

Date: August 24, 2023

To, BSE Limited Corporate Relationship Department 25th Floor, Phiroze Jeejeebhoy Towers Dalal Street, Mumbai- 400001 Scrip Code: 543328	To, National Stock Exchange of India Limited Exchange Plaza, Plot No. C-1, Block G, Sandra Kurla Complex, Bandra (East) Mumbai – 400051 NSE Symbol: KRSNAA
--	--

Dear Sir/Madam,

Sub: Intimation under Regulation 30 of the SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015 for Transcript of Earnings Call for quarter ended June 30, 2023.

Pursuant to the Regulation 30 and 46 read with clause 15 of Para A of Part A of Schedule III of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed the transcript of the earnings conference call held with the analyst and investors on August 17, 2023 at 17:30 Hrs. (I.S.T) to discuss the unaudited Financial Results of the Company for the quarter ended June 30, 2023.

Request you to take the same on your records.

Thanking you,
Yours sincerely,

For Krsnaa Diagnostics Limited



Sujoy Sudipta Bose
Company Secretary & Compliance Officer

Encl: as above



“Krsnaa Diagnostics Limited
Q1 FY 24 Earnings Conference Call”
August 17, 2023



MANAGEMENT: MR. RAJENDRA MUTHA – CHAIRMAN, WHOLE TIME DIRECTOR – KRSNAA DIAGNOSTICS LIMITED
MS. PALLAVI BHATEVARA – MANAGING DIRECTOR - KRSNAA DIAGNOSTICS LIMITED
MR. YASH MUTHA – WHOLE-TIME DIRECTOR - KRSNAA DIAGNOSTICS LIMITED
MR. PAWAN DAGA – CHIEF FINANCIAL OFFICER KRSNAA DIAGNOSTICS LIMITED

2023

Moderator: Ladies and gentlemen, good day and welcome to Krsnaa Diagnostics Limited Q1 FY24 earnings conference call hosted by Equirus Securities Pvt. Ltd. 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 call, 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. Bharat Celly from Equirus Securities. Thank you and over to you, sir.

Bharat Celly: Thanks, Neerav. Hello, good evening, everyone. Pleasure to have you all on the call. We have with us today, Krsnaa Diagnostics Management representing Mr. Rajendra Mutha, Chairman and Full Time Director. Ms. Pallavi Bhatevara, Managing Director. Mr. Yash Mutha, Full Time Director. Mr. Pawan Daga, CFO.

Disclaimer:

Some of the statements on call could be forward-looking in nature, and the actual results could vary from these forward-looking statements. A detailed statement in this regard is available in the results presentation, which has been circulated to you and is also available on the stock exchange website.

We will start this call with opening remarks from the management side, followed by a Q&A session. Thanks, and over to the management.

Pallavi Bhatevara: Thank you, Bharat. Good evening, everyone and welcome to Krsnaa Diagnostics Q1 FY24 earnings call. I thank each one of you for joining us today. We have already circulated our investor presentation which is available on our website as well as on all the stock exchanges websites. I hope you all have had an opportunity to go through the presentation.

I would like to address the current landscape of the diagnostic service industry and shed light on our company's position within this dynamic environment. As we all acknowledge, the provision of high quality and affordable diagnostic services stand as a fundamental pillar within the healthcare industry. It also plays a pivotal role in disease diagnosis, management and prevention. In the Indian context, the diagnostic market is projected to reach approximately Rs.1,360 billion by FY26 with a compelling compound growth of 14% anticipated in the years ahead.

The diagnostic industry in India is being driven by various interesting factors including a large population of around 1.4 billion, a growing elderly population, increased prevalence of chronic illnesses, higher individual income, improved insurance coverage, government initiatives, greater health awareness and a focus on preventive care. The demand for accurate clinical solutions and better healthcare services is driving the adoption of point-of-care testing and home collection. India's demographic profile presents an untapped market for diagnostic services, offering opportunities for both organized and unorganized players.

Governments at the central and state levels are exploring public-private partnerships to enhance healthcare and diagnostic services. Krsnaa Diagnostics, as a fore frontier in PPP diagnostics, has established a strong presence across India and our efforts ensure access to advanced and highly feasible diagnostic services even in the remotest regions of our country.

2023

Turning to recent developments, I am pleased to report a positive shift after encountering initial challenges in the new fiscal year. The esteemed High Court of Rajasthan has ruled in favor of Krsnaa Diagnostics and TCIL mandating compliance with stipulated conditions related to additional performance security. Aligned with this judgment and as per the rulings, we have submitted an additional performance guarantee required for the project and we are hopeful to execute the agreement by the end of this month.

In the past three months, we have secured a significant tender in the state of Assam. This project encompasses a network of 10 laboratories and an impressive 1,256 collection centres, significantly blustering our growth prospects in the northern-eastern region of our country, where government healthcare holds an 80% share. Presently, Krsnaa takes pride in its leadership role as a PPP diagnostic entity, boasting 134 radiology centres, 1,370 teleporting centres, 105 pathology processing labs, and an extensive network of 1,336 pathology collection centres.

Our unwavering commitment to serving the B2C segment remains at the heart of our efforts. We have thoughtfully introduced affordable wellness packages tailored to meet the diverse needs of our esteemed customers.

I am honoured to share with you a momentous occasion marked by progress and commitment to accessible healthcare. Krsnaa Diagnostics, renowned for its innovative healthcare solution, proudly introduces its home sample collection services, inaugurated by Punjab's Health Minister, Dr. Balbir Singh. This forward-looking initiative enhances diagnostic service accessibility and promotes community health. The event, which was held on August 14, 2023, at Patiala, Punjab, marks a pivotal advancement in improving healthcare access across the region. This inauguration symbolizes not only convenience but also unwavering dedication to quality, precision, and affordability.

We have not only launched this service but also established an efficient call centre to streamline logistical, operational, and extending support to patients in six locations at Punjab, wherein Amritsar, Bhatinda, Patiala, Mohali, Jalandhar, and Ludhiana. As a respected partner of the Punjab Health Systems Corporation, our commitment of providing state-of-the-art diagnostics and comprehensive healthcare solutions at discounted rates has significantly benefited Punjab's healthcare ecosystem. Furthermore, our dedication to embracing technology within our operations knows no bounds. In the first phase, we are actively implementing technology-driven initiatives, including digital pathology and integrated lab management.

These endeavours are designed to augment our operational efficiency and elevate the quality of our services. Looking ahead, our confidence soars in our capacity to expand our geographical footprint and penetrate further into Tier 2 and Tier 3 cities. We are resolute in our commitment to provide high-quality diagnostic services at extremely affordable costs. Our recent centre installations, triumphant tender wins, and our ongoing evaluation of pipeline projects all point to a future of promising growth. I will now hand over the call to Mr. Yash Mutha, our whole-time director, who will discuss Krsnaa's strategic plans and future growth prospects. Thank you and have a great evening.

