank you, Bhavya, for organizing the call. Thank you all for joining us for our Q3 conference call. We are pleased to take you through the consolidated financial performance of the company Q3, followed by the 9 months year ended December 2022. Our consolidated revenue from operations from quarter 3 of FY '23 stands at INR 773.8 million as compared to INR 673.4 million compared to the same quarter last year.

We get the growth of 15.2%. This is excluding the revenue from service concessional element. Profit before tax for the quarter stands at INR 140.8 million, which is a slight decline of 9% compared to same quarter last year, majorly due to increase in G&A expenses. Overall, our end towards travel business promotion has increased during the quarter. Increase in employee benefit expense commensurate with the increase in revenue from operations and also includes the amortization of ESOP expense of INR 9.4 million during the quarter.

Moving on to 9 months ended December '22 performance. Revenue from operations for the 9 months ended December 2022 stands at INR 2,363.7 million as compared to INR 2,041.9 million in the corresponding 9 months ended FY '22. This translates growth of 21.9%, of course, excluding the revenue from service concessional element. EBITDA for the 9 months stands at INR 735.1 million, recording a healthy growth of 26% on a Y-o-Y basis.

The depreciation and finance cost for the 9 months ended December '22 has increased, majorly due to the capitalization of our electrical and electronic testing operations during quarter 4 of the previous financial year and addition of lab equipment's during the current year. The company is having a positive cash balance of about INR 256 million at the end of December 2022. The profit before tax for the 9 months ended December '23 stands at INR 484.4 million, a growth of 22.8% compared to the corresponding 9 months ended December 2022. Which is a brief summary. I will hand it over back to the operator and we'll be happy to take any questions. Thank you.

**Moderator:**

The first question is from the line of Viraj Mehta from Equirus PMS.

**Viraj Mehta:**

Can you discuss segment-wise how is the traction that you are seeing? Also, if you can talk about the government projects, the scale of have we seen 50,000 samples, where are we in that journey? If you can talk a little bit about both of these things?

**Harita Vasireddi:**

Sure. Coming to segment-wise traction. The food and pharma segments are doing very well, especially food, I think, is progressing very well for us. Electronics testing, we have had very good response from the industry on the variety of industries that we have reached out has been very encouraging for us, and we are quite optimistic on growing the electronics testing division as per our plans. Coming to Diagnostics, we lost a little bit of ground last few quarters. We have

now begun to gain back a little bit of that ground, but it still remains to be a tough market. Our environment division is doing well.

Year-on-year, their growth is quite satisfactory. And yes, that covers all our business verticals. Coming to the National Food Laboratory the revenues remain constant. We were expecting the inflow of samples to grow, but the government is taking a lit bit of time to correct that for us. So we still await their action on that.

**Viraj Mehta:** What will be our rough daily samples that we are doing at this point in JNPT?

**Harita Vasireddi:** That is a privileged number. We are not authorized to share it by our government partners.

**Moderator:** We have the next question from Dixit Doshi from Whitestone Financial Advisors Private Limited

**Dixit Doshi:** My first question is regarding the growth. So you did mentioned that Q3 there was slightly dip over Q2 in terms of revenue also because of some slip over of some contract into Q4. So considering the current order book and everything, how do you see growth going forward? And also you earlier our guidance was around INR 500 crores top line by FY25. This year we may end up at around INR 300 crores to INR 320 crores. So how do you see, do you want to revise that target or you still feel optimistic about reaching that target?

**Harita Vasireddi:** On financials growth by 2025, we have not specifically said by FY 2025. So we want to take the spectrum between 2025 to 2026. So we won't be revising that as such, and we are confident that we will reach that target. The projections, our estimates for next year is that we will be able to continue a good growth rate that we have experienced in the last couple of years. So that will continue into FY 2024. If you have been following the earnings call, you may recall that I've talked about some capacity constraints.

So ideally, the new capacities that we are adding now should have been added by now, but for the COVID situation that we experienced a few years ago. So but for that, there is actually no change. we will be adding those extra spaces and capacities by end of 2023, and so that will further help us stay on the target. Order books are strong.

