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Scrip ID: KRSNAA  
Scrip Code: 543328

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Series: EQ

Dear Sir/Madam,

Subject: Transcript of the Earning Call conducted on 14<sup>th</sup> February, 2023.

Please find enclosed the transcript of the Q3FY23 Earnings Conference Call conducted on 14<sup>th</sup> February, 2023.

Request you to take the same on your records.

Thanking you,  
Yours sincerely,

For Krsnaa Diagnostics Limited

Nikhil Deshpande  
Company Secretary





“Krsnaa Diagnostics Limited  
.Q3 FY '23 Earnings Conference Call”  
**February 14, 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**  
**MR. NIKHIL DESHPANDE – COMPANY SECRETARY KRSNAA DIAGNOSTICS LIMITED**

**Moderator:** Ladies and gentlemen, good day, and welcome to Krsnaa Diagnostics Limited 3Q FY '23 Earnings Conference Call hosted by Equirus Securities Private Limited. We have with us on the call Mr. Rajendra Mutha, Chairman and Whole-Time Director; Ms. Pallavi Bhatevara, Managing Director; Mr. Yash Mutha, Whole-Time Director; Mr. Pawan Daga, Chief Financial Officer; and Mr. Nikhil Deshpande, Company Secretary.

As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star, then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Ms. Pallavi Bhatevara, Managing Director. Thank you, and over to you, ma'am.

**Pallavi Bhatevara:** Thank you, Bharat. Good evening, everyone, and welcome to Krsnaa Diagnostics Q3 FY '23 Earnings Call, and I thank each one of you for joining us today. We've already circulated our earnings presentation, which is available on our website as well and all the stock exchanges website. I hope you all have had the opportunity to go through the presentation.

From an industry perspective, the need for high-quality and affordable diagnostic services are clearly visible as it is an integral part of health care industry, which plays an imperative role in diagnosis. Assessing diseases plays a major role in the treatment management and even prevention of diseases. Today, the Indian diagnostic market is valued close to \$15 billion and projected to CAGR of 11.5% in upcoming years.

The key fundamental drivers of diagnostic industries such as large population of almost 1.4 billion people, rising per capita income, allowing increased affordability and need to access better health care services. Emergence of lifestyle diseases, increased awareness of preventive health check-ups and government initiatives.

Overall, looking at the diagnostic Indian demographics, there is a vast and underpenetrated market of diagnostic services, which offers an immense opportunity to both organized and unorganized players.

Furthermore, recognizing the importance the Government of India has allocated INR 88,956 crores to health care expenditure, INR 2,350 crores, which amounts to a hike of 2.71% from INR 86,606 crores in FY '23, '24, making high-quality health care and diagnostic services affordable for the masses. The government in various states are continuously evaluating PPP as a viable and best alternative for their goal of providing high-quality health care and diagnostic services at affordable prices.

Today, Krsnaa is a leader in PPP diagnostics space and we are proud to have expanded our presence all over India, making high quality diagnostic services affordable and available to remotest corners in the country. We are well positioned to serve our patients, and we see tremendous runway to build upon a solid foundation.

I'm pleased to inform that recently, Krsnaa has been awarded with two major pathology tenders, one in the State of Maharashtra for setting up one lab and 600 collection centers and another one in the State of Odisha for setting up 5 labs and 386 collection centers.

With these wins, we continue our journey of expanding our footprint across the country, especially in newer territories and geographies, thereby increasing our customer base. The recent wins are also aligned to our focus of increasing our business shares in pathology and therefore, create a healthy balance between radiology and pathology.

We are happy to announce the launch of its new Genexus system, the first fully integrated Ion Torrent NGS platform in PPP model and offers a fully automated specimen to report workflow with unparalleled turnaround time. The Genexus system sets a new standard in NGS technology, and we are confident that it will have a significant impact on the molecular pathology community.

Further, I would also like to update you all on the phases of radiology and pathology project in the State of Punjab. We have operationalized 24 out of 25 radiology centers and the remaining 1 radiology center will be operationalized by Q4 FY '23. All the 30 laboratories and 95 collection centers in Punjab are now fully operational.

I would also like to add that we have operationalized entire pathology project in the State of Himachal Pradesh, and additionally, we have also successfully implemented the telereporting project in the State of Tripura, thus extending our reach to the Far East corners of India. We are progressively expanding our presence. And during the quarter, we have added 7 radiology, 33 telereporting, 25 pathology labs and 64 collection centers.

As of today, Krsnaa is a leading PPP diagnostic player with 127 radiology centers, 1,522 telereporting centers, 97 processing labs and 741 pathology collection centers. Looking ahead, considering the ramp-up of recently installed centers and the new tender wins and considering few projects in pipeline, which are under evaluation phase, Krsnaa Diagnostic remains confident to further expand its geographical footprint and penetrate deeper into the Tier 2 and Tier 3 cities by offering high-quality diagnostic services at affordable prices.

Now coming to the financial performance during the quarter. During the third quarter, Krsnaa registered core revenues of INR 118 crores, growth of 12% year-on-year. The COVID-19 revenues declined from INR 1 crores in Q3 FY '22 to INR 0.1 crores in Q3 FY '23. Our EBITDA stood at INR 30 crores with margins of 25% and net profit of INR 14 crores with margins of 12%. The increase in new centers being launched, the profitability margins remained stable quarter-on-quarter as revenue contribution from new centers continue to grow.

The margins are expected to improve in the upcoming quarters, with the majority of these newly launched centers. On the B2C side of business, we have launched wellness packages at affordable rates, which help us to expand in the B2C side. The wellness package is Ayaksham, which covers basic tests as well as special test.

Further, in terms of technology adoption, we have also continued our focus, and as part of the Phase I, we shall be launching the website for the B2C segment in the next month with more

technology-led initiatives being implemented in the following months, including digital pathology, integrated lab management etcetera. With all these initiatives underway and considering the implementation of the existing projects as well as considering the recent wins, we are confident and believe that we have a strong outlook in the future.

Now I will hand over the call to Mr. Pawan Daga, our Chief Financial Officer, to discuss the financial performance. Thank you.