2023

Yash Mutha:

Thank you, Ms. Pallavi. Good evening, ladies and gentlemen. I am delighted to present the impressive performance of Krsnaa Diagnostics during the Q1 FY24. It brings me great joy to announce that our total revenues have surged to Rs. 140 crores, demonstrating a remarkable 24% year-on-year growth. In terms of our normalized EBITDA, which has risen significantly to Rs. 35 crores, showcasing an outstanding 22% year-on-year growth with a substantial margin of 25%. Equally remarkable is our normalized net profit, which stands at Rs. 17 crores, representing a striking 19% year-on-year growth, accompanied by a corresponding margin of 12%. In addition, our regular EBITDA has reached Rs. 32 crores, reflecting an impressive 13% year-on-year growth, accompanied by a margin of 23%. Our regular net profit has also shown growth, reaching Rs. 15 crores, a 3% year-on-year increase, with a margin of 11%. However, it is crucial to acknowledge that our profitability margins have faced some influence, deviating from the previous quarter's performance. This shift can be attributed to our ongoing expansion endeavours. These encompass various projects that, despite incurring higher expenses, are yet to contribute proportionally to the revenues.

Nevertheless, we remain optimistic about a positive shift in the margins as these initiatives mature in the upcoming quarters. On an exciting note, I am thrilled to share updates about our growth trajectory. Over the last three months, we have successfully integrated 6 new pathology labs and established 252 pathology collection centres, all aligned meticulously with our expansion strategy. To propel our future growth and amplify our presence, we are deeply engaged in a comprehensive pipeline of projects. These ventures encompass pathology labs, collection centres, and even CT and MRI facilities across diverse states. This strategic approach empowers us to explore new frontiers and fortify our operations within existing states.

We would like to inform all our investors and stakeholders that, based on the upcoming projects, including Maharashtra, BMC, Assam, and Odisha, along with the retail expansion, we expect to maintain our CAGR growth rate for the next two years and with the Rajasthan project being finalized, we expect that this growth rate for Krsnaa will be much higher than the CAGR growth rate. As we persevere with our ongoing initiatives and execute existing projects combined with recent accomplishments, our outlook for the future stands strong and resilient. We possess unwavering confidence in our ability to harness the substantial opportunities that lie ahead. Through these endeavours, we are poised to drive sustained growth and create value that resonates deeply with all our stakeholders.

Now, I would like to hand over the call to Mr. Pawan Daga, our Chief Financial Officer, who will provide further insights into our financial performance. Thank you.

Pawan Daga:

Thank you, Mr. Yash. Good evening. Ladies and gentlemen, I will be presenting the financial highlights for the quarter that concluded in June 2023. In Q1 FY24, our total revenue from operations surged to Rs. 140 crores, showcasing an impressive 24% year-on-year growth. Turning our attention to the operational aspect, our EBITDA reached Rs. 32 crores, signifying a commendable 13% year-on-year growth, and we maintained a margin of 23%. Furthermore, our net profit also demonstrated positive growth, touching Rs. 15 crores, indicating a 3% year-on-year increase, along with a margin of 11%.

2023

During Q1 FY24, we have added more than 500 employees, and by the year-end, we will be adding more than 3,000-plus employees pan India, creating employment opportunities with our Let's Do-Good mission.

On the efficiency front, we have seen a reduction in receivable days, going from 86 days in Q1 FY23 to 79 days in Q1 FY24, indicating improved management of our receivable. Taking a closer look at our balance sheet, we have a gross debt of Rs. 50 crores, while holding cash and cash equivalent worth Rs. 225 crores as on 30 June 2023. It is important to note that our company continues to maintain a net debt-free status, a noteworthy achievement. We can now open the floor for the question-and-answer 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 star and one on their touchtone telephone. If you wish to remove yourself from the question queue, you may press star and two. Participants are requested to use handsets while asking a question. Ladies and gentlemen, we will wait for a moment while the question queue assembles. Participants, you may press star and one to ask a question. The first question is from the line of Jainil Shah from JM Financial. Please go ahead.

Jainil Shah: Hi, thank you for the opportunity and congratulations on this great set of numbers. My first question is on Rajasthan tender. We were earlier expecting Rajasthan to start contributing in Q3. Any update on the timelines now? Also, if you can call out what was the contribution of our earlier Rajasthan tender in our Q1 base?

Yash Mutha: With regards to the timeline of Rajasthan, the new tender contribution, we had anticipated Q3. I think that should just move on to Q4. While we are trying our best to see if we can get this pushed by end of Q3 or earliest Q4. In terms of the contribution for Q1 of Rajasthan, was it this year you are asking or for the previous year?

Jainil Shah: Previous year, the earlier tender that expired.

Yash Mutha: It was about 20 crores in Q1 FY23.

Jainil Shah: Okay. The new centres that we have opened this quarter, just a clarification, how many have we opened and what is the cost and the impact on EBITDA?

Pawan Daga: If you see, we have added 6 pathology labs, 1 radiology centre and ~300 plus collection centres have already started functioning in Q1 and further 200 will be added in the July month. Approximately 2.6 crores is the estimated cost which we incurred. For that, their proportionate revenue has not contributed in the Q1.

Jainil Shah: What was our CAPEX outlay this quarter?

Pawan Daga: 31 crores is the CAPEX for the Q1.

Jainil Shah: Okay. That is very helpful. I will get back in the queue. I have more questions. Thank you so much.

2023

Moderator: Thank you. The next question is from the land of Darshil Jhaveri from Crown Capital. Please go ahead.

Darshil Jhaveri: Hello, sir. Good evening, sir. Thank you so much for taking my question So, I just wanted to know, sir, now with Rajasthan, I think finally, I think all problems have been solved. So, what kind of additional revenue would it kick in in maybe Q4 or next year? And what would be our growth for FY24 and FY25 we would be expecting? And what would be the margin range that we can expect in FY24 and FY25?

Yash Mutha: So, Darshan, two questions that you have asked. First is, what is the expected contribution in Q3 and Q4 of Rajasthan? That we expect to hit about 25 crores, which we expect in Q4 if the centres go live. If you could just repeat the next part of the question, please.

Darshil Jhaveri: So, the next part is, how would our FY24 as a whole look in terms of our revenue and margins? And what kind of growth will we have due to our new Rajasthan thing coming up? So, how would FY25 look? Will we be able to do our stated 700 crores revenue? And what kind of margin can we expect during that?