**Dixit Doshi:** Okay. And so not holding for you any number. But considering, let's say, whatever order book or like you mentioned that we are also expanding into the export market and the new capacity is coming. So is it fair to assume that on a medium-term basis, 15% to 18% kind of growth is still possible?

**Harita Vasireddi:** That's the number we have been having, and we are very optimistic that we'll be able to maintain those numbers.

**Dixit Doshi:** Okay. Now in terms of diagnostic business. So obviously, the competition is high and we are not performing as per our own expectation. So how do you see it going forward? And you were

earlier mentioning that we are talking with some players for outsourcing their lab setup business, lab setup also. So anything on that?

**Harita Vasireddi:** Diagnostic, we have made progress. We have been pursuing hospital laboratory management and also independent laboratory operations management, We've had a good success there, and we continue to pursue the strategic line to grow that business.

**Moderator:** The next question is from the line of Aman Vij from Astute Investment Management.

**Aman Vij:** My first question is on these few projects which have slid in the next quarter. Could you quantify the amount?

**Harita Vasireddi:** It would be about INR 2 crores to INR 3 crores.

**Aman Vij:** Okay. So then that is not substantial, right? And still, we were expecting Q3 to be much better compared to Q2. So any other segments which grew less than from what you were expecting?

**Harita Vasireddi:** No particular segment as such, we have had a slow movement wherever we have projects, we've had slow movements like in pharma, there was a little bit of flatness. Now we are shifting more towards large projects. So little shift towards the end of the quarter, can really change the numbers there. Similarly, in environment, usually, Q3 is very strong. But there, again, we have had a few projects shift. The impact was only to that extent. And yes, we were expecting a better Q3.

But again, like I said, it is a little slow because of shift of projects and also capacities. We have been continuing to add capacities for the analytical technologies, the installation qualifications, got slightly delayed. and then we had the upcoming regulatory inspections couple of them that also slightly lowered the operations speed during those few days. So all that cumulatively had a slight impact on Q3. Nothing concerning in my opinion.

**Aman Vij:** And ma'am, we have done quite well with the inspections. We have successfully done that. So going forward in Q4, do you expect the run rate to continue? Or do we think we can scale on that? Actually on the margin side, ma'am. Because margins we were expecting that 30% kind of thing will be new this quarter. But it was lower after many quarters. So if you can talk about the same.

**Harita Vasireddi:** Sorry, but the voice was very blurred. I couldn't really understand the last few sentences. Can you repeat?

**Aman Vij:** Yes. I was saying that Q3, we understand there was delay there was infections because of that, maybe a business we couldn't fully utilize our capacity. But before things are they normalizing? Are we seeing the good growth that we have continued for the last couple quarter than on margin side, we were expecting that 30% kind of margin will sustain, which has sustained for the last couple of quarters. But this time, we saw that. So if you can talk about Q4 when things normalize or we will still for 1, 2 quarters, we might face some pressure on margin also?

- Harita Vasireddi:** Q4, we expect to see a step up, both on the top line. and also we expect that will give us some bottom line step, we are quite positive about Q4.
- Aman Vij:** Sure. Now coming to the segment, right? So on electronic testing segment. If you can talk about what is the number of customers today and how many of these are MNC clients. And also what is the employees working in the division as of today.
- Harita Vasireddi:** The number of customers, we are slowly attaining about 100 some small, some big. We work with large organizations, MNCs, I won't be able to take any names, but at least 10% to 15% of our clients are very large companies, both MNCs and also large organizations within India.
- Aman Vij:** And what is the number of employees who are working in this division as of now?
- Harita Vasireddi:** Just for electronics?
- Aman Vij:** Yes, just testing electronics and electrical testing.
- Harita Vasireddi:** The team is very small as of now. It's just 8 people.
- Aman Vij:** And we are expecting it to scale this quarter or maybe next year?
- Harita Vasireddi:** Can you repeat, please?
- Aman Vij:** We are expecting the same size to scale this quarter or next year? As well as if you can talk about the utilization level because we were expecting to start the second shift.
- Harita Vasireddi:** We are already utilizing a part of the second shift. The numbers we will add as we need more reports.
- Aman Vij:** Sure. Coming to the food side, the accreditation was done last quarter. And I think we were expecting, we were supposed to have this joint committee for allotment of higher samples. So has that meeting happened? And if that meeting has happened, the delays for 1 quarter or there can be further delays for the ramping up because now we have all the accreditation acquired.
- Harita Vasireddi:** Yes, the meeting has happened. Unfortunately, for us, as soon as the meeting happened, the CEO has also changed at FSSAI. So we are facing those issues there. Hopefully, there'll be a review again after another quarter, and then we keep pushing from our side and government takes time.
- Aman Vij:** Sure, maam. On the pharma side, so we did a very successful US FDA approval. So if you can talk about has the order book has been going at 20% plus? So is it still growing that fast? And also what we understand in the next 1, 2 years, a lot of drugs are getting off patent. So will this lead to a strong tailwind for all the studies, if you can talk about the same.
- Harita Vasireddi:** Coming to drugs, coming off patent. There is going to be a patent cliff around 2024 to 2025, and this is largely related to large molecules. And we see that in the way our order books are also slowly now changing. Primarily, our business has been focused on small molecules, but we also

