



# “Vijaya Diagnostic Centre Limited Q3 FY22 Earnings Conference Call”

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**MANAGEMENT: MS. SUPRITA REDDY – CEO**  
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**Moderator:** Ladies and gentlemen, good day and welcome to the Q3 FY22 earnings conference call of Vijaya Diagnostic Centre Limited. As a reminder, all participants' lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should need assistance during the conference call, please signal an operator by pressing "\*" then "0" on your touch-tone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Krishna Kiran, Head of Investor Relations. Thank you and over to you, sir.

**Krishna Kiran:** Good afternoon and a warm welcome to all of you. I am Krishna Kiran and I handle investor relations for Vijaya Diagnostic Centre. We hope you have gone through our Q3 FY22 financials and our press release. I have with me Ms. Suprita Reddy, CEO; Mr. Narasimha Raju, CFO; and Mr. Siva, Head of Strategy. We will begin the call with commentary from the management team followed by an interactive Q&A session. This call may contain forward-looking statements about the company, which are based on beliefs, opinions, and expectations of the company as on date of this call. These statements are not guarantee for the future performance and involve risk and uncertainties that are difficult to predict. Now, Ms. Suprita Reddy, our CEO, will walk us through the key highlights for the period. Over to you, ma'am.

**Suprita Reddy:** Good afternoon everyone. Thanks for joining the call. I hope all of you and your families are safe and doing well. I will present the highlights for the 3<sup>rd</sup> quarter and the 9 months of the current financial year and our action plan for growth going forward. All through, my team and I have tried to maintain a steady and progressive financial performance and our results for this period demonstrate it. For the 9 months, our revenues increased by 31% to Rs. 346 crores driven by strong growth in our non-COVID business. With a growth of 40%, our reported EBITDA now stands at Rs. 156 crores with a margin of 45% of revenue. The profit after tax posted a growth of 62% to Rs. 86 crores. I would also like to mention here that our profit for the first 9 months is higher than the profit for the last financial year. In Q3 of FY22, our revenue grew by 11% to Rs. 111 crores and our net profit after tax grew by 2% to Rs. 25 crores. This quarter, we have added 4 new centers that are fully equipped with the state-of-the-art equipment, technology, and professional expertise. These new centers comprise 2 hubs, 2 spokes, and 1 reference lab. Our total center count is 89 comprising 24 hubs and 65 spokes as on 31<sup>st</sup> December 2021.

We have also partnered with reputed corporate organizations for providing comprehensive health and wellness services for employees and their families. One such major tie-up was with the Union Bank of India, Telangana state for 18,000 members in total comprising employees, ex-employees, and their families for annual health checkups. We also bought out our Kolkata hub center's building for Rs. 11 crores this quarter. This building was leased out to us for more than 2 decades. Our main focus is towards digitizing our business processes to optimize operational efficiency and enable the best possible customer experience. Our moves towards this end have been upgrading our WhatsApp delivery system to an AI-enabled comprehensive chatbot that brings in advanced features such as locating the nearest centers, online booking for tests, access to reports on WhatsApp, replies to customer queries. Developing a mobile

application and a progressive web application which will enable the customers to book any test at the click of a button.

Other important services such as home collection, access to all reports, replies to queries, reminders, analysis of health parameters, and many more can easily be accessed using this application. Working towards becoming a lean, asset-light organization by employing cloud technology.

I firmly believe that these initiatives and our systematic plan for expansion will put us in good stead for the time to come and ensure better customer experience and also help us in improving operational and the financial metrics.

Since we are expanding and opening many more hubs going forward, we have taken on board also Dr. Mukesh Agrawal as Director for the lab services, who comes with over 20 years of diagnostic industry experience and is also a technical auditor for both the ISO and the CAP. Mr. Narasimha Raju, our CFO, will now take us through a detailed presentation on the company's financial performance for the period.