Yash Mutha: So, Darshil, in terms of the FY24 numbers, like we mentioned in our call today, we are confident to achieve a CAGR growth of almost around 30-35% in this FY24 and that is excluding Rajasthan. This is currently considering the three to four projects that are live and for FY24 with Rajasthan coming up, of course, the growth rate will be much higher compared to what we will be demonstrating in this year. The margin profile for this year will be a bit impacted because there are implementations going on but like we have been maintaining, we will continue to focus on maintaining the existing levels of EBITDA margins and not have them impacted severely. So, we are trying pushing that the revenue is more in line with the expenses that are being incurred. The reason for, again, as we mentioned, the margins will be impacted is because by the end of the year, we will be adding almost 3,000 plus workforce and which will also whilst we add them, but the revenues will not be commensurate. So, we expect a slight impact on the EBITDA margins on a quarter-on-quarter basis as we keep on adding these employees. But we are equally trying to also ensure that the revenue ramp-up is being pushed further to ensure that the dent or the impact on EBITDA will be lower. However, on an annualized basis, if you see, we expect the EBITDA margins to be about the same 25% or try to improve from here on. I hope that answers your question.

Darshil Jhaveri: Yeah, So, just for clarification, we said 30-35% growth, right, sir?

Yash Mutha: Yes.

Darshil Jhaveri: Okay. Thank you so much sir, all the best of the upcoming quarters. Thank you.

Moderator: Thank you. Next question is from the line of Kaustav from DAS Investment Group. Please go ahead.

2023

- Kaustav:** Hi, So, for the previous participant, you responded that this year, the growth would be 30-35% over the last year and FY25 will be another 30 or 35% over FY24. Is my understanding correct?
- Yash Mutha:** So, this year, we are expecting 30-35% growth year on year and next year, of course, with Rajasthan being added up, then the growth will also be much higher.
- Kaustav:** Got it. So, now, leave this year apart because I understand that you would be hiring new employees. So, what would be the margin for the next year? Like FY25, when everything has stabilized, what would be the margin levels? Like from our current margin level, what would be your margin level in FY25 annualized?
- Yash Mutha:** Yeah. So, on an annualized basis, we expect to hover it around the range of around 25-30% and I would expect to settle on somewhere about 28% is what we expected to achieve but of course, our efforts will be to maximize the contribution from an EBITDA perspective with this project stabilization and like we maintained, we try to aspire to bring it to 30%.
- Kaustav:** Okay. And what is the current margin right now, just for working on the numbers ?
- Yash Mutha:** Currently, it's about 25%.
- Kaustav:** Okay. So, you expect slight improvement if possible or maybe maintaining these sorts of levels for the whole FY25?
- Yash Mutha:** Yes.
- Kaustav:** Got it. Thank you. I will return to the queue.
- Moderator:** Thank you. Next question is from Mr. Bhagwan Chaudhary from Sunidhi Securities and Finance. Please go ahead.
- Bhagwan Chaudhary:** Yeah, thanks for the opportunity. So, just one question. When you say that Rajasthan if comes into play. So, technically, what are the hurdles still remaining there to come this project online?
- Yash Mutha:** Yes. So, see, Rajasthan, what is pending is only executing the agreement that is basically both the parties will sign. Now, since there has been a High Court order, the government has to follow their due internal processes to issue the agreement and get that executed and like we said, we are hoping to get this executed by end of this month and after that, then we just basically go into the implementation phase. I hope that answers the question.
- Bhagwan Chaudhary:** Yeah, Just one extended into the same. Do you think that will there be any impact on both parties' agreement and in the operations going forward based on this?
- Yash Mutha:** No, no. Absolutely not. See, these typically in tender, as we've seen, these are basically contractual commitments both the sides try to negotiate and also ensure that there is compliance. So, likewise, both we, along with our consortium partner, TCIL, have kind of indicated that we are ready to comply and at the same time, there were some technicalities in terms of interpretation of various sections and provisions which led to this kind of situation but I don't think it impacts anyway our relationship with the authorities or the government, and

2023

neither does it impact because at the end of the day this is in the public interest, considering our past experience in successfully delivering PPP across the country, this is also a testament that Krsnaa does deliver and I don't see that should in any way impact our relationship.

Bhagwan Chaudhary: One more thing. The initial, whatever work we were doing there, all that is on the standstill or we doing some work or some revenue contribution is there from the Rajasthan on going in the current

Yash Mutha: No, as of now, from Rajasthan, there is no revenue contribution, what we continue to do is in terms of let's say, evaluating the various sites that have to be deployed, hiring the initial leg of managers. So those kinds of activities are ongoing. We know these are part and parcel of the tendering process, so we don't put a full stop to it until, as I said, we were confident and hopeful of the order coming in our favor which has happened recently. So, we are continuing our activities and looking forward to getting this contract live as soon as possible.

Bhagwan Chaudhary: And last year you said that 25 crore kind of contribution can be in Q4. So, what kind of revenue contribution can be in FY25 from Rajasthan?

Yash Mutha: we expect Rajasthan to contribute about close to 300 crores based on the Q4 numbers and our sizing of the project. So that is the number we expect.

Bhagwan Chaudhary: Okay. Thank you.

Moderator: Thank you. Next question is from the line of Amruta from Wealth Managers. Please go ahead.

Amruta: Thank you for this opportunity. So, I have two questions. First is regarding the page 15 of the presentation. You have mentioned the monthly capacity and the annual volumes. If you could just clarify how is the headroom calculated there?

Yash Mutha: I believe you are referring to the tele-reporting slide, right?

Amruta: Tele-radiology slide on page 15 of the presentation.

Pawan Daga: So, this is basically we have installed, CT scan and MRI based on the last financial year FY23. Based on that, the headroom is calculated. We have an internal benchmark where every machine, based on their slice or Tesla, we have calculated our internal capacity. Based on that, we have derived this headroom over there.

Yash Mutha: Just to add, basically it's a fraction of the installed equipment that we have. At the same time, we have capacities in the tele-reporting hub including the number of radiologists as well as the tele-radiologists. So, a combination of all of this allows us to ensure how much capacity or headroom we have for further growth in terms of getting this scan reported to our tele-reporting hub. Also, now the tele reporting hub as we mentioned in the previous quarter, India's first and foremost NABH accredited tele-radiology hub. So, we look into all these facts and aspects in determining the current scale of operations and the headroom for growth that will come based on either new project wins or new tender wins that will be coming in the near future.

2023

Amruta: For example, with CT scan, we've mentioned 2 lakh monthly capacity. So, the annual capacity will be around 24 lakhs. Whereas in FY23, the volumes are 9,17,666. So that means around 38% utilization. Am I right?

Yash Mutha: Yes.

Amruta: Alright. Then my second question is regarding what is the kind of CAPEX that is in charge for each of these collection centres or pathology processing labs or the CT or MRI centres? And in the PPP model, how does it work? As in, the centre is set up by the company and then do we get a grant for it? Or it is totally financed by the company whereas the revenue sharing model with the hospitals?

