



“Vijaya Diagnostic Centre Limited  
Q2 FY2022 Earnings Conference Call”

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**Moderator:** Ladies and gentlemen, good Day and welcome to the Vijaya Diagnostic Centre Limited Q2 FY2022 Earnings Conference Call. 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 you need assistance during the conference call, please signal an operator by pressing '\*' then '0' on your touchtone phone. Please note this conference is being recorded. I now hand the conference over to Mr. Krishna Kiran from Investor Relations. Thank you and over to you Sir!

**Krishna Kiran:** Thank you Bikram. Good afternoon and a warm welcome to our second quarter FY2022 Earnings Conference Call. I am Krishna Kiran from Vijaya Diagnostic Centre Investor Relations. We hope you have received Q2 FY2022 financials and the press release that we have sent out yesterday. With me we have our senior management team represented by Ms. Suprita Reddy – Chief Executive Officer; Mr. Sunil Chandra - Executive Director; Mr. Narasimha Raju – Chief Financial Officer; and Mr. Siva - Head of Strategy. We will begin the call with comments from the management team followed by 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 of future performance and involve risks and uncertainties that are difficult to predict and with that I will hand over the call to Ms. Suprita Reddy for the highlights. Over to you, Madam.

**Suprita Reddy:** Thank you Krishna. Good afternoon everyone, I hope all of you are safe and healthy. I welcome you to our first investor call after the IPO. Our company got listed on the National Stock Exchange and the Bombay Stock Exchange on September 14, 2021. This being our very first investor call, I would like to start with a brief overview of our company and then hand it over to my colleagues who will elaborate on the company's strategy and financial performance.

Vijaya Diagnostic Centre was founded in 1981 by Dr. Surender Reddy, our Executive Chairman with a vision to provide comprehensive diagnostic services of the highest quality under one roof at affordable prices. Over the years we have grown steadily by adopting a customer-centric approach. Vijaya is one of the largest and the fastest growing diagnostic chains in Southern India. As on September 30, 2021 the company has a footprint of 85 centres and 11 reference labs spread across 14 cities and towns in Telangana, Andhra Pradesh, NCR and Kolkata. We serve around 10,000 customers a day and perform around 9 million tests per year. All our labs are NABL

accredited and three of our centres have NABH accreditation. We follow quality standards of the highest order. Ours was the second lab in India to have been accredited by NABL back in the 90s itself. Vijaya has been one amongst the first in the country to introduce new technologies and high-end specialty tests. We have an expert team comprising over 200 doctors with specialized and super specialized expertise and over 1000 technical staffs, who bring with them years of experience and skill enabling us to always offer the best and the most wholesome customer experience. We are one of the largest customer facing businesses in the country today. Our customer centric approach and the brand's repute for high quality diagnostic services enabled higher brand recall in our core geographies. As a result, our business and revenue are majorly driven by individual customers. More than 90% of our revenue is generated through direct walk-ins. Today our growth part supersedes the industry trend. Our EBITDA margins of over 40% is a record breaker and we always operate with a negative working capital. Vijaya operates on highly efficient and robust hub and spoke model wherein a full-fledged centre called the hub is established initially. Once operations stabilize smaller centres termed as spokes are added around it. Our service offerings range from basic pathology to high-end radiology. Being in the customer-facing business space our philosophy has always been customer first. We immensely value and appreciate the contribution of our employees some of them have been with us since inception. Vijaya has been recognized and rewarded time and again for superior quality services, the most prominent ones being one of the best healthcare brands, leading diagnostic chains and many more. During the first half of the current year we have opened five centres. A strong performance demonstrates the inherent strength of our unique business model. The revenue from COVID-based investigations has declined during the quarter, we are extremely glad to declare that in the current quarter there has been a strong year-on-year growth of 22% through non-COVID investigations. I now hand over to Mr. Narasimha Raju, our CFO who will discuss the company's financial performance.