**Narasimha Raju K A:**

A warm welcome to everyone on the call. I will now summarize our performance for these 9 months ended December 2021. The number of footfalls have increased by 53% year on year from 1.75 million to 2.67 million. Number of tests also up by 46% year on year from 4.71 million to 6.87 million. The strong growth in footfalls and tests is also partly due to low base in the 1<sup>st</sup> quarter of last financial year. Revenue per test was Rs. 504 and revenue per footfall was Rs. 1,299. Consolidated revenue increased by 31% year on year from Rs. 265 crores to Rs. 346 crores. The growth was driven by 39% year-on-year growth in non-COVID business. Non-COVID business increased from Rs. 212 crores to Rs. 295 crores. COVID and COVID-allied business declined by 2% from Rs. 53 crores to Rs. 51 crores. The contribution from COVID and COVID-allied tests has come down from 19.9% of revenue to 14.9% of revenue. Happy to share that our B2C share stood at 94%. EBITDA grew by 40% to Rs. 156 crores from Rs. 112 crores in the corresponding previous period. EBITDA margin stood at 45% recording an increase of 290 basis points over the corresponding previous period. The profit after tax increased by 62% year on year to Rs. 86 crores. Return on equity for the current period was 26% and pre-cash RoCE was 42%.

Now, I will discuss the quarterly performance, i.e., the current Q3 quarter versus the previous Q3 quarter. Number of footfalls for the quarter increased by 25% year on year from 0.68 million to 0.85 million. Number of tests also up by 22% year on year from 1.91 million to 2.32 million. Revenue per test was Rs. 477 and revenue per footfall was Rs. 1,303. Consolidated revenue stood at Rs. 111 crores, an increase of 11% over the corresponding previous period. We would like to inform that our non-COVID revenue increased by 20% year on year from Rs. 85 crores to Rs. 102 crores. COVID and COVID-allied business declined by 40% from Rs. 14 crores in Q3 FY21 to around Rs. 9 crores in the current quarter. The contribution from COVID and COVID-allied tests has also come down from 14% of revenue in the last Q3 to 8% of revenue

in the current Q3. Our B2C share in the current quarter stood at 95%. EBITDA increased by 3% to Rs. 48 crores and EBITDA margin is healthy at 43.2%. The profit after tax increased by 2% to Rs. 25 crores resulting at a PAT margin of 22.8%. Cash and cash equivalent at the end of this quarter was Rs. 235 crores as against Rs. 229 crores at the end of September 2021.

During this quarter, fixed asset additions of Rs. 30 crores happened including a Capex of Rs. 11 crores for purchase of building of our diagnostic center at Kolkata which was on lease for more than 2 decades. The remaining amount was spent mainly for commissioning 4 centers comprising 2 hubs, 2 spokes, and 1 reference lab.

Now, I will hand it over to our CEO who will speak about the strategy we plan to adopt.

**Suprita Reddy:**

Let me also talk about the company's strategic plan for the near future. We will continue to focus on maintaining and growing our presence in our core geographies i.e. Telangana and Andhra Pradesh. To this end, we have expanded 9 centers in the 9 months of the current fiscal. We plan to set up six more in the last quarter and have earmarked suitable locations in the core geographies as part of our expansion plan for the next 2 years. Our immediate next focus will be to expand to East India and the adjacent geographies where we have already identified multiple locations for expansion. The company enjoys a significantly strong brand recall and the fact that majority of our business is through walk-in customers is the testament to this. Our motto to provide comprehensive diagnostic services of the highest quality under one roof at reliable, affordable, and in a customer-centric manner will continue to motivate and propel our business decisions.

I now request the moderator to open the forum for questions from the audience.

**Moderator:**

We will now begin the question & answer session. Ladies and gentlemen, we will wait for a moment while the question queue assembles. The first question is from the line of Aashita Jain from Edelweiss Securities. Please go ahead.