Yash Mutha: Yeah. So, see basically in any public-private partnership tender, the government publishes a tender laying out the specification of the equipment's to be deployed, the number of collection centres and once we participate and win the tender, the government will give us a space which is typically like a bearshell space where then Krsnaa goes and does the investment in terms of the interiors, the ambiance, as well as the collection centres setting up a collection centre including deploying the resources, a printer and the necessary equipment and furniture. So, each of this, the investment or the CAPEX involved varies from project to project and location to location. So, it's not one answer that would fit, but of course we look at all these various metrics when we decide to participate in the tender.

Amruta: So then, is it set up by the company? Does the company receive a grant for it? Or it is totally financed by the company itself?

Yash Mutha: No, no. Everything, the entire investment is done by the company. We don't receive any grants from the government. The government only give the space basically where we go and deploy or establish these collection centres. At times there are electricity that is provided by the government to the site. From the site, there are sub-meters. So, per se, there are no grants or subsidies that we receive from any government.

Amruta: What is the kind of patient profile, I believe we have normal walk-ins also in the government hospitals, centres where Krsnaa Diagnostics has set up the lab. So, what are the kinds of captive patients, the patients which are admitted in the hospital and they are coming in and getting the tests done versus any normal walk-ins that we have?

Yash Mutha: Yeah. So, typically, initially, you will always have captive patients which are coming to the government hospitals and the reason why government publish these tenders is because there is absence of these diagnostic facilities or services and once they are there, then you get a steady stream of these patients coming through. Over a period of time, because through our marketing efforts and when people get to know these are the kind of quality diagnostic services available at highly disruptive rates, you have even normal people coming in, walking into the centres. In some of our centres, we have even HNI patients coming in then in our centres. The walking ratio could be as high as 50-70% compared to the government walk-ins. So, it varies to state and as we've seen over the years as the centre matures, you will have a healthiest contribution coming from the walk-in patients as well.

Amruta: So, currently, what could be the rate? I mean if you say company-wide average rate?

2023

- Yash Mutha:** At a company-wide, it could be about 30% would be private and government would be about 70%.
- Amruta:** Okay. Thank you.
- Moderator:** Thank you. Next question is from Aditya Khemka from InCred PMS. Please go ahead.
- Aditya Khemka:** Hi Thanks for the opportunity. Yash, just clarification. I thought originally, when we were discussing the Rajasthan tender, at least our impression was it was a 450-crore contract over three years equating to 150 crore revenue each year but you just said on the call that in FY25, you expect 300 crores from Rajasthan tender. So, just wanted some clarification there.
- Yash Mutha:** So, Aditya, see, what we stipulated earlier was based on the tender. Now, if you see the overall tender size, the number of collection centres that have increased, based on that, we are assessing that this could be the potential size of the tender on an annualized revenue basis. Of course, normally, government, when they quote the tender quantum, they do it based on a conservative basis, whereas when we've done now our initial surveys as well as the number of collection centres, we believe this could be a good number to achieve and a realistic number to achieve. Also, considering that the number of districts that have been added, those have also been substantially added. 36 districts are being currently added. So, I hope that answers the question where it's a combination of number of centres that have increased as well as number of collection centres that have increased, which gives us the estimation of the value of the tender.
- Aditya Khemka:** Sorry, what was the original number of districts to which 36 were added?
- Pawan Daga:** So, if you see, Aditya, recently the government of Rajasthan where the earlier districts are 33 only, so which has increased to further 50 districts now in total. So, based on the districts, the government will increase their infrastructure or improve the labs or the big labs that may be proposed over there. So, that is under discussion. Post our agreement, we will be able to answer on this front.
- Aditya Khemka:** Understood. So, that's fair enough. Just on the second part of your guidance is a little confusing, so I just want some clarification there also.o, in terms of, and this is just the top line, margins I know, as the PPP tenders, we are getting a visual flow. But on the guidance standpoint, excluding Rajasthan FY24, we are indicating anywhere between 30 and 35% top line growth. And then FY25, another 30-35% growth, again, not including Rajasthan.
- Pawan Daga:** Correct. If we add Rajasthan, CAGR growth, will be much higher. Without Rajasthan only, next two years, we can see CAGR growth of 30 to 35%.
- Aditya Khemka:** Understood.
- Pawan Daga:** Considering the project already in the hands of Assam, Odisha, BMC, Maharashtra. Or if we add Rajasthan, the growth rate much higher.

2023

- Aditya Khemka:** Understood. So, 30-35% growth for the next two years is ex-Rajasthan, and then in the FY25, we need to take Rajasthan over and above this 30-35% growth in FY25 on the FY24 sales number, correct?
- Pawan Daga:** Yes, correct.
- Aditya Khemka:** Okay, awesome. Just another question, you said you're adding a lot of people. Now, this is something that confuses me about your business model. So, these tenders that you get, these are 3, 5, 10-year tenders, but you hire employees on your own. You know, we know many other companies who do similar government businesses, and they try to cut corners by taking contract employees and keeping the model so-called, quote-unquote, asset-light, so that they don't have the obligation of the employee's future and his welfare, and then retrenchment in case they lose the contract. So, just talk to us about how you manage this there. I mean, this is something which is really commendable, because it does well for the economy, but I'm just confused as to how it serves the purposes of our company. So, can you just talk us through this?
- Yash Mutha:** So, Aditya, basically, when we spoke about adding this manpower, these are basically a part of the tender requirements as well, where we are supposed to deploy these resources, whether it is a lab technician, a collection boy, whatever. Now, typically, when we participate in these tenders, we understand that the government is looking both, not only from a service delivery perspective, but also to generate employment opportunities for the people of that geography and when we consider these tenders, now, even if you consider three-year horizon, the employees who are also onboarded know that this is from a tender perspective and given that tenders get renewed or we have an extension, so I don't think so from an employee perspective, they see this as a continuum. From a cost perspective, yes, we also try to see how do we optimize the resources. Now, just to give you a very ballpark number, if you see, we have about 1,500 collection centres to be deployed. Even if I could just put one person there, that itself means about 1,500 people to be added, and which is required because for a collection centre, you need resources to collect the samples and then do the rest of the processes. So, it is part and parcel of the overall business metrics or the financial that we look into. And, of course, from a process perspective, we try to, like you suggested, whether it is contractual employees or not, that we decide based on the merits of the tender requirements, and as well as our optimization or these efficiency initiatives that we drive across the company.
- Aditya Khemka:** Got it. Just one last question from my side, and then I'll turn over to the other participants. For FY24 and FY25, what is your expectation in terms of CAPEX? So how much capital expenditure do you expect to incur in FY24 and FY25, given the current contracts that you have?
- Pawan Daga:** So, the CAPEX requirement for FY24, FY25 will be in the range of 120 to 130 crores.
- Aditya Khemka:** 120 to 130 crores. But that, I think, more or less, you will be able to make your operating profit given the growth that you're aggregating to. So, the current 220 odd crores of cash on the balance sheet, what do we intend to do with that? How do we intend to utilize it?
- Pawan Daga:** So, which will be for our working capital requirement, which, like, we will be deploying. Last year, we deployed two projects, two major projects. So, this year, if we consider the full-

2023

fledged or the state-level projects, like Assam, Odisha, total five big projects we are deploying this year. This year, or maybe continue part in the next, first two quarters, in the next fiscal.