**Narasimha Raju:**

Thank you, Madam. A warm welcome to everyone on the call. I will now share our performance for first half of the current fiscal. During H1 FY2022 the number of footfalls has increased by 70% year-on-year from 1.06 million to 1.81 million. Number of tests up by 62% year-on-year from 2.80 million to 4.55 million. The strong growth in footfalls and tests is also due to low base in the corresponding previous period. Revenue per test stood at Rs.518 and revenue per footfall clocked at Rs.1,297. Consolidated revenue increased by 43% year-on-year from Rs.165 Crores in

H1 of last financial year to Rs.235 Crores in H1 of current financial year. The growth was driven by 56% year-on-year growth in non-COVID business. Non-COVID business increased from Rs.133 Crores in H1 of last financial year to Rs.206 Crores in H1 of current financial year. COVID business declined by 10% from Rs.32 Crores in H1 of last financial year to Rs.29 Crores in H1 of current financial year. The contribution from COVID has come down from 20% of revenue in H1 of last financial year to 12% of revenue in H1 of current financial year. Our B2C share in revenue in H1 of current financial year stood at 93%. EBITDA grew by 66% to Rs.108 Crores in H1 of current financial year from Rs.65 Crores in H1 of last financial year. EBITDA margin stood at healthy percentage of 45.9% witnessed an increase of 640 basis points to corresponding previous period. the PAT increased by 114% year-on-year to Rs.61 Crores. The cash and cash equivalent at the end of 30<sup>th</sup> September 2021 was Rs.229 Crores as against Rs.228 Crores as at end of 31<sup>st</sup> March 2021. During the first half we have generated cash flow from operations of Rs.84 Crores of which the capex incurred was Rs.46 Crores and the capital advances to equipment suppliers like Phillips and Siemens for the upcoming branches amounts to around Rs.25 Crores. As on September 30, 2021 around Rs.12.7 Crores is a receivable from selling shareholders as part of IPO expenses which were subsequently received. Capex of Rs.46 Crores includes Rs.35 Crores for acquiring a land in Hyderabad for setting up state of the art facility on our own premises. Return on equity for the current period stood at 28% and pre-cash RoCE stood at 45%.

Now I will share the quarterly performance. Number of footfall for the quarter under review increased by 32% year-on-year from 0.66 million to 0.87 million. Number of tests also up by 35% on year-on-year from 1.75 million to 2.36 million. Number of tests per footfall reached to 2.72 which is higher than 2.69 in the last financial year. Revenue per test stood at Rs.477 and revenue per footfall clocked at Rs.1,295. The consolidated revenue stood at Rs.113 Crores which is similar to corresponding previous period. Please note that our non-COVID revenue increased by 22% year-on-year from Rs.85 Crores to Rs.104 Crores. COVID business declined by 70% from Rs.28 Crores in Q2 FY2021 to just Rs.8 Crores in Q2 FY2022. The contribution from COVID has come down from 25% of revenue in last year Q2 to 7.5% of revenue in the current quarter. Our B2C share in the current quarter stood at 93%. EBITDA came in at Rs.51 Crores which is similar to corresponding previous period. EBITDA margin is healthy at 45.4%, improved by around 10 basis points over corresponding previous period. The PAT increased by

5% to Rs.28 Crores resulting in a PAT margin of 24.6%. Now I will hand over to Mr. Sunil Chandra, our Executive Director who will take us through the strategy going forward.

**Sunil Chandra:**

Thank you Raju. I would like to take you through the company's future business strategy. As we had mentioned even during our IPO process, our focus is on expanding our presence in our home markets i.e. our core geographies of Andhra Pradesh and Telangana. We plan to expand our footprint by setting up more spokes and hubs around this in the existing as well as new areas of these two states. As Suprita had mentioned, we have opened about five centres in the first half of this year and we are planning to open about 10 centres in the second half of the current financial year. So these will be in cities and towns in the home markets as well as adjacent geographies where our brand is recognized and regarded. We already have identified areas where we will be opening new centres in the current financial year as well as even going forward in the upcoming next few years. Also we have a focus on East India and as again we had mentioned earlier Vijaya operates in Kolkata through a hub center by the name of Medinova Diagnostic. It is a subsidiary of Vijaya and it is a BSE listed company that we have acquired in 2014. So during the pandemic our efforts under the Vijaya brand name have actually strengthened our presence in West Bengal, we have done a lot of COVID testing and other allied services in that area. Therefore we want to leverage the goodwill and the brand that we have built in that area by opening up new centres both in Kolkata as well as in other areas of Bengal and East India. This is the first results after our IPO, but as we mentioned, yes, we have already opened five centres in the first half of this year and we have about 10 centres that will be opening in the second half of the current financial year, which will contribute to our growth. The plans going forward are very much in line with what we have mentioned during our IPO road shows. We will continue to open more centres in our home market as well as in the adjacent geographies and East India. East is a key area for the company. It is an area of huge opportunity for the company. We will be happy to take any questions that people have now.