do have large molecules. and we see the demand for large molecule capability increasing on both the preclinical end and analytical end, and also impacting actually the clinical research.

**Aman Vij:** And then the order book growth, is it still that strong of 20% plus like you have highlighted in this division? Or have they slowed down a little bit because of some recession and global slowdown?

**Harita Vasireddi:** Which division, sorry, your voice is not at all clear. I'm struggling to understand.

**Aman Vij:** And this will be better. So on the Pharma division, I'm talking about the order book historically last couple of quarters has grown at 20% plus kind of number the order book, not the actual amount. So is the growth still that strong or the recession is impacting the pharma industry anyway?

**Harita Vasireddi:** We don't see any negative impact on our order book they remain strong.

**Aman Vij:** Sure. Final question from my side. On this electronics and electrical testing side. When we have recent we have got the CAB status under the telecommunication engineering center, so will this help the telecom sub segment, the testing segment grew significantly in the next couple of quarters? And what is the current breakup? Is it mostly telecom as of now? Is it non-telecom? If you can talk about the same?

**Harita Vasireddi:** The division is still in infancy stage. Too early to break it up. Basically, our EMI EMC capabilities span a wide range of products. Telecom is just one of them.

**Aman Vij:** Okay. So but we were expecting to do the second level of capex. So will that happen in FY '24? Or do you think it will happen in FY '25? The first capex, we have done INR 25 crores in this division.

**Harita Vasireddi:** There will be a minor amount of capex that will go into it because now we have been in our learning phase here. The small tweaking of our capabilities will need a certain investment year after year. It depends on what are the customer requirements, what are the products that are coming up in the R&D pipeline across various industries. So that's making that capex investment continuous for us.

**Moderator:** The next question is from the line of Ankit Gupta from Bamboo Capital.

**Ankit Gupta:** And I just wanted to have more clarification on the guidance of reaching INR 500 crores. So what we are now seeing is an we are passing to reach that kind of number by FY '26 in some time?

**Harita Vasireddi:** Sorry, can you repeat your last sentence?

**Ankit Gupta:** So what I'm asking is the INR 500 crores revenue that we were aspiring to reach. Are we now targeting to reach that number by FY '26?