Aditya Khemka:

Okay, I'll get back to you. Thanks to all. Thank you, Yash.

Yash Mutha:

Thanks, Aditya.

Moderator:

Thank you. Next question is from line of Shreyansh from SG Securities. Please go ahead.

Shreyansh:

Hi, good evening. I just had one question. So, this is regarding, just I'm trying to understand the business model. Like, for example, we have a contract which is for a certain period of time and then it renews. So, what kind of operating leverage do we see? And for example, if it does not renew, like, what are the business implications for those? And how do you model the equipment that you need to purchase or work with that? And also, like, for example, the Assam contract, we already had one in place. So, like, I'm assuming that you would get quite a bit of operational efficiencies because right now you mentioned there's a lot of setup costs going into the new centres, but the ones where you're able to renew contracts, like, what kind of benefits do you see in terms of financials in your contracts?

Yash Mutha:

So, there are two parts of the question. The first one is how do these contracts, I mean, if you're thinking from a renewal perspective, typically these contracts have clauses that the contract can be extended for a further period of two to three years or for a similar term. So, these clauses are there, which allows us to extend the tenure of the contract without any additional investment that is required. We continue to operate. Now, in the case if the contract does come for, let's say, re-tendering after expiry of the period, like in the case of Rajasthan, given that we've already have an experience there, we've been there, so that gives us a certain edge over our competitors in terms of understanding the landscape as well as knowing the nitty-gritties of getting these contracts operationalized. The Assam example that you quoted, there were two different tenders. Assam, we were doing tele-reporting tenders, whereas now we've got the pathology tender. The leverages that we have there is, of course when we are there and if such tenders come, we have deep insights in terms of the operational metrics, the logistics that is involved, and that helps us to, basically, when it comes to quoting the prices, it helps us to bid better for these tenders, and that is the advantage that we normally consider. Otherwise per se, these are different contracts, their specifications are different, so it wouldn't be on an apple-to-apple comparison to say that we get these operating leverages.

Shreyansh:

Okay, understood. So, actually, I meant re-tendering. For example, it ends, like there's a contract that ends, like re-tendering, there has to be certain continuity, right, so if you win the contract, you don't have to go and set up the lab again or have something absolutely new. That is what I was trying to understand.

Pallavi Bhatevara:

It depends on project to project because sometimes, as you mentioned, that if there's a re-tendering, and if we won, yes, it definitely adds a lot of value to our previous work, what we've already done. However, whenever there is a new tender, what we've seen in the history of Krsnaa, either the centres are added or the locations are added or number of tests are added, so a little bit of revamp is definitely needed, even if it's re-tendering for the similar kind of project.

2023

- Shreyansh:** Understood, and lastly, for the machinery, how do you account for that in terms of, like, depreciation, is it fungible for different projects or, like, how's the MRI machines and how do you look at that?
- Yash Mutha:** Yeah, so typically for the radiology projects, these are long-term projects almost 10 years, so the depreciation also follows the estimated useful life, which is prescribed by the accounting standards and accordingly it is depreciated. For the pathology projects, depending on, again, the project size and the nature of the equipment that have to be deployed, we also depreciate over the period of the 13 years.
- Pawan Daga:** Because the equipment life is much higher than what we expect, compared to project life, but the same equipment can be deployed at other locations, so same can be used, so the depreciation allows to carry up to 13 years.
- Moderator:** Thank you. Shreyansh, sorry to interrupt you. I will request you to join the queue again for a follow-up question. I request all the participants, please restrict to two questions per participant. If time permits, please come back in the question queue. Next question is from the line of Manoj Dua from Geometric Securities, please go ahead.
- Manoj Dua:** Okay, sir, what would be the tenure of this Rajasthan tender?
- Yash Mutha:** It's about five years, three plus two years, so it's about five years.
- Manoj Dua:** Okay, and as you said, you will be doing CAPEX of 120 to 130 crore in next two years. What would be that for Rajasthan tender alone?
- Yash Mutha:** Rajasthan, the total CAPEX is envisaged to be about close to 200 crores.
- Manoj Dua:** 200 crores, and total CAPEX, you said, was around 120, 130 crores?
- Pawan Daga:** Manojji, it is in each year, in the ranges from 120 to 130 crores each year.
- Manoj Dua:** Each year, okay, and normally when you say that when the tender is over, it goes for renewal or renegotiation of the contract. Is there any scientific method given in the tender itself, whether it will go for renewal or re-tendering? or any initially mention is there, or we see at that period of time what happens?
- Pallavi Bhatevara:** So basically, it is all depending on different, different contracts. Now, for example, Rajasthan, it is clearly mentioned that it will be three plus two years. Some contracts say it's mutually extendable. Basically, they evaluate the project, but if it is coming to a renewal, there is also, according to the government law, they cannot extend it for a more tenure than prescribed. So, then, eventually, they go for a re-tendering.
- Manoj Dua:** Okay, and for Rajasthan tender, is there any specific mention on the receivable days or something like that in the contract, or it is a part of the normal process as it goes?
- Yash Mutha:** There is no specific mention on the receivable days, but there are conditions wherein the equipment, if, let's say, the government purchases, then we get it at the WDV value, so even

2023

the amount can be refunded back to us. So, those are some of the conditions that are there in the Rajasthan contract.

Manoj Dua: Okay, my last question is, can you tell me about your two initiatives, or main initiative of B2C, how it is going, planning, or going on?

Yash Mutha: Yeah, so on the B2C initiatives, we have two streams of initiatives. One is, of course, the wellness packages, which we've started, and happy to say that we are seeing a lot of traction there. Though Krsnaa has always been focusing on the so-called B2G business, or the B2B, but with this focus on packages and the kind of successes we are seeing month on month, the numbers are increasing, so it gives us confidence, and that is the reason why we've also launched our home collection services in Punjab, which is another initiative, which is also blessed and approved by the authorities of Punjab, wherein the health minister had come and launched these services, which allows us to go to the doors of the citizens of Punjab, and provide them all collection services, which is over and above the patients who come to the government centre. So, I think from both these initiatives, we believe these so-called B2C initiatives are taking good shape, and based on the success and the learnings, we'll be expanding these to other states, including Maharashtra, Odisha, and Assam, where we already have pathology labs. So, like we've been maintaining, we want to leverage our existing network of labs and centres and spread them more through these various initiatives.