**Moderator:**

Thank you very much Sir. Ladies and gentlemen we will now begin the question and answer session. We have a first question from the line of Harith Ahamed from Spark Capital Advisors. Please go ahead.

**Harith Ahamed:**

Good afternoon. Thanks for taking my questions. My first one is on the non-COVID revenues for the quarter so it appears that you have had a flat quarter on a sequential basis so given normal

pathology testing across the country and even in your geographies was severely disrupted in the first quarter I was expecting a stronger recovery in the second quarter, so will you be able to give more color on the non-COVID revenues especially on a sequential basis?

**Narasimha Raju:** Sure. We considered RT-PCR and COVID antibody tests as part of the COVID. So just like the other industry peers if you consider D-Dimer and IL6 as part of the COVID and COVID allied test, we see a growth of around 12% sequentially from Q1 to Q2 and whereas when you compare year-on-year from last year Q2 to current year Q2, 28% is the growth in the non-COVID business.

**Harith Ahamed:** That is helpful and then when you refer to COVID allied testing does that include a radiology component because I believe CT Scans and then some of the radiology tests also would have been part of COVID allied is that the way to look at it?

**Suprita Reddy:** No, in fact that is the reason why we have only considered COVID to be RT-PCR and COVID antibody tests. So COVID allied testing we have only considered D-Dimer, and IL6 and nothing apart from those two and nothing from radiology.

**Harith Ahamed:** My second question is to understand the profitability profile of our two segments radiology and pathology a little better, I understand there is a lot of shared costs and given these shared costs you would not be able to give specific margin numbers for the two segments but just trying to understand if our pathology margins are broadly in line with other larger listed players who are there who are exclusively into pathology almost and they have their margins at around 25% to 30% so any benchmarking versus peers or any color around this that you can share will be very helpful?

**Narasimha Raju:** Yes, as you rightly told since it is an integrated service offering giving both pathology and the radiology service under one roof, there are various common costs. That is the reason why we are not able to bifurcate the margin between these two segments; however, at the gross margin level definitely the gross margins are higher on radiology front and slightly lower on the pathology front. But when you ask me what is your pathology segment profitability as compared to the other industry peers, we cannot bifurcate our EBITDA margins of above 40% into these two segments. But I am quite confident considering our B2C share of revenue you might have noticed

that more than 90% of revenue comes from B2C segment whereas in the other industry peers B2C segment revenue is not that much. Considering that one particular parameter I think we are at par with the industry or we will be slightly higher than industry but we do not have the exact split of this EBITDA margin but overall company EBITDA margins are above 40% and in the current quarter we achieved 45.4%.

**Harith Ahamed:** That is helpful and you mentioned that you added five centres in the first half and you are looking at adding 10 more centres in the second half so going forward if I think of FY2023 and maybe FY2024 do you have any targets in terms of number of centres would be adding or should we think of this number of around 15 centres as the number of centres will be adding each year in the medium-term?

**Suprita Reddy:** If you see even historically we have been growing at a good rate around 15% to 16% year-on-year and we typically add around 14 to 15 centres with a mix of both hub and spoke. So we have clear visibility on that even for the next 2-3 years and that is what we can expect.

**Harith Ahamed:** Just one clarification there when you talk about five centres added in the first half it is a mix of both hub and spokes or is it just spoke that you are referring to?

**Suprita Reddy:** It is both hub and spokes. There is one hub and four spokes. We have also upgraded one of our spoke centres, and it is now a hub center. So if you actually look at it there are five centres and one upgraded center to a hub.

**Harith Ahamed:** Okay understood. Thank you very much. I will get back in the queue.

**Moderator:** Thank you. The next question from the line of Ashika Jain from Edelweiss. Please go ahead.

**Ashika Jain:** Good day everyone. Sir, my first question is on your capex, in your opening remarks you mentioned that you have almost invested Rs.35 Crores to purchase a land in Hyderabad for your flagship center so just wanted to understand your thought process around opening another flagship center in Hyderabad or rather than settling on hub and spoke expansion are you seeing some demand uptick or any change in the business environment, some color on that would be helpful? Thank you.