**Pawan Daga:**

Thank you, Ms. Pallavi. A very good evening to all the attendees. I will present financial highlights for the third quarter and 9 months ended December 2022. In the third quarter, the company registered total revenue from operation of INR 118 crores, an increase of 11% on a year-on-year basis from INR 106 crores. The growth is made by the core business comprising of radiology and pathology, which registered revenue growth of 12% year-on-year.

Operating EBITDA for the quarter at INR 30 crores, EBITDA margin were 25% in Q3. FY '23 EBITDA margin were partially impacted due to additional costs incurred on-boarding team to operate and run the newly launched centers. The margins are expected to improve in upcoming quarters with the maturity of the centers.

Profit after tax for Q3 FY '23 was INR 14 crores. For the quarter, PAT margin were 12%. In the 9 months FY '23, the company registered total revenue from operation of INR 354 crores. Our core business comprising of radiology and pathology, which registered revenue of INR 353 crores, a growth of 14% year-on-year. The COVID revenue declined by 92% from INR 1 crores in Q3 FY '22 to INR 0.10 crores in Q3 FY '23. Operating EBITDA for 9 months FY '23 stood at INR 89 crores with a margin of 25% for the quarter. And profit after tax for 9 month FY '23 at INR 43 crores with a margin of 12%.

We can now open the floor for question and answers.

**Moderator:**

Thank you very much. Ladies and gentlemen, we will now begin the question-and-answer session. The first question is from the line of Aditya Khemka from InCred PMS.

**Aditya Khemka:**

A few questions. Firstly, to begin with. If you can talk about the operating cash flow for this year, as you mentioned in the presentation, I think Slide 7, the operating cash flow for this year since 9 months seems to be INR 239 Mns or rather INR 24 crores versus -- INR 66 crores last year.

And a large reason for that obviously seems to be the increase in receivables, which has gone up from 76 days 9 months last year to 97 days this year. So what is causing the increase in the change? That's question number one. And question number two, is there any other issue with the operating cash flow that we need to pay attention to?

**Yash Mutha:**

Sure. So it, in terms of the cash flows, you've picked up, right, that there has been an impact on the receivables. Now if you see the receivables normally in this time of the year, which is around Q3, the receivable days go around 94, 97 days, which is a typical trend we see in our line of business.

And if you see, even comparatively in the previous periods, you'll see a similar trend that has occurred, that is the reason why the receivables are almost in the range of about 90 days plus. Now the reason why this happens is typically, if you see from Q3 onwards to Q4, the authorities will start basically closing out their whatever processes so that before March end they can complete the payments so that their next year budget doesn't get impacted because they have to basically pay out, otherwise, if they don't pay us before March or before the year-end then their next year budget also gets impacted.

So this is a typical cycle we see in our line of business, and we don't see any concerns around it. The other reason in terms of the cash flow, I think Pawan might want to add a few points.

**Pawan Daga:** No. The main reason, which is the increase in receivable days here where we see the cash flow from operating activities are low.

**Yash Mutha:** So basically, it is just a part of our routine business. And like we've demonstrated in the past as well come year-end the receivables will go down, and we should be able to collect our outstanding dues.

**Aditya Khemka:** Right. So Yash, what has been the capex that we have done this year, obviously, for the newer projects that has been opex start, which is we can see in manpower and other expenses. But what is the capex you have done this year in 9 months?

**Yash Mutha:** Yes. I think Pawan will answer this.

**Pawan Daga:** In total, around INR 107 crores of the capex we have already incurred till 9 months.

**Aditya Khemka:** And what is the budget for the fourth quarter?

**Pawan Daga:** So in the range of in a similar way, INR 22 to 25 crores, which is as per the plan, which we have to get executed by this Q4.

**Aditya Khemka:** Understood. That helps. Second question is on the gross margin. So if I just look at the past 8 quarters, right? And I'm starting 8 to 10 quarters. So I'm starting from Q1 FY '21 to Q3 FY '23, the trend that I can notice. So Q1 FY '21, Q2 FY '21, our gross margins used to be 70% to 75%.

Then starting through to FY '21, the gross margins dramatically went up to 83%, then 87%, then 89% also. And now we have again started seeing for the last 2 quarters the gross margins declining from that 88%, 89% to 86% and in this quarter 84%. So one question, part one, why did the gross margins from first half FY '21 from 75% go up to 88%, 89%, part two of the question, why is that 88%, 89% in this year now starting to come down to 84%, 86%?

**Yash Mutha:** So Aditya, basically, what you see here in the gross margins, 1 of the key components that were there earlier was the Rajasthan business. Now in the Rajasthan business, because we had the arrangement with our business partners. Hence, in terms of cost, it was basically straight away. They were managing most of the costs, and we had very little component and which is why the gross margins were higher. After the Rajasthan project got over, and since that arrangement is

no longer there. That is the reason why you're seeing a slightly softer gross margin where it has reduced.

- Pawan Daga:** So another impact in the P&L side, which is the revenue sharing fees to hospital has reduced.
- Yash Mutha:** So it used to be, I think about 25%. Now it has come down to about 21%.
- Aditya Khemka:** Yes, exactly. So that was my other part of the question. So just remind me this Rajasthan tender, which we stopped doing I think sometime in August, you said on last concall. What was the size of this tender per annum?
- Yash Mutha:** The Rajasthan tender, what we were doing was about INR 70-odd crores annually, INR 70 crores last year. I mean, the one that we were doing.
- Aditya Khemka:** Yes. So that INR 70 crores last year. And the reason why we stopped doing it because we wanted to bid for the larger tender, the one that is supposed to come up in February?
- Yash Mutha:** Yes, there were two parts. A, after the tender, we also got an extension and we served the extension period. In the interim, the government had launched a smaller tender, which we don't want to participate because it didn't make sense from a business perspective. And now the government has come up with a much larger tender, which has more collection centers and more labs and I think that's much bigger business than what we have done in the past in terms of opportunity that we see for Rajasthan and which we have currently bid, and we are awaiting the results.
- Aditya Khemka:** Yash, just sorry, can you just talk about this a little more, so the INR 70 crores per annum tender that we stopped doing, we stopped doing it because the contract period got over or we stopped doing this by choice because we had to bid for the new tender, which of 2 is...
- Yash Mutha:** No. We stopped it because the contract period got over after the extension that was granted to us.
- Aditya Khemka:** So the extension period also got over basically. So the contract expired?
- Yash Mutha:** Yes.
- Aditya Khemka:** That is why now the new tender is coming, which is larger you are saying. And the potential of this tender is how much, the newer tender?
- Yash Mutha:** Well, I think if you see from the government, the way they've put it, it's roughly about around INR 450 crores, INR 500 crores.
- Aditya Khemka:** INR 250 crores to INR 500 crores.
- Yash Mutha:** No, INR 450 crores to INR 500 crores.
- Aditya Khemka:** INR 450 crores to INR 500 crores per annum.