**Aashita Jain:**

My first question is on the rest of AP and Telangana region. Sir, as you are expanding the rest of AP and Telangana, what has been your experience so far compared to the Hyderabad region? Maybe in terms of initial uptick in the volumes or realizations or maybe in terms of competition. Any qualitative color you would like to highlight?

**Suprita Reddy:**

If you look at our total count, we have already been present in the Tier-2 and Tier-3 locations of Andhra and Telangana and some of these hub centers in these locations actually get a larger footfall than what we would see in a hub center in Hyderabad itself. Because we have always believed in following the same integrated all-under-one-roof model and once that hub stabilizes, we start adding the asset-light spokes in those centers. So, even going forward, we don't see anything that's going to change in terms of the plan of the business itself and we have identified these locations, and like I have already mentioned, there will be 6 more openings before this year-end. And going forward also, there will be a mix of centers coming up both in Andhra and

Telangana and a mix of both hub and spoke. And maybe Siva can just give you a number to complete the answer.

**Sivaramaraju V:** Out of the 9 centers that we have opened in the last 9 months, 4 centers were in Hyderabad out of which two were hubs and two were spokes and the rest of five were in other parts of Telangana and Andhra Pradesh. Out of these five, 1 was hub in Mancherial and the rest were spokes in our existing cities.

**Suprita Reddy:** The other part of your question was revenue per footfall. It is not very different because if you look at even the number of footfalls itself is way higher in these Tier-2 regions compared to the centers that come up in the city of Hyderabad. So, the volumes are higher and the revenue per footfall is a little over than Hyderabad. Anything between 5% to 10% is the lower, but the volumes take over that. So, that's taken care of that.

**Narasimha Raju K A:** Also, just to add one more point. Even at the cost level, the center overheads like your staff cost, housekeeping, security, etc., are comparatively lower in these markets compared to Hyderabad.

**Aashita Jain:** My second question was on the eastern market. How do you see this market contributing to your overall revenues say in the year 5 from now? And could you please talk a bit on your strategy of expanding in this region – maybe in terms of number of centers or hubs you are planning to open, any acquisition plans, or any other quantitative or qualitative colour you would like to give?

**Suprita Reddy:** Since we were focusing on our core geographies of Andhra and Telangana, east was the region we chose very carefully to make it another home market by the time we have expanded enough in this region of Andhra and Telangana; that's say about 2 years from now. But in spite of that, we have already identified locations to start a hub center in Kolkata, maybe in the next 12 to 15 months and then take it from there. If you ask me year 5 from now, I wouldn't have an exact number probably, but that's a market where we will be starting first. And not maybe expanding the number of spokes at the same pace that we would do in Andhra and Telangana but definitely you will see a hub come up in the next 12 to 15 months, a year for that to stabilize which is year 3, and then the spokes start getting added up in and around the region of Kolkata. And I wouldn't have a number on that.

**Narasimha Raju K A:** Currently, the Kolkata region is contributing approximately 2.5% of the revenues. Since we have a plan to start the first hub in Kolkata in the next 12 months' period, the moment it stabilizes, we will start adding the spokes. So, definitely, the 2.5% number down the line 5 years might be touching the highest single-digit number also.

**Moderator:** The next question is from the line of Mitesh Shah from ICICI Securities. Please go ahead.

**Mitesh Shah:** I have a question on the non-COVID revenue. Generally, Q3 is the weakest quarter for all the diagnostic players, but if I can see sequentially, the growth is almost 0.3% but it has grown

actually. What is the reason for a weak seasonality quarter and we have done reasonably well in Q3?

**Narasimha Raju K A:** Generally, in the diagnostic industry what we have seen in our experience here is that the Q3 is a lean quarter compared to the other quarters, but in spite of that if you look at our non-COVID revenues sequentially from Q2 to Q3, they are more or less flat. There is no dip in the non-COVID revenues sequentially; however, even though the Q3 is generally a lean quarter. And if you look at the year-on-year performance from the last year Q3 to current Q3, non-COVID has increased by almost 20% on the non-COVID revenue levels.