**Suprita Reddy:** So, in fact you are right so we did take up this property to build a center that would be company owned mainly because our model itself is unique and we focus on giving that experience. Being customer-centric model and most of the business coming into walk-ins if you look at the need of our business the chunk of the business happens during the first half of the day. So all the footfalls are concentrated in that time. Because of that we felt that we may not be giving the same kind of experience because of the crowding happening in the near future. For that reason, when we found something with close proximity to our flagship center, we went ahead and took it also because the company will own a center of its own and we will also be able to maintain or maybe better the experience itself and also add a few more modalities in that area itself. That was the reason why we had acquired this land.

**Ashika Jain:** Sure, that is helpful, and just followup on that so how should we see the capex number in H2 and also can you guide on the capex plans for the next two years?

**Narasimha Raju:** As we mentioned earlier, the plan is to open at least around 15 centres each year. In the current year, we already opened five centres and 10 more centres we are planning to open. So the capex requirement for 15 centres with a combination of hub and spoke like 4 hubs and 11 spokes it comes to approximately like Rs. 70 to Rs.75 Crores.

**Ashika Jain:** So just wanted to understand your outcome in your EBITDA margin even in this quarter where I had lesser COVID contribution your EBITDA margins are well above 45% plus now is it a sustainable run rate in your view or how should we see it going forward?

**Narasimha Raju:** We are fairly confident on above 42% EBITDA margins going forward. In the current quarter we achieved 45.4% but we are fairly confident in the long-term above 42% EBITDA margins.

**Ashika Jain:** Sure. Thank you, that is helpful. Thank you.

**Moderator:** Thank you. We have next question from the line of Astha Jain from HEM Securities. Please go ahead.

**Astha Jain:** So, the question is regarding like if we see the industry result of peers like Dr. Lal etc. although it is not a fixed comparable but still the quarterly growth which the peers have shown and we are not able to, we have just posted flat growth so just wanted to know the reason behind it and what

gives you so much confidence that you will be able to maintain the growth going forward so these are the two questions from my side?

**Narasimha Raju:** If you look at our quarter-on-quarter growth from last year Q2 to current year Q2 by considering D-Dimer and IL6 as part of the COVID, it comes to 28% year-on-year growth we have shown in our non-COVID business and also sequentially as I already highlighted it is like a 12% growth from Q1 to Q2. In the past as you know we have grown at a CAGR of 15% to 16% and we are fairly confident that on an annual basis we will be growing at 15% to 16% comfortably because we have the organic plan of setting up 15 centres. In case if we do any good M&A acquisition that will add to this 15% to 16% CAGR growth that we are projecting.

**Astha Jain:** Because what happened I think this is an industry-wide phenomena that the non-COVID revenues have shown a jump for all competitors or peers I should say but looking after that also the results were on a very much flat note so that is why we have this thing that what went to I mean not in the favor of a company or a company cannot post the growth figures as the others have shown?

**Siva:** Just to add to what Raju just said, so last year Q1 and Q2 are a little bit unique in our geography as we said like we got the COVID testing permission from the state government only in the end of Q1 so there was a lot of rush for COVID testing in Q2. So Q1 was very low last year and there was a little bit of bulge in Q2 that was the reason these two quarters are not directly comparable when you compare with the other peers. So Q1 the base is lower, Q2 the base is a little higher. So if you see H1FY21 versus H1FY22 then we will be in a comfortable position.

**Astha Jain:** Thank you so much.

**Moderator:** Thank you. We have next question from the line of Praveen Sahay from Edelweiss Financial Services. Please go ahead.

**Praveen Sahay:** Thank you for taking my question. My first question is related to the revenue per test, so that there I can fairly understand because of a COVID that number is going down so is it like we can assume this will go back to the pre-COVID level of around Rs.420 for Rs.428 what your sense is for the way forward?