- Yash Mutha:** No, this is spread over, I think, a couple of years.
- Aditya Khemka:** Okay, spread over a couple of years. So per annum would be about INR 225 crores to INR 250 crores.
- Yash Mutha:** Yes.
- Aditya Khemka:** And Yash just help me understand this as well. So if we since we're incrementally winning more and more contracts in pathology, are the pathology gross margins, EBITDA margins going to be lower than our consolidated EBITDA and gross margins that we are doing historically because radiology to me seems to be a higher EBITDA margin, but a lower ROCE contract, whereas pathology seems to be a lower margin and a higher ROCE contract. Is am I on the right track when it comes to analyzing these two businesses?
- Yash Mutha:** Yes. So from comparing between radiology and pathology, certainly, pathology margins, EBITDA margins are a bit lower than the radiology. But I think the difference will not be significantly high between radiology and pathology, over around anywhere between 5% to 7%.
- And also one of the reasons why because there have been more pathology tenders. And also to like we've been saying, we want to have a healthy balance between radiology and pathology. That is the reason why we've also participated in these tenders and continue to win them. And of course, from an ROCE perspective, pathology is better compared to radiology.
- Aditya Khemka:** Understood. And this entire INR 11 crores decline in fees to hospitals from INR 27 crores to now INR 16 crores a quarter, this entire INR 11 crores per quarter decline in fees to hospitals is purely because of the Rajasthan tender, because it implies that in a contract that you were making INR 70 crores, you were paying INR 44 crores, INR 11 crores x4 quarters. You are paying INR 44 crores to hospitals as fees.
- Yash Mutha:** Yes. So basically, what we have done is like in the larger states, we normally go with business partners because these are far flung places. So we look at local partners with whom we have arrangements where they provide certain services, and that is how the arrangement was where we were paying fees to them.
- So like I mentioned in the previous calls as well over a period of longer duration of the contract, then you even absorb some of these employees on to our roles. And basically, the share of the revenue contribution keeps on reducing year-on-year.
- Aditya Khemka:** A couple of more questions for me. In the Punjab tender, so if I understand correctly, all our subsidiaries that we have are linked to the Punjab tender because of the way the tender has been drafted. Am I right?
- Yash Mutha:** Sorry, if you can just repeat that question?
- Aditya Khemka:** Yes, sure. So all the subsidiaries that Krsnaa has as an entity, as the parent entity the subsidiary that Krsnaa Diagnostics has, these subsidiaries are all linked to the Punjab tender? Or there are other tenders also which require us to have subsidiaries for different contracts.



- Pawan Daga:** It's linked only to Punjab tender.
- Aditya Khemka:** Only to Punjab tender.
- Yash Mutha:** So basically, there was a very specific requirement in the tender for Punjab, where after winning, they wanted us to create subsidiaries for each of these clusters. And that is the only reason why Krsnaa had to create subsidiaries, otherwise in our history, we never had subsidiaries. And since this was a specific requirement, they had to be created and accordingly, they are 100% subsidiaries of Krsnaa Diagnostics Limited.
- Aditya Khemka:** Yes. So then if I look at the difference between your consolidated profit and your stand-alone profit, the loss that I see in the subsidiary level, which is about INR 3 crores to INR 4 crores. And so that loss is purely coming from the Punjab tender?
- Yash Mutha:** Yes.
- Aditya Khemka:** And this is INR 3 crores to INR 4 crores a quarter, that's the loss we're making in the Punjab tender as of now.
- Yash Mutha:** No. So if you see Punjab tender, I think the as I said, the subsidiaries are only from the regulatory perspective. Financially, you should look at consolidation because for example, the fund raise which happened for the IPO happened in the holding company from which the equipments are purchased.
- So the subsidiaries are purely just from the tender requirement perspective because there is certain revenue upstream, which happens from the subsidiaries to the holdco, there are certain expenses which are there in the holdco and some of them are in the subsidiary. So I think it is basically the consolidated that we should look at our business and not from a subsidiary to a holdco perspective.
- Aditya Khemka:** Fair enough and any update on the income tax investigation that was ongoing? Any conversations or dialogues you have had with the IT department?
- Yash Mutha:** No. I think as of now, whilst we have submitted all the requisite information, there is no update or no any information that we've received from the authorities, and we are also equally waiting to hear from them.
- Aditya Khemka:** Okay, all the very best. I have more questions I will come back in the queue.
- Moderator:** The next question is from the line of Jainil Shah from JM Financial.
- Jainil Shah:** Hi, thank you for the opportunity, Yash, my first question is on the potential of the new tender, the BMC collection centers and the Odisha collection centers. So what is the potential?
- Yash Mutha:** I think Pawan will just answer that question.
- Pawan Daga:** So BMC, where we are looking for annualized revenue of INR 30 crores to INR 40 crores, considering the 600 collection center and 1 processing lab.