**Mitesh Shah:** Yes, I agree with you. Any particular reason that in a weak seasonality quarter we have done reasonably well? Or is there any one-off or it is just a normal revenue of the year?

**Narasimha Raju K A:** There are no one-offs, it's a regular revenue.

**Moderator:** The next question is from the life of Praveen Sahay from Edelweiss Financial. Please go ahead.

**Praveen Sahay:** My question is on the realization. If I look at on the Y-o-Y basis, it is down; and on the sequential basis also, it's flat, around Rs. 477 level. Is this the sustainable level we can look at? Secondly, the Y-o-Y correction is largely because of COVID prices have reduced or COVID volume has gone down or is there an element of some price correction in the non-COVID business as well, as you are moving to Tier-2 and Tier-3 cities?

**Narasimha Raju K A:** The price realization if you look at it on a non-COVID revenue base, because it's proper to look at it on non-COVID revenue because the COVID realizations were higher in the last Q3, per test of RT-PCR was somewhere around Rs. 2,200 till mid-November and gradually decreased to Rs. 850 and then further to Rs. 500 at the end of the last Q3. So, if you exclude the COVID and COVID-allied testing, if you look at the realization per test for the current quarter is approximately Rs. 472 to Rs. 475 which is similar in the last year Q3 also, Rs. 475. So, there is no impact on this front at the non-COVID revenue level.

**Praveen Sahay:** Second, on the volume side. In terms of the volume, in number of tests, how much is the contribution from non-Hyderabad?

**Narasimha Raju K A:** Generally, if you look at our revenue, approximately 83% revenue comes from Hyderabad and the 17% from out of Hyderabad. So, we expect on the volume side, slightly 1% to 2% change might be there or more or less 17% to 18% might be the volume side contribution from out of Hyderabad.

**Moderator:** The next question is from the line of Cyndrella Carvalho from Centrum Broking. Please go ahead.

**Cyndrella Carvalho:** Ma'am, I just want to understand if we look at our expansion plan, in terms of our market share in the dominant region that we are present in, what is stopping us from gaining market share faster? Is there anything that you see as a deterrent right now or any challenges or you think it's all open for us and we can capture it as fast as we can? Then, what we need to do to increase the pace?

**Suprita Reddy:** Definitely, if you look at the market share of Andhra and Telangana, I think today we have got 7% market share. If you look at Hyderabad alone, I wouldn't have a number from anybody, but it would definitely be a double-digit number. Per se if you see, all of our centers including the smallest centers that we open are an integrated model. They service everything from a blood test to an entire health package. So, the number of centers even if you see in Hyderabad would be more than 60, but at the same time would be equivalent to say about a few hundred sample collection kind of model contributing to them. We have not seen any major challenges in terms of opening the centers whether it is in the city of Hyderabad or the Tier-2 and Tier-3 locations. Normally, for us, there are 3 deterrence that we see that we make sure. One is, the location has to be absolutely spot on; the second would be the talent; and the third is something that we look at especially in Tier-2 and Tier-3 regions is availability of maybe a Government medical college to make sure talent is there in terms of the consultants themselves. Otherwise, there has absolutely not been any kind of struggle in opening these centers. Historically, we were very comfortable opening about 11 to 12 centers a year. If you have seen, very comfortably we are opening about 14 to 15 centers a year. Even going forward, we are very confident of maintaining that same rate. In fact, the mix is what matters here. We say, about 11 spokes is what we open versus 3 to 4 hub centers. Depending on these factors that I have mentioned, the mix changes and we open these centers. In fact, we have clear visibility of the next 2 years of what we would be opening. We are very confident on that.