- Siva:** So the current run rate of average revenue per non-COVID test is around Rs.470 so we do not expect that to be at some Rs.420 or Rs.430 but comfortably it will be around Rs.470 to Rs.475.
- Praveen Sahay:** So this number is excluding some allied test which you are referring to for the growth 12%, sequentially 28% of Y-o-Y growth, the excluding of that number you are saying this realization is a Rs.470?
- Narasimha Raju:** Yes correct.
- Praveen Sahay:** Okay, thank you and the next question is related to the lease liability so I can see that from the March to September there is some 21% of increase in that lease liability so what is that for?
- Narasimha Raju:** So this relates to the Ind AS leases accounting for the branches that we have taken on lease as you know in the current six months we opened five new centres which premises are taken on lease and also we have signed a few more lease agreements for the upcoming branches. So because of this new leases that are taken, the lease liability as per the Ind AS, lease liability has increased from Rs.136 Crores to Rs.165 Crores between March to September.
- Praveen Sahay:** So for the future also you had some accounting because if I look at the rate for the 80 centres Rs.136 Crores and then 85 centres for Rs.166 Crores so rate if I look at it, it is on the higher side if I added five only then it is looking very high for a five centres rate?
- Narasimha Raju:** We should not look at it proportionately because so on the day one when you are accounting it you will consider the entire 15 years of the lease expense you will consider and do it so gradually it will keep coming down. So now it is like many leases got completed for 10 years so the number that you are currently looking 136 is not comparable to calculate proportionately for five years.
- Praveen Sahay:** Got it. Now the last question is related to the expansion plan as you had already highlighted at the 15 centres hub and spoke mix of that you are going to do is there any plan for some inorganic expansion in that and how is the mix for, you are largely in the Andhra and the Telangana and there is also presence in the East how will be mix of geography the way forward?

**Sunil Chandra:** As we mentioned our focus is on our core home markets as well as east. Especially in the east, we have already started working on identifying locations for our own centres as part of our organic strategy. We are opening 15 centres in our home markets and east. Also we are now working on but we are quite keen to look at any kind of M&A or inorganic opportunity and as you and most of the other people on the call know there has been some amount of M&A happening in our industry so we are also quite actively looking at any opportunities that come our way. Hopefully if something attractive and also the valuation is viable for us, then we will definitely be keen to acquire and that will be inorganic growth.

**Praveen Sahay:** So this 15 centers is for a home market only?

**Suprita Reddy:** 15 centres are not just home markets. They are also in adjacent geographies and some might come up in the east. We would not have exact details right now but it will be a mix of all.

**Praveen Sahay:** Thank you and all the best.

**Moderator:** Thank you. We have the next question from the line of Nitin Raheja from Julius Baer. Please go ahead.

**Nitin Raheja:** Hi Sunil, hi Suprita very good afternoon to both of you and congratulation on the results. I just wanted to get a little broader sense from you in terms of we have seen a lot of action happening in the industry in terms of the whole inorganic acquisitions that have been taken place and it has basically been the so-called players who are termed as national players who have been doing that now what do you think is driving this broader trend that the industry is seeing at one level and for someone like you who is a very strong or building a strong regional franchise how does that position you with respect to this?

**Sunil Chandra:** There is two parts to that question. So one is because of our business especially if you look at us we are a strong B2C kind of a company, we are a brand in our home markets so when we want to go to a new geography obviously if we are able to find a good fit a good opportunity to acquire somebody with a similar kind of a brand value system then it does help us in terms of growing. Because they have also put in that effort into building a brand so that is the reason for anybody whether it is us or our peers if you want to enter a new market and acquisition of the right kind of partner will make it easier to ramp up in that market that is the logic there. Unfortunately because

our business even today 18%, 19% is only organized it is a largely unorganized fragmented kind of business there is not too many I would say players who have built good businesses of some size or scale which can be acquired. So that scarcity as well as the need to grow has resulted in sometimes the valuations becoming a little stretched. so we are very keen to acquire if we find some suitable opportunity in the markets of interest but we will have to balance that with the valuations and whether those valuations are attractive for our company, for our shareholders because paying a unreasonable valuation will not really serve the interest of the company.

**Nitin Raheja:** So my question also was that why is this flurry of activity happening at this stage or now is it something that is being led by any sort of change coming about in the industry and business led by technology or something which is causing this sudden spurt and activity taking place?