- Jainil Shah:** And Orissa.
- Pawan Daga:** Orissa, INR 50 crores to INR 55 crores annualized revenue, which we are expecting from 5 labs and 360-plus collection centers.
- Jainil Shah:** Okay. And just a follow-up to the previous participant's question. So we have lost this Rajasthan tender from when and what has been the impact in this quarter? So what was the contribution of that Rajasthan tender in 3Q last year?
- Pawan Daga:** So Rajasthan, we have discontinued from or the tender is completed in mid of August '22. So, in this quarter, there is no contribution from Rajasthan pathology per se.
- Jainil Shah:** No. How much was the contribution in the last quarter? I mean, last year?
- Pawan Daga:** Last quarter FY23, somewhere INR 11 crores to INR 12 crores.
- Jainil Shah:** Okay. So hence, your base business is showing lower growth. Is that the right understanding?
- Yash Mutha:** Could you just repeat that question?
- Jainil Shah:** So we were talking about 15% to 20% growth in our base business. So, I mean, it's not you're just seeing 12-odd percent growth. So the difference is the contract that we have lost.
- Yash Mutha:** So if you see the growth we've achieved is in spite of the loss of Rajasthan revenue.
- Jainil Shah:** Right, right. And any impact you're seeing on FY '24 guidance because of that? Are we revising it?
- Yash Mutha:** So FY '24, whatever we had basically considered, we knew that Rajasthan would not be there. So FY '24, I think from a guidance perspective and considering the Punjab experience, we are looking at about INR 700 crores, INR 750 crores is what we are currently looking. I think by end of this year, when you will have more clarity in terms of given these projects, Punjab completely getting deployed and other projects. I think maybe I'll be able to give a much more realistic guidance in the next quarter.
- Pallavi Bhatevara:** Jainil, we've not lost the Rajasthan contract. The contract tenure got over, and it is for rebidding. So it is a stop of services for a particular period because we got extension for the contract and even the extension period got over. And hence, now the government is retendering it because of the process to be followed. So we've not lost the contract. We have just stopped the services due to the tenure exhausting.
- Jainil Shah:** Fair enough, fair enough that's all from my side for now thank you.
- Moderator:** The next question is from the line of Chinmaya Bhargava from LSSB Family Offices.
- Chinmaya Bhargava:** Thanks for the opportunity I have two questions, the first is on disclosure. So a lot of the questions that participants have been asking you could be solved easily by sharing your test volumes that have happened over the few quarters. Can you please tell me why we stopped

disclosing this or at least not disclosing data of the lab, which will help us understand better how the business has performed overtime.

**Yash Mutha:**

Yes. So we, of course, started sharing this information if you see in the earlier presentations. However, considering the recent various tenders, which we have participated, a lot of our information that we are publishing has been used and which unnecessarily creates in a way, a lot of competitive challenges for us.

Of course, like we wanted to disclose this information. And I think in the year-end, we will be sharing the information. But on a quarterly basis because there are a lot of these tenders discussions going on and some of these people, they just use the numbers and basically come with some very weird tender quotes, which has kind of we've seen, and that is one of the reasons we decided to hold.

We've also seen a comparison with what the information is being shared in the amongst the peers. I think to that extent, we are trying to share as much as information possible. But given that there are some large tenders also that we wanted to participate in and hence the reason to not disclose. So in terms of whatever information is relevant and required for the investor community, I think we are sharing all of that information.

**Chinmaya Bhargava:**

Okay. So 2 follow-ups on this. The first is in terms of prices that you've bid for these tenders, surely, that is anyway public information, right? So tenders that you've won that data is already out there. So would disclosing these figures change what?

**Yash Mutha:**

Well, I think, see some of these questions, which are more in terms to do with the number of patients, volume, and then the discounting, people can join the dots and we've seen some cases where some very high kind of unreasonable discounts are quoted seeing what are our numbers and hence, the question.

I think we are conscious of the fact that there is an information that needs to be shared. And accordingly we have given whatever information is required. And anything that is required, we can do on a personal whenever, like, for example, investors need information, we can happily share that on a one-on-one basis.

**Moderator:**

The next question is from the line of Darshil Jhaveri from Crown Capital.

**Darshil Jhaveri:**

So sir, I just wanted to ask questions, kind of a follow-up question. So we were saying our potential for our BMC and Odisha is roughly combined nearly INR 90 crores of potential. So how would it kick in like we were planning to have some 200 pathology centers in BMC. Could you just help me with the progression of revenue that we can expect maybe how much we are expecting in FY '24 and how we will just operationalize?

**Yash Mutha:**

So from a BMC perspective, of course, we'll try to operationalize the center in this next quarter in terms of establishing the center, setting up of the lab but I think meaningful contribution of revenue will -- should be seen only in the next year, hopefully, by Q2 or second quarter because it takes time to ramp up and given our experience and the logistics part of it, we expect it to roll up from Q2 onwards.

Odisha will take a bit time as well because it's a very if you see the location-wise, geography wise, it's a wider area to be covered. The good part is Krsnaa will have its footprint across these locations, including Mumbai as well as in Orissa, and that also favors additional way to look into increasing the B2C model as well.

**Darshil Jhaveri:** Okay. So around from BMC, incrementally, we can expect around INR 20-odd crores of revenue maybe in the next year, if we are planning to operationalize in the Q2. Would that be a fair assumption, sir?

**Yash Mutha:** These collection centers would be activated as per whatever time lines we have to commit to the authorities. But I think ramp-up wise we would be a bit conservative in terms of how the ramp-up will happen. And eventually, from Q2 onwards you will start seeing the business gearing up.

**Darshil Jhaveri:** And sir, our FY '24 guidance that you were just talking about. So sir, we are planning to double our revenue. So we just spoke about, I think, INR 700 crores, but I think this year only, we will be crossing, I think, INR 450 crores easily. So doubling would be nearly INR 900 crores, right, sir?

**Yash Mutha:** Doubling we had no, the doubling that we had quoted was from the FY '22 base number. And see, aspirationally and directionally we would want to achieve that, and we are working towards it.

The only challenge is with the Punjab experience that we've had and at the same time to ensure that the investor community also has realistic expectations, we just want to come back with some more thoughtful approach to the expectations, hence we said hopefully by end of this quarter, the next quarter, I mean, we'll come back in terms of the realistic guidance that we expect we can achieve.