Manoj Dua: Okay, thank you, I will join back the queue.

Moderator: Thank you. Thank you. Next question is from Rikesh Parikh from Rockstud Capital, please go ahead.

Rikesh Parikh: Sir, can you just guide us through what is the status of the Punjab project, and is it scaling up in terms of margin and the scale as we envisaged?

Pawan Daga: We see a good improvement in the Punjab, where the month-on-month, or the volume and the revenue, all the front, we are getting a good pickup, and we see, we can deliver what we have estimated for the Punjab project.

Rikesh Parikh: But are we at the peak revenue, which is reaching that level, or we are still here or that away as such now?

Pawan Daga: So, we still not achieved our peak revenue, but we see a good improvement in the numbers, volumes, and the response we are getting from all the fronts, as the government also initiating a B2C, where home collections and other factors are already taken care by the authority. They're appreciating our services. So, we see the peak revenue will be achieved very soon.

Rikesh Parikh: And in terms of BMC project, what we just recently won, so, and I think for the handover, has been pretty fast in deployment happening, and I understand there was some initial tipping issue as such. So, how is it ramping up, and how do we see that contributing to the overall numbers as such?

Yash Mutha: So, if you would just repeat the question, please.

2023

- Rikesh Parikh:** I just wanted to understand what this BMC contract, what we received, Janta Dawakhana, something like that, where initially there was some teething issue in terms of the rolling out, and I think immediately the revenue has, it seems to have started since we have started operating a lot of centres. So, when it will scale up, and how is it shaping up now?
- Yash Mutha:** So, on the BMC front, like you mentioned, there were initial teething problems, which happen in any PPP project. Now those are behind the backs, and the revenue streams are also increasing. We are also in the process of stabilizing the operations, given that there are a number of centres. And we expect BMC to stabilize in the next quarter or so, where even our labs will start supporting these extended number of collection centres, which the government has added. So, I believe it's a matter of time, once these collection centres that the government has added, over and above what was initially planned in the tender and with the labs coming up, these will stabilize the operations, and we'll start seeing a mature level of revenues coming from the BMC tender.
- Rikesh Parikh:** Okay, and the last question on the B2C, how much it would have contributed in this quarter as such, B2C?
- Yash Mutha:** On the B2C, you're asking?
- Rikesh Parikh:** Right, yeah.
- Yash Mutha:** B2C would not be a very significant contribution in this quarter. As I said, since we've just started these initiatives, it won't be a very meaningful contribution, but we expect this to grow along. You know, with now the call centre coming up in Punjab, collection boys being deployed, and the government also blessing it. So, we'll see a gradual uptick in this B2C model. As I said, we are also testing various hypotheses when we are going into the B2C model but whatever initial successes we had in this quarter, it seems very promising, and we look forward to more contribution coming from this segment going onward.
- Rikesh Parikh:** Thank you, that's it from myside.
- Moderator:** Thank you. Next question is from the line of Amol Rao, from Kitara Capital. Please go ahead.
- Amol Rao:** Hi Yash, Pawan, could you account for how this growth came about? Which orders are contributing to this growth in this quarter? Rajasthan has dropped off year-on-year to the extent of 20 crores. So, how have we got this growth? Which orders have ramped up for us really well?
- Yash Mutha:** So, what has contributed in this quarter, in spite of the Rajasthan dropping off, is our projects in Punjab, Himachal Pradesh, which are ramping up, and they have started contributing more mature revenues, which has compensated for the loss in Rajasthan as well.
- Amol Rao:** All right. And going forward, if I got it correctly from you, you said the ramp-up will continue in Assam, Odisha, the BMC contract and the Maharashtra government contract, which should drive growth from year-on with this base. Is that, is my understanding correct?

2023

- Yash Mutha:** Correct, So, Assam, Odisha are yet to get operationalized in the truest extent, so as they start operationalizing and the ramp-up happens, they will contribute additionally to whatever we are doing as of today. Along with BMC and other centres as well.
- Amol Rao:** Got it, and just in a very quick nutshell, this CAPEX that you mentioned of 250 crores, this is all accounted for through our cash code right now, right? So, we have no funding requirement, no debt requirement as of now, unless a new tender comes up, which we decide to participate in, right?
- Yash Mutha:** Yes. So, whatever CAPEX that we plan, currently we envisage it for internal accruals and some of it coming from vendor financing where they give us equipments on a deferred payment or like the lease. So, those are the sources of financing, but it is majorly, predominantly only for the internal accruals. We don't expect to raise any debt or unless a new tender warrant it, so.
- Amol Rao:** Got it. Thank you, Yash, wish you all the best.
- Yash Mutha:** Thank you.
- Moderator:** Thank you. Next question is from the line of Puneet Mittal from Global Core Capital. Please go ahead
- Puneet Mittal:** Hi, thank you. Just two questions. One is when you say a ROC on matured centres is 32%, what, how do you define matured centre? At what stage is it the mature?
- Pawan Daga:** So, matured centres are having a, their respective age life more than three years, which we call as a matured centres.
- Puneet Mittal:** Yeah, but as you mentioned before, that most of the contracts are three plus two. So, is there a very short period of maturity of these centres?
- Yash Mutha:** No, So, what we refer to three plus two is largely for pathology projects, whereas what you see in the existing ROC are predominantly our radiology businesses that have we been doing for the past many years. And the majority of our business today still is radiology driven, which contributes to the overall, yeah, almost 60-65% of our business comes from radiology where the contract period is about 10 years.
- Puneet Mittal:** Okay, got it, makes sense. Second question is on the operating cash flows. Last year, your operating cash flows are a little subdued because of the higher working capital. For the next two years, given the revenue and EBITDA margin that you highlighted, what do you expect to be operating cash flows for the next two years, FY24?
- Pawan Daga:** So operating cash flow for this year, we see precisely in a similar line what the last year, because the CAPEX requirement in terms of from internal accruals, where we're going to deploy for new projects of Assam, Odisha, and later for the Rajasthan pathology. So, we see this year at least similar kind of working capital requirement.
- Puneet Mittal:** when you say the operating cash flows to be similar as last year, naturally your EBITDA would be much higher this year given the growth. So, your operating cash flow would be,

2023

conversion of operating cash flow to EBITDA would be similar as last year. Are you saying that?

Pawan Daga:

Yes.

Puneet Mittal:

Okay, great. Just one last clarification from what you spoke to previous participants. If you look at the revenue growth that your top line growth that you suggested of 30%- 35%, and then you add up the Rajasthan, it goes almost up to 1100 crores by FY25. Is that the right understanding?