**Sunil Chandra:** No I think technology is anyway there and I think everybody is adopting digital and technology. If you were to look at it from the recent couple of 2-3 transactions that have happened it is more of acquiring new markets. Some of our peers have acquired companies which give them a new presence in a different region and that's kind of what everybody wants right. They do not want to be seen as just one region so they want to expand to other regions and that is maybe one of the reasons why they have done these acquisitions.

**Nitin Raheja:** Is there something to it that if you really see even today the so-called national players as we club them actually very strong regionally so for example the Dr. Lal was very strong in the north or Metropolis was very strong in the west but the business had so far grown in a way and manner where you had very strong regional players actually who were taken over initially local regional small unorganized players and now suddenly is there something about this business which causes it to be so strong reasonably and now things are changing where people want to think nationally and so on and so forth?

**Sunil Chandra:** I cannot comment about the industry but yes if you look at our model we are very B2C focused and what we have always believed in is that when we have patients who walk into our centres then that kind of builds a sustainability in terms of these patients being our customers for the long-term and also the profitability is higher compared to if you do a B2B model. So that is really how we have built our business model and obviously yes it is I would not say regional but when you go to a new geography it takes a little time to build that brand so you cannot just say I will be

national and open centres all over the country and expect to build a brand overnight. So I think our concentration is on building a deep focus on the markets that we are currently present in and we want to do this by putting a density of centres and make sure we do not dilute our profitability also.

**Suprita Reddy:** Also COVID itself has created a lot of awareness among people and the expectations have risen so if you look at it we are uniquely placed in terms of that B2C and the customers was always coming to our centres and if you look at largely the unorganized sector when they do visit those centres, the entire experience, the technology, the TAT, the feel to it, all these make a difference and that is changing a bit and that is also accelerating the growth faster now.

**Nitin Raheja:** How big will the east be for you in a few years from now?

**Sunil Chandra:** The plan obviously over the next four years is to build it into a second alternate market and if you look at the broader strategy maybe we go to about right now we are at about 80, 85 centres if we go to about 140, 150 centres I think about probably about 15% or so should be east it is not an exact number but that is what we are hoping that it will get to.

**Nitin Raheja:** Right. Thank you. Thank you guys, all the best.

**Moderator:** Thank you. We have next question from the line of Harshit Dhoot from Premji Invest. Please go ahead.

**Harshit Dhoot:** Thanks and congratulations for a good quarter month. So Sunil two questions specifically so one is on the cost of per center of the new center specifically so I think our broader capex of around Rs. 75 Crores for opening up four, five centres, so did the center where more on hub side and much less on spokes and going forward it is going to be more spokes because per centre cost looks a bit high and the second one is more with respect to the revenue growth itself so I think as you pointed out that 2Q last year was an aberration given the high amount of D-Dimer, etc., but in general when we look at from pre-COVID level what is your sense of the recovery rate in general for the non-COVID part?

**Narasimha Raju:** Harshit, I will take up the capex part of it. For the current six months you might have seen Rs.70 plus Crores Capex in the cash outflow out of which the actual capex for the first six months is

approximately Rs.46 Crores and the balance was almost like a Rs.25 Crores was on account of CWAP and the capital advances that we gave it to Phillips and Siemens for the upcoming branches which you will see in the next six months because you need to give this advance so that right time you will be able to get the equipment and then you will be able to start the center as per the planned scheduled dates. Out of the Rs.46 Crores, Rs.35 Crores was towards the acquisition of the land for the state-of-the-art facility that we explained and the balance with Rs.11 Crores is the capex.

**Suprita Reddy:** Harshit normally there is not so much of capex paid in advance. Because of COVID and import restrictions and lot of other factors, we had to place orders normally six to seven months prior because there is acute shortage of equipment coming into the country itself.

**Harshit Dhoot:** Got it, Madam, and the other one is on the general revenue part.

**Suprita Reddy:** Yes, you also asked us about the recovery rate so we would look at the recovery rate to be around 85% to 90% approximately.

**Harshit Dhoot:** Okay, this is even today because so there is room for the entire non-COVID business to get to fully recover?

**Suprita Reddy:** Yes absolutely.

**Harshit Dhoot:** Okay got it perfect thanks a lot.

**Moderator:** Thank you. We have next question from the line of Praveen Sahay from Edelweiss Financial Services. Please go ahead.