But I think if you see the way we are currently focusing in winning these tenders, at the same time working in even if you see the overall growth that we've achieved, including in these two things, I think compared to whatever is happening in the industry, whether with our peers, Krsnaa still has demonstrated in our opinion, a good performance, and we hope to continue the same in the subsequent quarters.

**Darshil Jhaveri:** Yes, correct. And if I may, I have a few more questions. Can I ask them, sir? Yes. So I just again, it's another clarification that so our Rajasthan business, we've shutdown in mid-August. So we would have, I think, INR 11 crores of revenue we booked in Q2, correct, sir?

So basically, if we exclude that, we have actually grown by INR 6 crores of revenue in Q3. So I would just want to know are new all operationalized, we have yet to deploy some assets. So how would we just see the ramp-up of these coming in, we have some 40-plus CT scan machines and everything. So just could you help me in maybe Q2, Q1, when will we be able to see a significant jump because I think it would be a it will be an all linear jump, correct, sir, because a lot of them will come together.

**Yash Mutha:** No. So I think that's a good question. If you see, we have the Maharashtra project also, which is a large project, almost of 39 CT scans to be deployed. And then we have the recent wins of

Orissa and BMC. Now Maharashtra is a large project, it will take almost from an installation perspective and assuming we get all the centers handed over from the government, we are still expecting the ramp up.

In terms of implementing of the centers will take anywhere by end of Q2 or Q3 of the next year. And likewise, as I said, the BMC and Orissa will start kicking in from Q2. So I think Q2 onwards, we should see a ramp-up in terms of our overall business, the new tender wins to contribute revenues for our existing base.

**Darshil Jhaveri:** Okay. So just to summarize, so the next Q4 and Q1, we might see our current range of revenue. And then from Q2, Q3 onwards we will see bigger revenue number. Would that be fair, sir?

**Yash Mutha:** Sorry, can you just repeat that?

**Darshil Jhaveri:** Yes, I was just asking, sir, Q4 and Q1 would be our current range of revenue. And then from Q2, Q3, you would see a higher growth revenue, sir?

**Yash Mutha:** Yes, we should see increase in the revenues.

**Darshil Jhaveri:** Okay, thank you so much that helps me a lot and all the best for the future.

**Moderator:** The next question is from the line of Punit Mittal from Global Core Capital HK Limited.

**Punit Mittal:** Thank you for the opportunity Two questions. One is the projects that you have mentioned on your Slide 19, which are the new projects that you're undertaking, which has 58 radiology centers and 992 pathology centers. Can you tell me what is the total capex requirement for these projects?

**Yash Mutha:** So Maharashtra, I think there are about 39 CT scans. So that could be roughly about around close to INR 50-odd crores, within INR 50 crores and which was the other one?

**Punit Mittal:** I am talking about all the projects, right? The total 50 centers, radiology centers and total 992 pathology centers that you mentioned on Slide 19.

**Yash Mutha:** Yes. Orissa and Maharashtra, I think if you're referring to those 386 plus 1 and 600 that would be about INR 150 crores of total investment that we'll have to do for Maharashtra and Orissa.

**Punit Mittal:** That's for the pathology centers, 386 and 600, right?

**Pallavi Bhatevara:** Yes. Correct.

**Yash Mutha:** You're referring to the investment, right? The capex investment.

**Punit Mittal:** The investment for both the 50 radiology centers and 992 pathology centers that you have mentioned in Slide 19, correct.

- Yash Mutha:** Okay. No, my apologies, I think we misunderstood. So the capex that we plan for Maharashtra and the Orissa project that are mentioned on the slide, that would be in the range of about INR 50-odd crores put together.
- Punit Mittal:** The next question, which you may have answered in your previous calls, but apologies for repeating that. When, for example, you said the Rajasthan project got expired and you have basically you had set up the projects when you got the contract. So for example, when you get the new contract, you set out the projects and things like that. Once the contract expires, what do you do with the machines and all that, that you have installed in these centers?
- Yash Mutha:** Sure. I think there was some static. If I understood your question correctly, you're asking what happens with the equipment that in the case of Rajasthan, right?
- Punit Mittal:** Correct.
- Yash Mutha:** What is your question? Yes. See basically typically these are like in case of pathology projects, these are very portable equipments which can be deployed at other projects because these are owned by us, they are in our books, and in our balance sheet.
- So as and when if we're required to move them to other locations, we can do so. Now in the case of Rajasthan, it's just we knew that there's a tender, so as of now, we'll have those equipment there, if required some of the equipment we can relocate at other private collection centers or private labs as well. So these equipments can be deployed wherever we feel it is appropriate to do so.
- Punit Mittal:** Okay. And my last question, when you do these capex for these centers, do you depreciate these the assets over the life of the contract? Or how do you do the depreciation for these assets?
- Pawan Daga:** So for the equipment, we do as per the life of the equipment, but for the infrastructure and other things, which we do for the life of the project.
- Yash Mutha:** So as I said, these equipments can be deployed, whether it is the radiology or the pathology, the equipments can be deployed. So considering the life of the equipment, the depreciation is done, which is also reviewed by the auditors and accordingly from the accounting standards perspective the depreciation is carried in the books.
- Punit Mittal:** Got it, thank you so much and all the very best.
- Moderator:** Next question is from the line of Jamie Soo from HSBC Asset Management.
- Jamie Soo:** Just a very quick question from me. I'd like to refer to the same slide that the other gentleman referred to in terms of the project. Slide 19, projects other than mentioned in HP. When I look at that slide on the third quarter and compare it to the slide in the second quarter, the radiology center declined. Total center declined from 60 to 50. On the other hand, the pathology centers grew from 200 to almost 900. Are these 2 slides referring to the same thing? And how should we go forward reconciling these numbers?

