

Date: November 10, 2023

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

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

Pursuant to the Regulation 30 and 46 read with clause 15 of Para A of Part A of Schedule III of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed the transcript of the earnings conference call held with the analyst and investors on Monday, November 06, 2023 at 15:00 Hrs. (I.S.T) to discuss the Unaudited (Standalone and Consolidated) Financial Results for the quarter and half year ended September 30, 2023.

Request you to take the same on your records.

Thanking you,
Yours sincerely,

For Krsnaa Diagnostics Limited



Sujoy Sudipta Bose
Company Secretary & Compliance Officer
Encl: as above



“Krsnaa Diagnostics Limited H1 FY 2024 Result Conference Call”

November 06, 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. VIVEK JAIN – HEAD, INVESTOR RELATIONS, KRSNAA DIAGNOSTICS LIMITED.

MODERATOR: **MR. JAINIL SHAH – JM FINANCIALS.**

Moderator: A very warm welcome to the H1FY2024 Result Conference Call of Krsnaa Diagnostics Limited.

Before we begin, I would like to remind all participants that today's call may contain statement that are forward-looking statement, including but without limitation. Statement related to the implementation of strategic initiatives and other statement relating to Krsnaa Diagnostics future business development and economic performance. While this forward-looking statement indicates our assessment and future expectation concerning the development of our business a number of risks, uncertainties and other unknown factor could cause actual development and result to differ materially from our expectation.

As a reminder all participant lines will be in the listen-only mode. 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 that the conference call is being recorded.

I now hand the conference over to Mr. Jainil Shah from JM Financial. Thank you, and over to you, sir.

Jainil Shah: Good afternoon, everyone and welcome to the H1FY2024 Results Conference Call of Krsnaa Diagnostics Limited.

Joining us today on the call are 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; Mr. Vivek Jain - Head, Investor Relations.

I would like to now hand over to Ms. Pallavi Bhatevara for her opening remarks. Thank you and over to you, ma'am.

Pallavi Bhatevara: Ladies and gentlemen, good afternoon. And thank you for joining us today for Krsnaa Diagnostics H1FY24 Earnings Call.

I want to express my gratitude to each of you for being a part of this call. Our Investor Presentation has already been shared and is accessible on our website as well as on the stock exchanges website. I hope you all have had a chance to review the presentation.

I would like to kick-off our discussion by focusing on the comprehensive healthcare initiative undertaken by the Indian Government, the current state of the diagnostic service industry and shedding light on Krsnaa Diagnostic's position within this ever-evolving landscape.

Let's start with Ayushman Bharat recognized as the world's largest Government Funded Healthcare Program. Ayushman Bharat or Pradhan Mantri Jan Arogya Yojana extends free health insurance coverage to over 500 million individuals from under privileged households.

Another crucial enabler The National Health Mission which concentrates on enhancing healthcare accessibility in rural areas with the focus on Primary Healthcare Services, Maternal and Child Healthcare Immunization, and Communicable Disease Control. Notable other programs like Pradhan Mantri Surakshit Matritva Abhiyan, Janani Shishu Suraksha Karyakram, Rashtriya Bal Swasthya Karyakram, Rashtriya Kishor Swasthya Karyakram, and many more.

Diagnostic services are a cornerstone of the healthcare sector, crucial for Diagnosis, Treatment and Disease Prevention. The Indian diagnostic market is anticipated to reach approximately 1200 billion by Fiscal Year 2028 with a remarkable CAGR of 8% to 10% expected in the coming years.

Several interesting factors are driving the diagnostic industry's growth including India's sizeable population, aging demographics, increase non-communicable and chronic illnesses, rising individual income, greater insurance coverage, government initiatives in Teleradiology, Telemedicine, heightened health awareness and the expanding adoption of Point-of-Care testing and home collection.

Krsnaa Diagnostics a frontrunner in the field of PPP diagnostics is expanding its presence across India ensuring advanced diagnostic services that are not only accessible but also economically viable even in the remotest areas.

On a positive note, I am pleased to share an update regarding growth trajectory.

Krsnaa Diagnostics had been recently awarded "The National Diagnostic Chain of the Year" by ET Healthcare Awards.

We have successfully operationalized our projects in Orissa, in Q2 FY'24 with 6 laboratories and 386 collection centers.

We received accreditation from NABH and NABL for our centers. Currently we have 17 centers accredited by NABH and NABL.

We have started our first private state-of-art pathology laboratory in Mumbai which has the capacity to serve not only the Mumbai region but will also act as a processing laboratory and central lab for the western regions.