**Praveen Sahay:** Thank you for taking followup questions. Just to followup on the last query that is related to the capex as was mentioned that Rs.46 Crores for the first half for five centres that looks little higher than what you are guiding for Rs.75 Crores 15 centres so is it because of a hub you have opened that is why or how is it?

**Narasimha Raju:** No, it also includes as we mentioned there is also an upgradation of the existing center as well apart from these five centres so that is the reason why the overall capex for the six months is just 11 Crores as against for the 15 centres we budgeted Rs.70 to Rs.75 Crores but we spent only 11

Crores towards these five centres and also one upgradation plus a few plant and machinery Capex at the existing centres.

**Praveen Sahay:** Next question is related to the centres which you are running or you are opening right now. How much is the capability for the test to handle. So, if I look at your historical last three years numbers the test per center which is continuously dropping so is it because you are more including spoke is it because of that or how to look at this number.

**Suprita Reddy:** Sorry Praveen did not understand that ...

**Sunil Chandra:** You said we are dropping I do not think so.

**Praveen Sahay:** Test per center so basically in FY2019 you have 61 centres then 73 then 80 and if I look at your total number of test performed in the year it is a test for center if I look at calculate it is a dropping so that is why I am asking like is it because of a spoke centres you are increasing higher number or how to look at actually or how much is the capability for the test per center for your service?

**Siva:** There are two things to this one is the five centres that we have opened during the current year were in the months of August and September due to COVID second wave we could not open in a quarter one so that they were recently added, the other thing is if you see even last year so we opened seven centres out of which again majority of the centres are opened in the last two quarters after COVID first wave. One thing they have not come to the full potential so that is the reason because the number of centres have added but the capacities had to be build so you see that numbers dropping.

**Sunil Chandra:** Also it is better to look at footfalls Praveen because if you look at somebody adding more spoke the number of tests may be lower in a spoke than a hub but your EBITDA margins on a spoke center are higher than in a hub.

**Suprita Reddy:** Also to add to that Praveen even though we said that the previous question somebody had asked if you look at Q1 to Q2 also basically our average tests have increased your non-COVID business is increasing gradually normalcy is coming in and averaged tests are also per footfall increasing.

- Praveen Sahay:** Great thank you for such a great explanation. Thank you.
- Moderator:** Thank you. We have next question from the line of Anuj Suneja from ICICI Prudential. Please go ahead.
- Anuj Suneja:** Hi everyone. So my question is regarding the Gurgaon centre that was opened up what are the future plans for that and what is the current situation for the centre?
- Suprita Reddy:** So the Gurgaon centre like we had mentioned earlier was actually opened up a few years back this was a model that we tried and tested to build only to do more of corporate work being in that particular region. So if you look at all other geographies that we have gone to, we have gone in with a large hub center and after the hub stabilizes we add on the spokes to it but whereas in the Gurgaon centre it is only a centre that focuses on health packages, corporate packages and wellness so since we did that and it has been doing decently well for corporate and wellness business we have left it at one centre rather than focusing growing in that geography because we see a lot more growth happening in our home centres and east so we have decided to focus on this area and not do anything more in the Gurgaon as of now.
- Anuj Suneja:** So another followup on this, is that centre like pathology heavy?
- Suprita Reddy:** That is absolutely pathology heavy and when we say imaging it is morally into corporate wellness like your 2D echos and TMTs and screening testing that is all. It does not even have high-end radiology in it.
- Anuj Suneja:** Could you give a percentage in terms of what kind of revenue is coming from there?
- Narasimha Raju:** Approximately 0.5%.
- Anuj Suneja:** Okay, perfectly right. Thank you. Thanks a lot.
- Moderator:** Thank you. As there are no further questions from the participant I would now like to hand the conference over to Ms. Suprita Reddy for closing comments. Over to you Madam!
- Suprita Reddy:** Thank you. To sum up we believe we have built a very trusted high quality and reliable brand of choice over the last four decades. Thank you once again for taking out time to be part of this

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discussion. For any further information we request you to get in touch with Krishna or our external investor relation advisors Orient Capital and they would be happy to help you. Thank you once again.

**Moderator:** Thank you Madam. Thank you to the members of management. Ladies and gentlemen on behalf of Vijaya Diagnostic Centre Limited that concludes this conference call. Thank you for joining with us and you may now disconnect your lines.