- Yash Mutha:** Yes. So I think what you are referring to in terms of the numbers. Basically, these are the centers which are currently under implementation. And the ones that you see refer to 982, basically, these are the new projects or new centers that we have won in this quarter. So basically, it's quarter-on-quarter movement between centers that are currently in the implementation and those that we've added new centers into our pipeline or which is now going to get implemented in the subsequent quarters.
- Pawan Daga:** If you're referring to the last Q2 implementation tracker where Uttar Pradesh, where we mentioned 4 centers for radiology center will be operationalized in Q4. But out of that, 2 has already operational; and 2 is in the pipeline, which will be operationalized in Q4 FY '23. So this is why are changing and adding the new projects which are coming up.
- Jamie Soo:** No, I get the timing of it, but there is a sort of line or column on the table that basically sums up every single radiology center that is under either operational, true to operational, construction, or work in progress, right? On the total number on the third quarter slide it stands at 50. But on the same slide, in the second quarter, it stood at 68. So quarter-on-quarter, it's down by 18. And then on the pathology center the same number increased from 214 to 992?
- Yash Mutha:** Yes. So Jamie, if you see in the Q2, we would have shown about Tripura where there were 18 centers which were under implementation. Now these 18 centers have already been operationalized. So basically from that 68, if you remove 18, you'll have 50, which is what you're seeing in Q3. So as the centers get implemented, they move from this table because these are only tables, which are currently under implementation.
- Technically we have completed this interjecting in our network. It is just showing, which are completed and which are still in the pipeline.
- Jamie Soo:** Okay got it, thank you.
- Moderator:** Next question is from the line of Manoj Dua, an Individual Investor.
- Manoj Dua:** So all Punjab centers have been now functional, how much sales we can expect in next financial year from the Punjab Centers.
- Yash Mutha:** So Punjab, we expect about close to INR 60 crores to INR 70 crores annualized revenue in the next fiscal.
- Manoj Dua:** Okay. So subsidiaries may not give the actual profit figure, but sale revenue can we take from the subsidiary of the Punjab.
- Yash Mutha:** Sorry, if you can just repeat that?
- Manoj Dua:** Whatever revenue the subsidiary is reporting, we can take that, that is our revenue from the Punjab Center.
- Yash Mutha:** No, no, no. As I said, the subsidiaries, there is a certain arrangement that we've had where because the investment is made by the holdco in that case, Krsnaa Diagnostics Limited, and there are the various subsidiaries, so there is a certain revenue sharing that happens between the

subsidiary and the parent company because the investments are in 1 company and the operations in the other company.

As I said, the subsidiary was made purely from the regulatory requirement and also the accounting is done in the way the arrangement was there between the holdco and the subsidiary.

**Manoj Dua:** So what was the revenue from Punjab in this quarter?

**Pawan Daga:** INR 12 crores.

**Manoj Dua:** INR 12 crores. Like we were doing the Rajasthan Center and the tender got stopped after the extension. So normally, what we see is that services don't stop. So in this case of Rajasthan those services are stopped. So won't that be difficult for the patients currently coming in. Can you comment on that?

**Yash Mutha:** Yes, I'll just comment on that. So basically, if you see that Rajasthan tender, it's cannot be said it was stopped. The contract tenure was completed. After that, the government basically brought in a new tender. But again, when we participated, there were a lot of, as I said, competition that had come in with a lot of complications around the tender. Then it got cancelled and now it has come for rebidding.

If you see our past experience, the first tender when we had won for Rajasthan, when it came for extension, we bid for it and we continued for another period of 3 to 4 years, so basically, there is a continuity that happens in these tenders. Only in this particular case because there was a lot of interest and some complication that was there in the tender because of which it had to get cancelled and that is where this gap has now come up. Otherwise, normally, these tenders work in continuity.

**Manoj Dua:** Okay. Can you give me the capex requirement for the new BMC and Orissa pathology orders? What would be the capex for that?

**Pawan Daga:** Both projects put together INR 20 crores to INR 22 crores approximately capex.

**Manoj Dua:** Thank you and best of luck.

**Moderator:** The next question is from the line of Aditya Khandelwal from SIMPL.

**Aditya Khandelwal:** Hi Sir thanks for the opportunity So when we came to the IPO, one of the key advantages of our model are we used to open centers in the hospitals and the in-house patients would help us with the revenue growth and the ramp up would be fast. But when we look at the Punjab, there has been a delay in the ramp-up of revenue. So just wanted to know what are the issues we are facing in this Punjab order?

**Yash Mutha:** So Punjab from all our collective experience of the past more than a decade. Sorry. So more than the I mean, the expense that we've had in the past versus Punjab proved to be an exception. For various reasons, there was a change in the government. And when they came in then in terms of getting the necessary approvals from the authorities took time.



So that led to delay in implementation of the project. Also, one of the key things that is kind of putting an interest to the revenue ramp-up is the Punjab is purely cash business. Now typically, in government business, when it is under the free diagnostic scheme, then you will see a very good ramp-up because patients come and they avail these tests because it is entirely cash driven. That is one of the reasons that we are seeing where the ramp-up has not happened the way we had anticipated.

Now of course, we'll have to do more of in terms of community outreach and all those initiatives are being undertaken to educate the consumers and showcase that these are the kind of facilities that are available. And hopefully, that should translate into additional or increased revenues in the subsequent quarters or the year.

**Aditya Khandelwal:** Right. So sir, then we had bid for the contract we would have made some assumptions regarding a particular revenue growth and particular total revenue for the contract period. Now since because of this delay, our revenue projections would have taken a hit. So the return, which would be which we would have calculated would be lower now because of this delay in the ramp-up? Or you think the IRR, which we have earlier estimated we would be able to achieve that.

**Yash Mutha:** I think you're right. From a time line perspective, the IRR would have been delayed. But as I said, potential-wise, and like today, now more and more people are becoming aware of the kind of centers we have deployed in Punjab, the rates at which we are offering and which has also been seen in translation in terms of more volumes coming towards us. I am sure I think it's a matter of time where once these projects achieve their true potential, whatever projections we've made, we should be able to achieve this.

And we've seen that in the past as well in some of these projects, and there are delays that are happening. It is more of a timing difference the way I look at it, a couple of months here and there, but then the projects get streamlined and that's one of the uniqueness or beauty of our business model.