- Harita Vasireddi:** I wanted to clarify that our goal 2025, when I made that announcement, I didn't specify a financial year because we wanted the flexibility to achieve it within 2025 or take the 2026 up to March. So I want to retain that flexibility. Please don't be rigid over there. It's just a few quarters here and there. But we are very strong on targeting that number. Our confidence is very good on that number.
- Ankit Gupta:** Sure. And anything on update on the capex when the new facility is expected to come on stream for us?
- Harita Vasireddi:** The new facility, we hope to finish all the infra work by sometime between October to December. As soon as that is done, we'll be moving in our equipment at their qualifications, all that will take about another 3 months' time. So by end of year, we'll certainly be ready to start operations there any time between January to March of the next year.
- Ankit Gupta:** Sure. And will we also require some of the regulatory approvals that US FDA and other regulatory authorities approval or would you be part of the regulatory process?
- Harita Vasireddi:** Yes, we won't need any other approvals. It's all in the same facility. So not needed.
- Ankit Gupta:** Sure. Okay. And then on the JNPT food lab that we have, have we reached the achievement day or we are hardly reaching any target or?
- Moderator:** Mr. Gupta, the line has a disturbance. You're not very audible or clear, if you could...
- Ankit Gupta:** Is it better?
- Moderator:** Much better, sir. Please go ahead.
- Ankit Gupta:** Sure. So I was asking about the JNPT food lab maam. Have we reached breakeven there? Or now we are entering some minor losses because the scale-up has not happened as per our expectations. .
- Harita Vasireddi:** Vimta P&L we look as one. So we don't break it up and look at each one separately.
- Ankit Gupta:** Sure, sure. But do we expect that given the kind of some teething issues mostly from the government side that you have faced in the current year, at least in FY '25, maybe by Q2 of FY '24, sorry. Q2 FY '24 will be hopefully, all this government issue has been get resolved, and we should see a ramp-up in the lab. What is our expectations from this lab in terms of growth for next year?
- Harita Vasireddi:** I'm really hoping that we will have improvement in the number of sample volumes being allotted to NFL. and we are working on pursuing the government quite intensely on this. and I hope some change happens.

- Ankit Gupta:** Fair enough. And you have highlighted that FY '24, you highlighted that food, except for JNPT, is doing pretty well for us. So if you can highlight what is happening on that side? And what is fueling our growth on the food excluding JNPT lab?
- Narahai Naidu:** Can you come again?
- Ankit Gupta:** Yes, I was asking about food division doing well for us. Ma'am highlighted that was doing for us. If you can talk about what is fueling this growth? And how do you see growth in the segment for us over the next few years?
- Harita Vasireddi:** Food is doing very well. And in fact, the last 5, 6 years' food has seen a steady growth. Year-on-year, the growth has been good the number of clientele that we are working and number of projects that we have has been quite satisfying for us. And we think that food will continue this growth even into the next 4, 5 years, comfortably.
- Ankit Gupta:** So we were expecting apart from pharma to other segments, which will drive our growth will be food and diagnostic. Diagnostic we do understand the kind of challenges we are facing. But are we still hopeful of food touching this crossing INR 100 crores kind of revenue in FY '24 or '25?
- Harita Vasireddi:** That's definitely our goal. INR 100 crores number is definitely our goal, and I think we are progressing very well towards that goal.
- Ankit Gupta:** Sure, sure, sure. And then just last question on the margin side. You highlighted that this quarter had some one-off costs and the revenue also a small portion of revenue also got shifted to FY '24. So do you expect from at least in FY '25, '24, we'll be back to 29%, 30% kind of EBITDA levels?
- Narahai Naidu:** Okay. So yes, as you rightly said the quarter 3 has been an aberration, but we expect our EBITDA margins to come back in line with quarter 1 and quarter 2 of our current financial year.
- Ankit Gupta:** Okay. So quarter 4 also, we'll see some pressure on margins? Or will you see improvement?
- Narahai Naidu:** No, we are not forcing any pressure on margins. We are hoping a step-up from quarter 3.
- Moderator:** The next question is from the line of Aman from Aman Investments.
- Aman:** Yes. So first all, congratulations and sustainable results. I had a couple of questions. First, with respect to Crop Care in our Agriculture division. As we do various markets in search and scalability, do you believe the newly going on with nano urea will it be more efficient than the traditional fertilizer bag with the government is providing subsidies for and will it also reduce the subsidy? And also, are we seeing samples and testing coming from nano urea as well and also can it be made commercially viable?
- Harita Vasireddi:** Our Crop Care business mostly is from overseas and honestly, we have not felt any impact of the local regulations on our business from these companies.