Over the last three months we have successfully established 7 new pathology labs and established 93 pathology collection centers and 5 new tele reporting centers. These endeavors have been meticulously aligned with our expansion strategy.

Looking ahead, we continue to leverage and build upon our existing presence across Tier-II and Tier-III cities providing high quality diagnostic services at competitive prices. Our recent center

installations, successful tender wins and ongoing evaluation of pipeline projects all point to promising future growth.

I will now hand over the call to Mr. Yash Mutha – our Executive Director to discuss Krsnaa's strategic plans and future growth prospects. Thank you and have a wonderful evening.

Yash Mutha:

Ladies and gentlemen, good afternoon. I am pleased to present the impressive performance of Krsnaa Diagnostics during the second quarter and the first half of Fiscal Year 2024.

As you all are aware Krsnaa is currently implementing pathology operations across various geographies including Mumbai, Odisha, Himachal Pradesh, Assam, Maharashtra, Karnataka, etc., As a strategy we are establishing 40 labs across these locations, in private premises taken on lease, with each lab spread around 4,000 to 15,000 square-feet in accordance with the business requirements, wherein eventually these labs will allow us to leverage the government business as well as the B2C business.

As of date, we have established 22 out of 40 labs and the implementation for these labs requires us to deploy, equipments, interiors, human resources and logistics along with other costs. These labs allow us to augment revenues not only from PPP, but incremental revenues from the B2C and B2B segments. And therefore, allow us to leverage the infrastructure that we are creating beyond the existing long-term contract periods. These labs will further allow us to grow our network of collection centers, franchisees, etc., in these geographies.

Our total revenues in H1FY24 have experienced a significant surge. Our total revenue stands at Rs. 295 crores demonstrating a strong 25% year-on-year growth. In terms of Q2 FY2023, our top-line grew by 27% year-on-year and 11% quarter-on-quarter.

Our growth can be attributed to projects won in the earlier quarters which are maturing and our focus on increasing the brand awareness of Krsnaa Diagnostics. As mentioned previously these implementation costs have a bearing on our existing margins. Accordingly, the sequential gross margins were impacted, because of the newer pathology projects wherein the consumption being higher in the initial period as well as with the higher consumption due to increasing pathology business wherein our rates for pathology tests are highly competitive when benchmarked to the CGHS rates.

As the pathology businesses of these projects mature, consumption is also expected to normalize. Our normalized EBITDA has seen a substantial increase reaching Rs. 39 crores, showcasing a remarkable growth of 27% year-on-year with a substantial margin of 25%. Equally noteworthy is a normalized net profit which stands at Rs. 18 crores representing a 17% year-on-year growth, along with a corresponding margin of 12%.

Additionally, our regular EBITDA has reached Rs. 32 crores reflecting a 4% year-on-year growth accompanied by a margin of 21%. Our regular net profit has also displayed growth reaching Rs. 10.5 crores with a margin of 7%. Additionally, in Q2 FY'24 there was an additional impact of Ind-AS amounting to Rs. 2.5 crores which arose largely due to the lease rentals as per our strategy discussed earlier.

It is worth noting that our profit margins have experienced some fluctuations deviating from the previous quarter's performance. This change is largely attributable to our ongoing expansion efforts encompassing various projects incurring high expenses that are yet to contribute proportionately to the revenue. Nonetheless, we maintain an optimistic outlook for positive margin shift as these projects mature in the upcoming quarters.

Let me provide some highlights of our existing projects.

We are pleased to inform you that our project in Odisha, which commenced its operations in the second quarter of Fiscal 2024, have been receiving a positive response and is poised for substantial revenue growth starting from the 4th Quarter of Fiscal 2024.

In the State of Maharashtra, we have finalized our plans for the installation of 39 CT-scan units across the 20 locations. The implementation of this project is scheduled to commence in a phased manner during this current quarter. Its revenue projections expected to materialize in the first quarter of Fiscal 2025.

Our ongoing BMC project, which encompasses the establishment of 600 collection centers, has already seen 462 of these centers becoming operational. The remaining centers are on track of operationalization which provides us with a high degree of revenue visibility.

Our project in Rajasthan which is of 150 labs and 1295 collection centers wherein after the intervention of the High Court we have already submitted the bank guarantee aggregating to Rs. 86 crores in total and subsequent to which the High Court had asked both the government authorities as well as Krsnaa to complete the due process. However, as we have been given to understand that subsequently due to the elections being announced across the state and with the Model Code of Conduct being implemented the response to execute these agreements have been delayed. We have nevertheless filed a contempt plea in the High Court and are expected to have a hearing on this very soon.

In the interim we have focused our priorities on the projects of Assam, Odisha and Maharashtra. Despite these delays, the company continued its growth momentum and continues to see the same in future as well.