**Aditya Khandelwal:** And just give us a split between the margins which we are making for the old centers, the pre-IPO, the centers which we had opened pre-IPO and the margins which we are making in the new centers. If you can just provide a split between them.

**Yash Mutha:** I don't think so I would have had that split with me.

**Pawan Daga:** We don't have as of now.

**Yash Mutha:** Yes. We can share that information to you separately.

**Aditya Khandelwal:** Sure, thank you, that's it from my side.

**Moderator:** Next question is from the line of Aditya Khemka from InCred PMS.

**Aditya Khemka:** So Yash, if I understand correctly, compared to FY '22, when we did, let's say, revenues of INR 450 crores and this year, FY '23 will be in the range of INR 470 crores, INR 480 crores. So last

year, we would have done almost as in FY '22, we would have done almost INR 70 crores on the Rajasthan tender, which in FY '23 would be how much about INR 30 crores or more?

**Yash Mutha:** Rajasthan in FY '23 would be close to about INR 40 odd INR 36-odd crores, yes.

**Aditya Khemka:** INR 36 crores, and then last year, there was INR 32 crores COVID revenue, which obviously, this year is like INR 2 crores. Am I right?

**Yash Mutha:** Yes. I think last year, it was close to INR 40 crores. So if you see put together INR 70 crores of revenue has not been there, which is because of COVID and Rajasthan not being there, yet we've been still maintaining that kind of revenue growth by end of this year.

**Aditya Khemka:** Yes. So basically, if I knock off INR 70 crores from the base year, we are looking at a INR 385 crores revenue FY '22 comparing that to whatever 470 something will...

**Yash Mutha:** Yes. So that is the kind of growth we are still maintaining and continue to grow.

**Aditya Khemka:** Correct no, that makes sense. The other question is you have a couple of data points we've got from the government website, where it seems that there are maybe 3 CT scans, which are coming up for expiry, I think, which we run. I think one of them is the Nashik district

And then there is a Jammu, I think, J&K and then there is Madhya Pradesh, 1 hospital. These are CT-scan machines, which I think we have we had contracts for 7, 8 years. And now I think these contracts are expiring sometime in 2023. So could you talk about what size of contracts are expiring in 2023? I understand that we may get extension, but as an investor would be good to know what could be the potential revenue loss we could face in 2023. This is the calendar year '23 I'm talking of. So FY '24 basically.

**Yash Mutha:** So Aditya, I think again and thanks for bringing that. So if you see for MP, we've already got an extension for 1 year, and that continues. And typically, we've seen given that like the investment in these projects, normally, the extension happens. Jammu also, there's already an extension in place.

So we don't see any of these tenders coming up for expiry in at least the next fiscal the I think the other one is Nashik. Nashik is continuing. I don't see that coming to expiry anywhere soon.

**Aditya Khemka:** So in your assessment for the next 1 to 2 years, there is nothing significant coming up for expiry?

**Yash Mutha:** Yes.

**Aditya Khemka:** That is understood. Last question. So you said that when these contracts are not renewed, especially your pathology machines, you are able to transport to other locations where you may be setting up pathology labs. But what do you do with the radiology scanners, the MRI, CT scanners, do you also transport that?

**Yash Mutha:** Yes, So for example, over a 10-year period, you would have already recovered the investment that we made in our radiology equipment, whether it's a CT-scan or an MRI, given our kind of payback that we expect. Hence, these machines can be deployed, we can deploy it to either

private centers. We can deploy it through Tier 2, Tier 3 locations. So there is absolutely flexibility in terms of how we can use this equipment. And there is no kind of any hindrance or bottleneck in using these equipment's.

**Aditya Khemka:** Right. And am I correct in assessing that ending FY '23, our radiology would be about 55% of total revenue and pathology will be 45%. Would that be the split broadly speaking?

**Yash Mutha:** I would have loved to answer that, but I don't think so I have an immediate answer to this, maybe towards the close of the year, we'll have more clarity on this.

**Aditya Khemka:** Sure, sure. I'll get back on that.

**Moderator:** The next question is from the line of Vinit Jain an individual Investor.

**Vinit Jain:** I wanted to ask some details about the retail strategy. I think you have highlighted the written part in the investor presentation in Slide 23. I wanted to understand what our broad projections are for this space? And what are the plans to eventually get into home collection of essential services, which have been highlighted on Slide 23.

**Yash Mutha:** Yes. So see from an overall, the B2C market, as we call it, we had announced that we are entering that space. We've already started the franchisee model, so to speak. Having said that, today, after the successful trial that we've had in Maharashtra and Punjab, we are getting lot of inquiries from people, but we are very selective in the way the entire process is where we want to really identify some good partners with a long-term vision because the way we are seeing in the market, there's so much of the kind of pricing pressure or deep discounting that's happening.

So we also want to ensure that there's a strong partnership with these kind of players with whom we want to be associated. So we are not as I mentioned in my previous calls as well, where it will be a slow ramp-up. And then all of a sudden, we should expect a good spike once our model gets baked well. And we also see strong these kind of partnerships.

Home collection, we've also started there. And like we mentioned, once the franchisee model also gets in full steam, we'll also expand the home collection in all these locations as well. Currently, home location does work in areas like Pune, Bombay or where we have our network and we'll be soon launching it across other locations.

The reason why we currently don't really focus because we already have a kind of customer base or captive customer base, which comes to our centers. So home collection is again a very differentiated service and also it needs of adding more manpower. So as and when the overall network gets established, then we could be able to leverage all these other verticals of business as well.

**Vinit Jain:** Sure. So then is it fair to assume that home collection and other walk-in patients is not going to be an immediate focus, and that's honestly good to hear because I was worried about exactly what you said, the entire cost structure involved with it and wasn't sure if this will work in semi urban and rural settings where the density of population will be significantly lower as compared to urban as well as transportation, etcetera, will be challenges. Is that a correct assessment?