Yash Mutha:

Yes, we aspire to be there, and based on the projects in hand, we believe those are some of the estimates or expectations we could achieve. And we've been consistently saying that that is a target we are set out ourselves for. And now with the project in hand, we have a certain level of certainty towards achieving those numbers.

Puneet Mittal:

Okay, great. Just one last one. Is there any new bigger tenders in pipeline that you have or currently focused on just these ones?

Yash Mutha:

So, there are a couple of projects or tenders that are in pipeline and as in when, of course, we would participate or they come to further stages, we will keep you all informed but we continue to seek opportunities over an existing project that we have signed up for.

Puneet Mittal:

Okay, thank you so much and all the very best.

Yash Mutha:

Thank you.

Moderator:

Thank you. Next follow-up question is from Aditya Khemka from InCred PMS, please go ahead.

Aditya Khemka:

Yeah, hi, thanks for the follow-up. Yash, so on Rajasthan, you said total CAPEX will be 200 crores and in the next, in FY24-25, the CAPEX guidance is 120 to 130 crores each year but in FY25, you're saying Rajasthan will contribute 300 crores of revenue, which means that the entire 200 crores of CAPEX for Rajasthan should be done before FY25. So, I'm slightly confused as to how much CAPEX have you already incurred for Rajasthan? Could you just clarify at what time would you incur how much CAPEX for Rajasthan? And is my understanding correct that if you get 300 crores of revenue from Rajasthan in FY25, then all the CAPEX for Rajasthan needs to be done before FY25?

Pawan Daga:

So, Aditya, if you see, the project deployment will start once the agreement is executed. So, in the Q3 or Q4, we'll see some amount of CAPEX to be incurred for Rajasthan, and balance will be incurred in first quarter of next year FY25. So, this is an expected timeline and the projections of ours, which drive the project further.

Aditya Khemka:

So, Pawan sir, then, that means that within second half of FY24 and let's say first quarter of FY25, you will spend total 200 crores of CAPEX and all of it will be Rajasthan?

Pawan Daga:

Yes.

2023

- Aditya Khemka:** Okayso, in project excluding Rajasthan over FY24 and FY25, we are spending only 30 crores, 50 crores of CAPEX.
- Pawan Daga:** Yes.
- Aditya Khemka:** Yeah, So, over two years, which is FY24 and FY25, we are spending total CAPEX of 250 to 260 crores, right? It's 120 to 130 crores each year. So, over two years, the total comes to 240 to 260 crores, correct? Now of this 200 crores in the Rajasthan. So, the CAPEX on the other projects, which is let's say, Odisha, Assam, Punjab what have you. So, on those projects, we are spending literally only 40 to 60 crores. In addition to what we have already spent on this project. So, what I wanted to understand was that for the, yeah, go ahead.
- Yash Mutha:** No, so Aditya, I think that's a fair question. If you see like in this quarter, we've already invested about 30 plus crores. So, some of the investment has already been incurred and considering that these are pathology projects, some of the equipments we're also trying to see if we become on a deferred payment basis, or as I said so those are the ways we are trying to look into it, where it flows in terms of how the project gets implemented and the cash flows but what we've spoken is, these are the projects like Rajasthan, where we have to deploy the equipments entirely and hence that is the outflow in terms of CAPEX that we'll have to do.
- Aditya Khemka:** I got it. Thanks for that clarification. Secondly, on the tenders that you keep getting renewed, I think one of the concerns that most investors have is that because tender lines are between 3, 5, and 10 years, which is depending on whether they are pathology, radiology and retail Could you talk to us about we have been doing this business now for more than a decade. For more than a decade now, how many tenders have you got successfully renewed? Or you have one in the rebidding, versus how many instances have been where you have actually lost the tender or the tender has not been renewed by the state government? If you were to give me a certain percentage, a ballpark percentage, as to this percentage of our tenders, we keep getting renewed or we keep getting in the rebidding and Y percentage of tenders? We tried to rebid, but we couldn't win, or the government has been slowing the tender again.
- Yash Mutha:** Yeah, so Aditya, out of the tenders that have come for renewal if I could just give some examples, we have probably won all of these tenders, whether it was the HP, or Assam, Delhi Radiology, even if you take Rajasthan. So, I don't have the exact number in terms of how many tenders, but broadly, given our experience, and like I mentioned, since we already have a lot of information and insights there, we have the ability or an edge over the competitors to win these tenders and continue. As of now, most of the tenders being Radiology, so they have not yet completed their tenure, but wherever these tenders were there, whether it was Pathology for Rajasthan or Delhi Radiology, we have won these tenders and we continue to have an extended period.
- Aditya Khemka:** Understood, Thanks Yash.
- Pawan Daga:** So, Aditya, clarifying your CAPEX query, so 31 crore we already spent in the Q1. So, further in next three quarters, we will be spending around 120 to 130 crores. And next year, the CAPEX requirement is 120 to 130 crores. So, if we go precisely 300 crores of a CAPEX, out of that, 31 is already spent, and balance can be spent, as I mentioned, the breakup.

2023

- Aditya Khemka:** Understood Pawan. This is helpful. Thank you.
- Yash Mutha:** Thank you, Aditya
- Moderator:** Thank you. Next follow-up question is from the line of Kaustav from Das Investments. Please go ahead.
- Kaustav :** Hey, I just, I had two questions. So, basically, for the B2C side of business, what is the pricing model? Like, how much do the customers need to pay? Like, is it the same CGHS rates? Or, like, is it higher than what is defined in the contracts with the government? So, what is the pricing that customers pay in B2C?
- Yash Mutha:** So, in B2C, again, there are differentiated models, but predominantly what we are coming out is where our prices will be slightly higher than these government rates, because of course there are marketing efforts, there are franchises in between. So, to the extent of 10% to 20%, they'll be higher than the CGHS rate, but they are significantly lower than the existing market rates and that gives us what we've seen initial successes on the B2C model as well.
- Kaustav :** Okay, and suppose there is a private walk-in, like someone comes to your centre. So, is it the same, like, the rates are, like, 10%, 20% higher, or in that case, you follow the government rate?
- Yash Mutha:** No, so, see, there are two schemes. If the patient comes to a government centre, they have to stand in the queue, submit the necessary documents, and they'll be charged the government rates. But if they go to, let's say, a facilitation centre, or like a franchisee or a home collection, there they have to pay a slightly higher amount, which is because of the services that they're getting at the doorsteps.
- Kaustav :** Okay, got it. So, okay, and one last, and one more thing on the similar line of questions. So, basically, if a customer is going and walking to your centre, so, he or she makes the payment, or is it, like, you keep a mark of it, and government finally does the payment? Like, who is doing the payment in this particular case?
- Yash Mutha:** So, if a patient or a customer comes to a government centre, and if he or she is under any government scheme, and if for example, certain states provide it under the free diagnosis scheme, then entirely it's free for the patient, and the money gets reimbursed to us by the government. In states like Punjab or other states where it is purely cash, the patient comes and pays us the cash, and we collect the cash and account for it accordingly. So, it varies project to project and state to state.
- Pawan Daga:** Even after, like, if the patient who is not availing any free diagnosis scheme, or he don't want to wait in the queue, so, patient has to upfront pay at the centre and avail the services with the same pricing. And for B2C, it is purely cash collection as of now.
- Kaustav :** Oh, got it, got it. This helps. So, I understand this side of the business. Now, I just have a bit more on the B2C side of the business. So, do you operate in a franchise model, or, like, how do you do it? Like, do you give franchise to someone, or is it, like, your own stores?