The large project of Assam which we secured during the first quarter of this year encompasses the establishment of 10 laboratories, 44 collection centers, operational 24x7 and 1212 collection

centers, anticipated revenues from this project is expected to become visible in the fourth quarter of Fiscal 2024.

As discussed earlier, the implementation of Assam and other labs earlier might have an impact on the margins for Q3 with such large-scale implementation going on. However, we are confident that from Q4 onwards the contribution both to the revenue and margins will improve, helping us improve the overall revenue and margins for the company.

To further fuel our growth and bolster our presence we are deeply engaged in a comprehensive pipeline of various Public-Private Partnership projects including the development of labs, collection centers, addition to the CT and MRI facilities across various states. The strategic approach empowers us to explore new opportunities and strengthen our operations within our existing geographical footprint.

Our unwavering commitment to serving the B2C segment remains central to our efforts with the introduction of cost-effective wellness packages designed to cater to the diverse needs of our valued customers.

As we persist in our ongoing initiatives, execute the existing projects and build upon recent achievements, our outlook for the future remains robust and resilient. We have unwavering confidence in our ability to harness the substantial opportunities that lie ahead, poised to drive sustained growth and create value that resonates deeply with all our stakeholders.

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

Pawan Daga:

Good afternoon, everyone. I will now present the “Financial Highlights” for the quarter ending in September 2023.

In the second quarter of FY'24 our total revenue from operations experienced a notable upsurge reaching Rs. 155 crores making an impressive 27% year-on-year growth. Our Q2 FY2024 regular EBITDA reached Rs. 32 crores a commendable 4% year-on-year growth and we maintain a healthy margin of 21%. and our net profit amounting to Rs. 10.5 crores with a margin of 7%.

In H1FY24 our normalized EBITDA exhibited a significant increase reaching to Rs. 74 crores, demonstrating an outstanding 25% year-on-year growth, along with a substantial margin of 25%. Equally remarkable is our normalized net profit standing at Rs. 35 crores reflecting 18% year-on-year growth, margin of 12%.

Furthermore, our regular EBITDA has reached Rs. 64 crores showing a notable 8% year-on-year growth with a margin of 22%. Our regular net profit has also displayed a growth reaching Rs. 25 crores with a margin of 9%.

Taking a closer look at our balance sheet we currently hold a gross debt of Rs. 109 crores while maintaining a cash and cash equivalent worth Rs. 236 crores as of September 30, 2023. It is worth noting that our company continues to uphold a net debt free status and a noteworthy accomplishment. Our receivables as on Q2FY24 is 97 days.

We can now open the floor for the question-and-answer session. Thank you.

Moderator: Thank you. We will now begin the Question-and-Answer Session. The first question is from the line of Bala Murali Krishna from Oman Investment Advisor. Please go ahead.

Bala Murli Krishna: I want to know about this Punjab state, so I think still we are, what we thought that maybe I think we thought we have good visibility of revenue, but still, they are not up to the market in the case of revenue. And margins also I think we are still on loss in Punjab. Could you throw some light on that when we can expect it and what are the problems we are encountering on that tender?

Yash Mutha: So, on the Punjab tender I think we are on track; the entire project has been implemented and the revenues are also ramping up. Whatever we had challenges in the operations all have been put aside and the centers are now running smoothly with the business growing with every passing day. One of the important things is the entire Punjab business is on cash unlike other PPP projects. Also, we started the home collection services in state of Punjab, so this will also help us in increasing the revenues in the subsequent quarters.

Bala Murli Krishna: In the case of Radiology, we haven't commissioned a single unit also in this quarter. So, I think by the end of the year, by March '24, I think we can complete all these tenders which we are awarded, is it right or any tenders can go forward to the next financial year for implementation, other than Rajasthan.

Yash Mutha: So, for the CT scan project of Maharashtra the entire project as I mentioned earlier is under implementation. The machines are getting delivered as well as some of the sites are yet to be received. So, it is under implementation and by the end of this fiscal we expect the project to get completed.

Bala Murli Krishna: And on the B2C segment what are the current revenue contribution and any further visibility on that segment?

Yash Mutha: So, B2C revenues like whether it is the franchisees or the home collections which we have started in this fiscal, though it has been slow and steady start, but the results have been very positive, on a monthly basis we are seeing the uptake and upsurge in the wellness packages that we have

started, promoting even inside the government centers or even in our private labs. So, while the contribution is not so significant, however we are positive that with the Krsnaa's kind of brand awareness being created and we are leveraging our networks and similarly with the other states where we are deploying we should be able to expand the B2C initiatives across these various geographies and which will have a slightly better contribution to the overall revenues in the next fiscal as well.