**Cyndrella Carvalho:** Just to add on for that, if you have a clear visibility, how should we see in terms of our market share? Do you expect it to be overcoming 2 or 3 years whatever is the horizon you are looking at? What is your internal aim?

**Sivaramaraju V:** We cannot tell you the exact market share, but year on year, we will be inching up. If you see in the current year, the market is expected to grow at 12% to 13%, but currently if you see our 9 months results, it is almost more than 25%. At least in the current year, we would definitely inch some percentage. Like that, maybe in 3-4 years down the line, we will enter into double digits in Andhra and Telangana; because today we are more in Hyderabad, now we are concentrating on other parts Andhra and Telangana where we have 80% of the population in the states.

**Cyndrella Carvalho:** In terms of any competition that you see in these regions, specifically in AP and Telangana?

**Suprita Reddy:** Competition has always been there; in fact, different competitors at different times; we have not seen any kind of impact on our business from them. Even in the interiors of Andhra and Telangana, we are a very differentiated model. When we go in with a large hub versus you have a lot of unorganized players there. So, when you are giving them something at an affordable

price in a better facility with better technology, and this is I think what has created that word of mouth for Vijaya, the high brand recall and the trust. That has been going well and we have seen in fact a lot of competition mushrooming in COVID times, and at the same time, not seen an impact of that on our business in these regions.

**Cyndrella Carvalho:** Anything from online side in the city area, specifically Hyderabad, do you see anything which is kind of changing? Any scenarios which are changing in the recent times with the online competition players or aggregators fastening up? Do you see them gaining the share or anything of that sort? Any observations on the industry side?

**Suprita Reddy:** This has come to us a lot of times even previously. We have definitely not seen a huge impact on this aggregator business on us, probably also because of the integrated model itself. Because Radiology itself cannot be serviced at home or remotely. And the customer, for convenience even if he gets pathology done, would have to come back to a center for Radiology. Normally we see an increase in demand for home collection or home services when the pandemic is at its peak. Even in the home collection peaks during the COVID times whether we have seen it in the wave 1, wave 2, or even now in wave 3. But definitely, the correlation of results with reference to both Pathology and Radiology tests is must. We have not seen too much of an impact here. In fact, aggregator business that comes to Vijaya is only about 1% to 1.5% of our revenues, not more than that.

**Cyndrella Carvalho:** One last from my end. If you can help us understand the current scenario given the wave 3? Any inputs that you can highlight? Trends, is it settling around in your view right now or what is the scenario?

**Suprita Reddy:** They would typically come into our quarter 4, In Q3, we didn't see too much of COVID happening. And January is when it peaked. Definitely, it's been a month full of COVID for us and we will be able to comment more on that in our next call when we catch up.

**Moderator:** The next question is from the line of Sanjay Awatramani from Envision Capital. Please go ahead.

**Sanjay Awatramani:** Can you highlight your Capex plans in the near future and how do we plan to execute those?

**Narasimha Raju K A:** As we explained, we will be opening at least 10 to 11 spokes and 3 to 4 hubs and the typical Capex requirement for the spoke center is approximately Rs. 90 lakhs to Rs. 1.1 crore, and for the large format center, hub center with an MRI and CT. It comes to around Rs. 11 crores to Rs. 12 crores. With a combination of 10 to 11 spokes and 3 to 4 hubs, what we expect is around Rs. 75 crores Capex for the next financial year. And since we are expanding in the Tier-2 and Tier-3 towns and our go-to-market strategy is to start with a hub center whenever we enter into a new market. In case if there is any change in the mix, i.e., more number of hubs compared to 3 and 4 that we are planning since we want to penetrate into new district and towns, in case if we open more number of hubs and correspondingly the Capex might increase compared to Rs. 75 crores, but at the same time, it will boost our revenues as well. Apart from that, Rs. 4 crores to Rs. 5

crores of Capex we are planning for our digital initiative like coming up with our new web portal and also a mobile application and the new billing software to make it compatible with the online and digital platforms. Rs. 4 crores to Rs. 5 crores are we expecting for these initiatives which might come on live sometime in the month of May. This is the Capex estimate for the next financial year.