2023

- Yash Mutha:** No, no. So, we've started the franchisee model. Like we said there are already established franchisee players in the market. We studied them, and we came with our own unique, what we call as Krsnaa Business Associate, which is essentially a franchisee with certain differentiations. So, these franchisees basically help us collect samples in the periphery of our labs or help them get patients to our centre. That is something which is already in process or being implemented. Along with this, we started home collection services in certain of the geographies where we have within the lab footprint, Punjab being the recent case, where now we have a dedicated team as well, including a call centre and that will allow us to further spread the assets and get more samples processed at our labs and contribute to the revenue.
- Pawan Daga:** Also, we have started our home collection services in Maharashtra, where Pune, Mumbai, Nashik, Ahmednagar, Kolhapur locations.
- Kaustav :** Okay. So, all of the, so basically franchises help you to collect the samples, right? All of the labs are owned by Krsnaa itself. Is my understanding correct?
- Yash Mutha:** Correct.
- Kaustav :** Okay, okay. Got it. And lastly, you could introduce some apps or something so that people can start ordering, like for example, ThyroCare or Dr. Lal Path Lab, try to do it through a mobile-based kind of infrastructure. So, but I didn't find anything like, those kinds of interfaces were not available for Krsnaa. Do you think you might be thinking on those lines, like developing an app so that you can get the bookings? At least the app should be live in those locations where you already offer the collections, like B2C collections.
- Yash Mutha:** So, if you see, first of all, we have an app, both on the Android and iOS but Bulk of our target audiences segment is where they don't use the app. But now, considering the B2C, we already have started the app. In fact, we have many features which are not there in the peers, including having reports available for six months and for the entire family. So, we have an app and people are using it and as we said, we start having more of these B2C models. You'll have more visibility seen of the app as well.
- Kaustav :** Okay, got it, and just the last thing. So, once the tender is like between renewal and between stopping the tender, for example, the Rajasthan case, do you need to dismantle all of your stores and then create a new, fresh lab when you re-win the tender?
- Yash Mutha:** See, when it is a transition period, normally the government allows us to continue providing services until the tender process is completed. Now, if the tender process is completed, these equipments are owned by us and we can transfer the equipments to wherever we believe they can be put to use. The rest of the whatever investment would have been anyways, which was recovered over the duration of the contract, considering our payback period whether it is for radiology, pathology and if we, re-bid and we win the contract, then we can leverage the existing infrastructure that has already been put in place.
- Kaustav :** Thanks a lot. Thanks a lot. That's from my side.
- Moderator:** Thank you. Next question is from the line of Manoj Dua from Geometric Securities. Please go ahead.

2023

- Manoj Dua:** Okay. I have two questions which are connected together. What are your filter criteria for the tendering process? Which kind of tender you process, or which you leave it? Because one of the biggest problems in pathology, what I am seeing is we have a great model that we have acquired customer, like lock-in customer, but the mature period is three years and we see that tender tenure is three plus two or something like that. So, when you see bidding for the tender, what are our criteria? And what are our learning from last two, three years?
- Yash Mutha:** Yeah. So, in terms of criteria, I would just probably split that. For radiology, if you see, we normally participate in tenders which are through NHM, National Health Mission in the state. We do not participate in any tender which is just driven by the state and of course, then the financial metrics in terms of EBITDA, the profitability, the tenure, the investments, all of this is being seen. Pathology, because the investment is low, and you have the revenues are multiple of the investments. And therefore, even if they are for a lesser duration, but we are able to recover the investments and hence they are seen differently.
- Pawan Daga:** Also, Manoj, if the maturity for the pathology centre is slightly lesser compared to the radiology, , if you're correlating with the presentation where we talk about the mature centres in the range of three years, so they majorly fall under the radiology centres. If we consider our semi-matured or matured, so it will now see a significant change over a period of time because of the pathology contribution has slightly increased compared to earlier.
- Yash Mutha:** And in terms of the second part of the question, in terms of learnings, so we've seen this overall PPP space evolving over the years and differentiated models coming up as well as, as I mentioned, we only focus on NHM-driven tenders and at the same time, Krsnaa was earlier strong on radiology. We are also now equally, and which we've been maintaining, we want to be strong on both pathology as well, which is a well-diversified business if you see from a split perspective. So, those are learnings have been deployed across these various projects and of course, we would want to continue this momentum going forward as well. I hope that answers the question.
- Manoj Dua:** Yeah, perfectly. My last question is regarding vendor financing. I think it was mainly for radiology. Any vendor financing you are using for pathology or something like that? Can you give more color for that?
- Yash Mutha:** Yes. So, like we have done for radiology, equally for pathology, and especially for these large projects, we are currently in discussions with the vendors as well, where we could procure these equipments on a deferred credit basis, on a deferred payment basis, as well as some of leasing. There are already established reagent-renting models, but we are trying to come up with some more better models to suit our line of business.
- Manoj Dua:** Thank you. Best of luck for exciting next 2 years.
- Yash Mutha:** Thank you so much.
- Moderator:** Thank you. Ladies and gentlemen, we'll take that as the last question. I will now hand the conference over to Ms. Pallavi Bhaterva for closing comments.

2023

Pallavi Bhaterva: Thank you. Thank you, everyone, for joining our Q1 FY24 earnings call. I hope we've been able to answer all your questions. In case any questions remain unanswered, please feel free to connect with our Investor Relations Head, Mr. Vivek Jain and team at Church gate Partners. We look forward to interacting with you in the future quarters. Thank you and have a great evening ahead.

Moderator: Thank you very much. On behalf of Equirus Securities Private Limited, that concludes this conference. Thank you for joining us. You may now disconnect your lines. Thank you.

Notes:

- 1. This transcript has been edited for readability and does not purport to be a verbatim record of the proceedings**
- 2. No part of this publication may be reproduced or transmitted in any form or by any means without the prior written consent of Krsnaa Diagnostics Limited**