- Aman:** Okay. And also our newly added divisions of electronics and electronics toys. So recently, India has started to be the next exporter of traditional toys industries and companies such as Hasbro Hamley's also has come into picture because of the rising raw material private. Do you believe that the toy industry is also coming into play like electronic price and other things? Are they coming for samples? And also do -- and if we are coming -- are they coming from small players like SMEs and MSMEs or to large players towards providing these gadgets their machinery technology and other testing devices to be tested in our lab?
- Harita Vasireddi:** We see the R&D now flourishing in the electronics industry. It's- there's a lot of hype around it, and we do sense that energy in the industry. There's a lot of start-up ecosystem also. So our samples and our customers are both from the small companies and also large companies.
- Aman:** Okay. And so if you can just as in deal with number specific, how do you see it? Are the numbers are increasing or they are sustained like previous quarters?
- Harita Vasireddi:** This is a very new business for us. The numbers are very small. So too soon to comment on growth, I think we should wait to see how this pans out for us the first few years and then get into this conversation.
- Aman:** Okay. And also, are we looking into revaluing our fixed assets because most of our fixed assets have been a historical cost in more than 10 years. Are we looking to reevaluate whether it be land or plant and property to just centre our financial position in the coming quarters?
- Narahai Naidu:** So the replacement is an ongoing activity. So whenever we feel that there is a specific asset, which is obsolete, we generally replace. So considering the historic trend of replacing fixed assets with the amount of depreciation that we expect to continue. This is excluding our basic project capex plans.
- Aman:** Okay. So as in near term, we are just looking to maintain it at the historical cost, if I'm not wrong.
- Narahai Naidu:** Yes.
- Aman:** Okay. Sir. And also, are we as mentioned by ma'am, in last investor call and also thank you for organizing this because usually Vimta have conducted to the quarterly as well. I hope this continues in the quarterly calls as well. So ma'am I mentioned that we have new collaborations in diagnostic sector are we seeing in terms of to be translated in terms of revenue and profitability to be coming in the coming quarters.
- Harita Vasireddi:** First, coming to the first 1 around calls. Our intent is to connect e once in 6 months. If there is a need with respect to the results or anything with respect to our operations or business, then we will come for a quarterly call as well. Coming to diagnostics. We have been able to establish a few good partnerships. We have some HLM/LOM currently being operational. Now these are new cities for us. So we are in the process of setting up our business development and sales activity there. So it will take a little time for us to mature or actually make good progress in these markets. So we hope that will happen in the coming quarters.

- Aman:** Okay. And going forward, are we looking to raise equity in terms in the markets, whether it be rights issue or potential to just finance our capex in terms of electronics because those sectors we, as an investor, or rather as an analyst, we feel that company can do even well because PV is coming also in a big picture, electric vehicle. So their components also have to be tested and we are a little bit export-wise, we are equipped. But with technology and capex where we are not still now. So do we look forward to just raise enough sufficient fund to just match up with the demand with other in testing business? And specific to automobile sector?
- Harita Vasireddi:** Okay. So we do have current capabilities to test electrical vehicle components. We are actually doing a few components testing already. And right now, we have one chamber to do these testing. And in the next year, as depending on the demand, we could even add another chamber.
- Aman:** If you can give specific which component? Is it battery or is it the resistors? Which particular component or are we doing the whole EV vehicle as a whole? And whether it's a car or a scooter or a motor vehicle?
- Harita Vasireddi:** I wouldn't know what components they are. They are technical. But we are getting components from 2-wheelers. .
- Aman:** 2-wheelers, okay. Okay. Ma'am, as mentioned by you, this quarter we have seen a little bit of degrowth, reason mentioned was the delayed billing and others. It has been shifted to either quarter 4 or the coming financial year. So do you estimate that the revenue for the fourth quarter will be in the range of INR 90 crores to INR 120 crores. Just not to be related specifically when you are assured that number?
- Harita Vasireddi:** No, I have never made those projections.
- Aman:** No, you have not made. I'm just giving you a number which you can -- which you feel like the company will be able to achieve provided H2 is always better than H1.
- Harita Vasireddi:** Yes. But I won't be able to give a specific number.
- Aman:** Okay. Now because H1 -- in each quarter, we have done roughly about INR 70 to INR 78 crores of turnover. So as H2 will always be better. So we are expecting in the line of INR 90 crores to INR 100 crores of quarterly turnover. So okay then. So that's one. And the last question, and I'll come again later. Do we feel that as we are in the part of the market research and scalability also - have you seen - do you see that financially viable also new plans are coming? Like have you seen any testing samples which have come - which are totally different in the industry which we are in, but they have potential and we are planning to venture it into. Do you feel that these type of products are coming on?
- Harita Vasireddi:** Can you be a little more specific, please? Your question was not clear
- Aman:** Yes. Okay, one -- so we are into Crop Care and agriculture division to be specific. So do you feel that any product which is coming, which can be more in the terms of cost in manufacturing

mix? And also it's more sustainable, efficient in terms of the current what we are getting supplied in the market -- do you feel any substitutes or alternatives are coming to the products for testing and they are commercially viable in our plant as well.