**Sanjay Awatramani:** Sir, if I may ask a follow-up question on this, how are we planning to fund this Capex and are we using any IPO proceeds or are we planning for some debt raising or how are we funding this?

**Narasimha Raju K A:** As you know, the best part of the business model is approximately like 28% to 30% is the cashpat percentage. The internal accruals itself will be enough to take care of the Rs. 75 crores to Rs. 80 crores of Capex. Even though we open more number of hubs, we will be able to use the internal accruals. We need not go for any external funding, and during the IPO, we have not raised any primary funding as well. It was a pure secondary sale. We have cash and cash equivalents of approximately Rs. 235 crores as of December. So, we are fairly confident that we will be able to meet the Capex requirement and no need to raise any funding.

**Sanjay Awatramani:** One last thing is that what are the margins we are expecting for the next year?

**Narasimha Raju K A:** As you know, currently the margins are above 40% and considering our expansion also, we are fairly confident on north of 40% EBITDA margins going forward as well.

**Sanjay Awatramani:** So, this 40% will be maintained, right? This is EBITDA margins for full year?

**Narasimha Raju K A:** Yes, EBITDA margins.

**Moderator:** The next question is from the line of Rahul Jeewani from IIFL Securities. Please go ahead.

**Rahul Jeewani:** On the non-COVID business, can you talk about how the 2-year revenue and volume CAGR has been for the non-COVID based business? Because on a year-on-year basis, the growth looks high on account of the depressed base last year.

**Narasimha Raju K A:** As you know, the last year was impacted due to COVID and we also had seen change in the mix between the COVID and non-COVID across the quarter, and also, we were opening around 12 to 13 centers previously, but due to pandemic in the last year, we could open only 7 centers and that too at the fag end of the financial year. Even though the 2-year CAGR of 7% on the non-COVID value, in our view, it is not the right measure to look at it considering the last 2 years' impact of the pandemic on the business. And if you see the quarter on quarter from last year Q3 to current year Q3, the non-COVID both volumes and the revenues have increased by 20%. And we are fairly confident considering the strategy of opening 15 centers; in the current year, we have already opened 9 centers and we are on track to open another 6 centers by this financial year-end. In case if we see the end of pandemic by March and then once the normalcy sets in, then we are fairly confident on 15% top line growth even in the next year as well.

- Rahul Jeewani:** So, you mentioned that 7% is the non-COVID volume growth which is muted because we could not open the desired number of centers last year?
- Narasimha Raju K A:** 7% on the revenue CAGR growth for 2-year CAGR on the non-COVID. Volumes, I need to look at it; approximately it might be lower than 7%.
- Rahul Jeewani:** Is there any difference which you are seeing in terms of how the recovery is playing out between your Pathology and Radiology segments on the base business or you have seen equal recovery in both these segments playing out for you?
- Sivaramaraju V:** According to our opinion and then we keep talking to other players both in the medical industry, we still feel at least in this region, we have not reached to the normalcy. Still there is some scope. Maybe we might not be able to quantify that, but definitely, had there would not been COVID, the situation would be slightly better.
- Suprita Reddy:** It has also been like a fluctuating experience for us because every wave has been showcasing something that something new is coming up. In fact, last wave, we saw a lot of COVID with COVID-allied tests. This time, we see only COVID tests and not COVID-allied tests. In spite of that, the general mix of that 65% coming in from Pathology and 35% coming in from Radiology is still maintained and don't see too much of a difference but definitely like Siva has mentioned, in this region, the normalcy has not come in. We are still at about 80% to 85% of where we were at non-COVID times.
- Rahul Jeewani:** Ma'am, just 1 clarification with respect to the 7% market share which you indicated in the Hyderabad market. This is the market share of the overall diagnostics market in Hyderabad. So, what will be your market share if you ex-out the hospital-based diagnostics market?
- Suprita Reddy:** All this is 7% out of hospital of entire Andhra and Telangana. There is no number specifically given for Hyderabad. So, we do not have an exact number. That is why, I mentioned we would still be at a double-digit number. Since I do not have any kind of document to base that, I do not have that number to give you, would definitely be way higher in terms of Hyderabad.
- Rahul Jeewani:** This is out of the hospital market?
- Suprita Reddy:** Out of hospital of Andhra and Telangana together as a whole.
- Sivaramaraju V:** And if you take hospital market also for these 2 states, then we would be around 3%, because in hospitals, one thing to notice, though the number of testing is low, the average realization will be high because the tariff of hospital will be higher
- Suprita Reddy:** Designed basically for inpatients. That's the major differentiator there.
- Rahul Jeewani:** One question on your East India aspirations. You said that you have bought out the Kolkata hub building. Are you going to refurbish the hub which you already have in Kolkata? And for