**Yash Mutha:**

Yes. So we've been mentioning that as well. We are very cautious because in a highly concentrated kind of a market where there are such players, we are also trying to see that we should have a good differentiator. Price is, of course, that's a disruptive model that we have, but at the same time, in terms of quality, the logistics. So we're also starting this.

And as I said, hopefully, in the next fiscal, when we have these franchisees and accordingly, we will start working on it. Having said that, today, also in our government centers, we are seeing an increased participation from private walk-ins. That is the reason because people have now started appreciating that in government centers you are getting such kind of facilities. And we are seeing a very good healthy increasing trend in these centers as well.

**Vinit Jain:**

Actually, just a couple of quick questions on exactly that point. Will it be possible for you to share details of what proportion of your revenues by center or maybe by geography come from private walk-ins as opposed to the traditional government contract, that's one.

And second, the BMC contract that one. If we do a quick the numbers suggest that the revenue potential there from the government contract is about INR 27 crores, INR 28-odd crores per annum, correct me if I'm wrong. I wanted to understand your sense of whether that contract in particular, can be high in terms of potential from private walk-in's and the fact that it will be in Mumbai and will be in the backyard, so to say, of the traditional large pathology player. Could this be, in your view, a step towards disrupting the pathology diagnostic ecosystem in Urban India as well?

**Yash Mutha:**

Yes. Again, if you see from a data point perspective, while we wish for, it's a bit difficult to capture because differentiating whether it's a private walk-in and government patients, so there are certain measures, we're also working equally to have our systems to capture that kind of element from a more meaningful analysis and data analysis.

And again, thank you for raising this, we are equally working on it. It will be difficult for me to give that data point upfront now because the systems are not - again, given that we work in the government centers, it's equally challenging to differentiate very easily.

The second part of the question, which you asked about Mumbai. Of course, by density of population, very high metro like Mumbai. Potential-wise, yes, we also believe that it could probably have a better potential or a much better potential.

And at the same time, we could leverage our presence in Mumbai to also reach out to the much more wider urban markets with our disruptive prices and the kind of quality that we are offering. So I believe, yes, Mumbai could be a good base for us to look into and tap into these kind of urban models.

**Moderator:**

The next question is from the line of Nirvana Laha, an Individual Investor.

**Nirvana Laha:**

So Yash you mentioned that Punjab is already at INR 12 crores run rate. And if I heard you right, you said that next year is going to be about INR 15 crores, INR 16 crores run rate for Punjab. So we were thinking that even though Punjab not ramping up, profitability might be depressed.

But that doesn't seem to be the case. So why do you think the margins Y-o-Y are down and continue to be down for the last 2, 3 quarters?

**Yash Mutha:** See like I said, the margins have been impacted primarily because for example, we have onboarded employees. Now, for example, Punjab might have about 700, 800 employees, but the revenue is not commensurate to the kind of number of employees we have because the project has not ramped up.

Similarly, in the case of Himachal Pradesh where we've added more employees. So as the revenue ramp-up happens, that is where the contributions start increasing, and you should see an improvement in the margins going forward.

**Nirvana Laha:** So then the question is you expect similar numbers in terms of margin to also continue next year because what you're projecting is a very small growth on the number that you already have for this quarter? For next year?

**Yash Mutha:** Yes. I think see now most of the fixed overheads have been incurred. So we don't expect a further dent on the margins. And that trend should continue where the margins will be stable or improve going forward.

**Nirvana Laha:** I mean around INR 17 crores for next year for Punjab?

**Yash Mutha:** Sorry, could you repeat that question?

**Nirvana Laha:** Sorry. So your guidance for Punjab for next year remains at around INR 60 crores to INR 70 crores, that's about INR 70 crores.

**Yash Mutha:** Yes, for the year.

**Nirvana Laha:** And can you help us understand what exactly is this line item called fees to hospitals and others? Is this only to do with private hospital tie-ups or even for government hospitals? And what is the trend in this expense item going forward? I can see it's reducing. So can you please explain this?

**Yash Mutha:** Yes. Basically, what gets captured under the fees to hospital is, there are 2 components. Like one is we are also currently tied up with various medical colleges and private hospitals, where we have a center. So there's a certain revenue share that we do to these hospitals.

And then there is an element that we have in some of our bigger projects like Punjab or Rajasthan locations, where we have business associates as we call them, with whom we work in serving these patients. These are very remote locations. So in tribal areas or the remote corner, for example, if I give you Himachal Pradesh we have a center, which is near the Tibet border. So it's absolutely impossible for people to go there.

So we leverage these local partners to help us in terms of the logistics, in terms of sample collection. And these are the partners to whom we -- it's a straight away arrangement of revenue share. So basically, it doesn't become a fixed cost. It is linked to the revenue. And at the same time, they're also incentivized in terms of helping us not only increase our revenue, but also

ensure that quality service is being delivered. So this is how the business partners and the revenue or the fee to the hospital arrangement works. I hope I've answered your question.

**Nirvana Laha:** That part is completely clear. How does the fee to the hospital work? Like what does the hospital or medical college delivers to Krsnaa, return for the fees?

**Yash Mutha:** They give us space, right? So when we are operating inside their premises, the medical colleges or the hospital gives us the space, and that is 1 of the reasons why they expect a revenue share because it's a kind of a partnership.

**Nirvana Laha:** So this is for your private tie-ups, the fees to hospital.

**Yash Mutha:** Yes.

**Moderator:** Thank you. Ladies and gentlemen, that would be our last question for today. I would now like to hand the conference over to Ms. Pallavi for closing remarks. Thank you, and over to you, ma'am.

**Pallavi Bhatevara:** Thank you. Thank you, everyone, for joining our Q3 FY '23 earnings call. I hope we have answered all your questions. And in case you have any further questions, which have remained unanswered, please feel free to connect us with our Investor Relations team at the Churchgate Partners and looking forward to interacting with you in the future quarters. Thank you, and have a great evening ahead.

**Yash Mutha:** Thank you very much. Thank you, everyone.

**Moderator:** Ladies and gentlemen, on behalf of Equirus Securities Limited, that concludes today's call. Thank you all for joining us, and you may now disconnect your lines. Thank you.

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