**Harita Vasireddi:** We get hundreds of products. I don't think I'll be able to comment on that question at all.

**Aman:** Okay. And I just wanted to get your opinion. What do you feel as we are into contract research and manufacturing Company, what do you feel about packaging sector maam? Do you feel any alternative materials to like sustain more sustainable packaging apart from paper and cardboard, which you already have a plastic, which is more degradable in nature is coming up or what do you feel about the packaging sector as a whole? Whether we are seeing a transition from totally single use plastic to renewable plastic, what is your opinion? on plastic packaging.

**Harita Vasireddi:** We don't do a lot of plastic testing. We do a little bit of testing with respect to pharmaceutical product packaging and food product packaging. That's a very small component of our testing activity. So I won't be able to comment or answer your question.

**Aman:** Okay. Mam, just on the financial side. If you can just give me what is the total loan book standing as on date of 31 December.

**Narahai Naidu:** So can you come again? So you want to understand the outstanding loan?

**Aman:** Yes, outstanding loan book, totally noncurrent asset, noncurrent loans to be specific.

**Narahai Naidu:** So we are close to INR 25 crores of outstanding in our books as on December 31, 2022.

**Aman:** Okay. And also can you give the split of unsecured and secured loans?

**Narahai Naidu:** Yes. So everything is secured for us. So there is no unsecured loan within the INR 25 crores. INR 5 million, which is unsecured is outstanding.

**Aman:** Okay. And those are from the promoter side, if I'm not wrong

**Narahai Naidu:** These are from the bankers.

**Aman:** Okay. From the directors. Okay. I'll just come back again for the questions.

**Moderator:** The next question is from the line of Sunil Kothari from Unique PMS.

**Sunil Kothari:** And really it's a real good gesture for having a call on a little say, a little bit lower quarterly and you wanted to clarify. Is that really great job you are doing. And my larger question is I'm an investor since last three, four years following you and I heard your calls and we are very comfortable with your guidance and your business appraisal and all these things. I wanted to understand, during last say two, three years, you must have expected some segment to do maybe some number, some better performance, some must have done better or some below your expectations. Would you like to comment on the segmental larger picture, how you see

opportunity, where you feel you have challenges, where you're required to overcome those challenges? That would be really great help.

**Harita Vasireddi:** And thank you for that question. Other than diagnostics, we are into food and pharma in clinical research, preclinical, electronics environment. So other than diagnostics, we are optimistic about all other services. Only diagnostics has been two feet forward and two feet backward. So retaining our current position is itself is a huge challenge, and we are staying there were strong. I believe we should have made some progress there. But we continue to push. We are not giving up our efforts in any of our service areas. So this also we will keep on fine-tuning our strategies as per the competition that we see around us.

**Sunil Kothari:** So overall, you feel that whatever expectation you build and your capability build, more or less, other than diagnostics, things are coming as per plan.

**Harita Vasireddi:** Yes. Diagnostics, we were hoping will take us a little bit faster towards INR 500 crores. But now that is not growing at the speed that we are expecting it to grow. But then we are able to leverage our other very mature services. So we are able to push them more.

**Sunil Kothari:** Very logical. And then you mentioned that there is some capacity concern. And I think that was the is on that 1 even if last almost 5, 6 quarters, we are in the range of plus, minus INR 75 crores -- INR 2 or INR 3 crores, whether it's a 72 or 78 something. So capacity, I think you must be overcoming now by when you feel that capacity will not be challenge, but you have to capture more business from the customer.

**Harita Vasireddi:** Yes. We -- in spite of having capacity constraints, we continue to remodel our existing facilities to squeeze more in the same space, and that effort has been going on for us in the last almost for 1 year. So that will continue for another 9 to 10 months because we will have our new facilities soon with us by early 2024. So capacity-wise, coming to preclinical, there's a huge need that we see, and we will be addressing that need with the new facility.