expanding into the Kolkata and East India market, what will be your growth strategy? Will we continue to focus largely on the B2C segment, or during the initial few years, we would also be open to tapping the B2B opportunity?

**Suprita Reddy:**

This center that we are talking about is of our subsidiary. Medinova was operating in this building for the last 2 to 2.5 decades and there was a litigation on that building for a while now, and when the opportunity came and when the owners were willing to sell and since our business is based completely on a B2C model, the location is a known location, has been servicing, has done extremely well during the COVID time, we said it would be the right thing to do for the company. Since Medinova did not have sufficient funds, Vijaya Diagnostic bought this building to clear out the litigation. And when Vijaya had acquired Medinova in the year 2015 itself, it revamped, gave it a new look and feel and invested in it and it's a fully renovated center, is a hub center, but is operated by Medinova. Our aspirations of entering into the East will be from the Vijaya Company. Vijaya has already identified multiple locations, would close on something soon and that would be the hub center for Vijaya, and once that actually stabilizes, we believe only in doing B2C business. Even in new geographies, do not enter with B2B. It will be an integrated model with a high-end lab which is accredited with the MRI & CT and everything else. Once that stabilizes, we will start adding on the spokes in the eastern India region.

**Rahul Jeewani:**

So, this new hub center which you are talking about in the Kolkata market over the next 12 to 15 months, this is the hub center which will be put up by Vijaya?

**Suprita Reddy:**

Yes.

**Rahul Jeewani:**

And this is not the Medinova center?

**Suprita Reddy:**

Medinova continues to operate there and the growth plans of Medinova will be decided by that company and the board.

**Moderator:**

The next question is from the line of Praful Kumar from Dymon Asia. Please go ahead.

**Praful Kumar:**

Congratulations for a great performance. I have just 2 small questions. First is, in terms of inorganic, we are seeing competition, especially players in Maharashtra and in Delhi acquiring assets to grow. What are our thoughts on acquisition as a strategy to grow? Second question would be collaboration with, as you have said that a lot of people ask us a lot of questions 1mg and platforms, do you think collaborating with platforms makes a better proposition for higher volume growth for us?

**Suprita Reddy:**

I will take the first one, the M&A question. We have already mentioned earlier that we are very open to these M&A options. In fact, we selectively want to evaluate them. The key factors which we look at while evaluating these are more on the customer-centric focus since we are a B2B player, an integrated player, the culture, the quality of the assets, the scale, and the team bandwidth itself. And when we do find something like this, the other thing that we look at is the

geographies that we are interested in. The core geographies would be Andhra, Telangana, and the eastern India region. Anything comes up in these geographies, more than willing to look at it. An added advantage for Vijaya would be even if it's a pure Pathology player or a pure Radiology player, we add value to it by creating and making it an integrated facility. When it comes to the aggregator business, like I mentioned earlier, 1% of our revenue is today coming from the aggregators. But most of the times what I have seen and in my experience is these aggregators come into different geographies and then try to piggyback on the leader of that geography. So, they come in and they want to tie up and then they advertise and that does come in as the aggregator business. So, even though we have tied up and we give them our regular discounts, we see 1% coming in from here, and typically again, the patients have to visit the facility for Radiology. So, we see the volume not increasing much. In fact, it's been stagnated at this number since the last couple of years.

**Praful Kumar:** One last question, ma'am. In terms of Radiology and Pathology mix over say next 2-3-5 years, broadly remains the same as a strategy? Is there a change that you think it should be more Radiology and how are the margins different in each of these businesses?

**Suprita Reddy:** For us, not 2 to 3 years, in fact since the last few years, we don't see a major change in the revenue mix at all. It's been that 65:35 and we don't see a change also happening. I think it's going to continue at the same pace. Even the model of our centers that's why are more in the mix of more number of spokes versus hubs. The spokes add on to these hubs so that this volume also gets retained. So, we don't see a huge change of mix here.

**Moderator:** The next question is from the line of B V Bajaj from Bajaj Shares and Securities. Please go ahead.

**B V Bajaj:** Congrats for the 9 months' excellent results. I have a specific question. In your investor presentation, under strategy going forward – I need a response from the Chairman Mr. Reddy sir because Medinova holding about 62% is with Vijaya Diagnostics and you have put a lot of investment, taking the building and planning eastern India hub for diagnostic center under the Medinova label. Now, Medinova shareholders, do they expect some future planning so that it will be amalgamated and merged or how you are planning to treat Medinova stakeholders under Vijaya Diagnostic Centre? Though you are putting a lot of Capex money and under Medinova you have already invested enough money and still you have plans to make a hub. Can you throw some light on the future strategy of your holding of Medinova Diagnostic in eastern India?

**Narasimha Raju K A:** The expansion that madam was talking is not in the exact location of where the Medinova Diagnostic Centre is. We would like to expand in the other regions, and since the Medinova subsidiary was having the existing litigation, as a parent, we had to buy the building and then ensure the continuity of operations at our subsidiary. Coming to the strategy and the expansion plans of Medinova, that will be decided by the Medinova board, and as of now, the Vijaya's plan is to go deep into the eastern markets, not in the exact location where the Medinova center is there.

- B V Bajaj:** You mean, you will be taking this Medinova label or the name which is existing in eastern India, maybe Kolkata, again to other hub location where you will be planning or it will be only Vijaya Diagnostic?
- Narasimha Raju K A:** That we will decide in due course depending upon the situation at that time. In case if we use any of the brand of the Vijaya, we will have to take the appropriate permission at the board-to-board level. Since anyhow it is the subsidiary of Vijaya Diagnostic with 62% holding, we will ensure that both the company shareholders' interests are protected.
- B V Bajaj:** Yes, because as being a shareholder of Medinova, he will be more concerned about alienation with Vijaya Diagnostic what will be the future. Thanks a lot.
- Moderator:** As there are no further questions, I would now like to hand the conference over to Ms. Suprita Reddy, Chief Executive Officer, for closing comments.
- Suprita Reddy:** As a company, we have always laid emphasis on adopting the most advanced and sophisticated technology, given the utmost importance to hiring the best available skill and talent, and never compromised on the quality of our services. While ensuring this, we have always worked to keep our services affordable to our customers. With this being at the core of our culture and having the best of expertise, technology, and infrastructure at our disposal, we believe that we are sufficiently equipped to make the most of every opportunity that comes our way and to maintain and grow a strong brand. For any further information, we request you to get in touch with Krishna Kiran or our external investor relation advisors, Orient Capital, and they would be more than happy to help you. Thank you again for your time everyone.
- Moderator:** On behalf of Vijaya Diagnostic Centre Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.