And also for analytical services, pharma analytical and even for food actually, we see a need to expand our capacity, and that also will be fulfilled with the expansion that we have taken up. Now this expansion has been taken up with the long-term vision. So it's at least we think the new capacities and space will be good for us at least for the next 5 years. So the growth will also happen commensurately.

**Sunil Kothari:** And regarding capex, if you can disclose the first 9 months capital expenditure for maintenance and capacity? And if you can share numbers for the next year.

**Harita Vasireddi:** Next year plans, we have not yet finalized. We are in the process actually right now. So I'll have that information during the May conversation that we will have. This year, the number here I'll ask the CFO to share those numbers.

**Narahai Naidu:** So for the 9 months ended December '22, we have incurred close to INR 27 crores of capex. Out of this, about INR 22.5 crores we invested in lab equipment.

- Sunil Kothari:** Okay. That is called maintenance capex?
- Narahai Naidu:** Please come again?
- Sunil Kothari:** Does INR 22.5 crores related to maintenance capex? Or is the capacity addition capex?
- Narahai Naidu:** So it's a combination of replacement and capacity additions.
- Sunil Kothari:** Great, great. And then just last question. Recently, Eurofins has announced some big labs at Genome Valley only. Do you see this is a competitive expanding scenario? Or is it because opportunity is increasing size is increasing of opportunity. That is the reason how you analyse Eurofins this new announcement?
- Harita Vasireddi:** Hyderabad has become a very hot hub for pharma industry and also the related supporting industries. I think the attractiveness of Hyderabad especially is very strong. So that's why we see players like Eurofins coming here. That will definitely bring the competition closer to home, but then their services are not an exact map to ours. So there are some overlaps. And wherever there is an overlap, yes, then we are seeing a little bit, especially on the human resource capital.
- Moderator:** We have the next question from the line of Ranvir Singh from Novama Wealth. Sorry to interrupt. The line is not very clear. You are not audible. If you could please use...
- Ranvir Singh:** Is okay now? I think most of questions have been answered. A little bit on you mentioned the INR 2 crores, INR 3 crores kind of revenue has been deferred to fourth quarter. Assuming that even INR 2 crores, INR 3 crores would have fallen in this quarter and then also on Q-on-Q, would have been very flattish. So I think the similar question has already been asked. But specifically, I wanted to understand which segment has actually has this shortfall and which we are expecting to coming back in subsequent quarter?
- Harita Vasireddi:** The major projects have been in the field of pharma and environment that have moved slightly.
- Ranvir Singh:** Okay. and as far as -- in previous question, you mentioned the competitive scenario is now getting stiffer after coming up bigger player here. So overlap start certainly will happen. So how do you see that further our growth would be affected? Or do you see that there will be -- still we will grow that we have been guiding?
- Harita Vasireddi:** We don't think our growth will be impacted.
- Ranvir Singh:** Okay. Fine. And just coming back to there. That on revenue, between INR 75 crores to INR 76 crores or INR 78 crores has been for the past few quarters. Going forward, we see that now we'll come back in terms of EBITDA margin also. So whether product mix is going to change or it is just operating leverage will have a better operating leverage in the fourth quarter?
- Harita Vasireddi:** Product mix could change. Like food business is a seasonal business. So there, there could be little change. Environmental business is also seasonal business that also puts impact. Diagnostics

to certain extent, it has an off season and then it has a non-off season there are seasonal impact across our service basket. So that impact will be there for us quarter-on-quarter.

**Ranvir Singh:** Okay. And for FY '24 also, we are likely to retain this kind of EBITDA margin?

**Harita Vasireddi:** Yes, we will be retaining those and hopefully even better them with the growth in top line.

**Moderator:** Ladies and gentlemen, that was our last question for today. I would now like to hand the conference over to the management for closing comments. Over to you, ma'am.

**Harita Vasireddi:** I wish to thank all the participants for questions that were asked. We look forward to connecting with you again after our last quarter results. Thank you, and good day. Bye-bye.

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

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