Bala Murli Krishna: Just a small follow up on that, so going forward maybe down the line three, four years down the line, what could be the percentage of contribution we are expecting from the B2C?

Yash Mutha: Well ideally, we would expect the B2C contribution to be in the range of about 10%.

Bala Murli Krishna: And the lastly on the pipeline tender I think in the last call you told that there is one southern region tender I think that is from Andhra Pradesh. So, could you please throw some light whether it is Radiology or Pathology and what could be the area it's covering the entire state or implemented to some particular hospitals or like that?

Yash Mutha: So, the Andhra Pradesh tender was primarily on Radiology. And that is currently under different stages of evaluation. Apart from this there are other states also which we have participating both in Radiology and Pathology.

Moderator: Thank you. The next question is from the line of Kishan Toshniwal from Polar Ventures. Please go ahead.

Kishan Toshniwal: I have three questions basically. The first question that I want to understand is there any seasonality in our business, because from what I understand is that some quarters would be high, some quarters would be low, is it because of the seasonality?

Yash Mutha: So, normally in our industry, typically for us Q3 is normally where there is an element of seasonality. The reason being, there are holidays, otherwise there are not such severe impact of the seasonality. The diagnostic business is not something which you can just go and ask people to order, these are again test which are required based on health preferences .

Kishan Toshniwal: My second question is in the last quarter you had mentioned that you people will be growing even without Rajasthan at 50% on the top-line. And also, in long-term maybe say two, three years down the line what is the sustainable margin that you see at Krsnaa as a diagnostic company?

Yash Mutha: I would just like to correct; we have maintained that we will be growing with our existing CAGR growth rate which is about 30% and that is excluding Rajasthan. So, that visibility we still have in the subsequent years as well, whether Rajasthan happens or not, considering the existing

projects in hand, the existing revenue run rate and what we have achieved gives us the confidence that we will continue to maintain that growth rate.

In terms of the utilizations or the margins as we have saying earlier as well, for us 26% to 28% is what the EBITDA margins we expect to be sustainable, of course our aspirations are to improve it. But with the kind of current projects that we have on hand, we believe 26% to 28% will be sustainable margins going forward as well. And of course, they will be improving as the business matures.

Kishan Toshniwal: My third question is, as and when we win the tender and we are supposed to what you say Radiology center has to be put on, the Pathology labs has to be put on, we will always see that whenever there is a tender that has been won and you have to frontload the expenses. So, in that quarter and whichever quarter you do that frontload, the margins will be different than the actual margins of which it should have.

Yash Mutha: Yes, this is a typical nature of our model and the business. What happens is if you consider in a government setup, normally we have to establish CT scans or Pathology labs and the collection centers there the requirement to deploy the equipments, the manpower, the interiors, infrastructures, the logistics first, and the revenue doesn't commensurate as the expenses in the initial period, but eventually as volumes increase the revenue and margin improves

So, while this is the feature of the model but the advantage is after the center mature the margin improves as you can see our growth, in spite of our prices being 40% to 80% or 50% lower than the market rate, The EBITDA and margins that we can generate from these kind of projects is quite good. So, it is typically wherein the initial project till it ramps up there is the impact, but once the project matures then the revenues and margins also start contributing and increasing as the years goes by.

Kishan Toshniwal: When you consider it as a matured center?

Yash Mutha: So, it differs between Radiology and Pathology, but typically mature centers are those which have completed at least two years of their operation. So, two to three years is when they start coming at a matured state.

Moderator: Thank you. The next question is from the line of Deepak Poddar from Sapphire Capital. Please go ahead.

Deepak Poddar: First of I just wanted to understand more on the margin front. I mean since we are in the expansion mode, these expenses will keep on happening, right, I mean this Rs. 7 crores expenditure that we have incurred. So, something or else will come every quarter, right. So, ideally what I wanted to understand is that the EBITDA margin that we are talking about or we have guided in the past as well, so why adjust for it. So, just wanted to understand, is this the

margin that you are saying after adjusting for these operational expenses of let's say Rs. 7 crores so how do we look at it?

Yash Mutha: So, if you see had we not had these kinds of expenses or the implementation of the projects, our margins profile would have looked different, right. So, Krsnaa as a company and if you consider our entire past, the years of existence and operations, we have always been invested in creating capacities and capabilities. Now the benefit of this will of course come in the subsequent years. And as it has been seen, for example whether it is Punjab, whether it is our Karnataka projects which are now mature and are contributing significantly to the overall business. So, the initial years like any business when we start the new business it requires initial investments in terms of expenses, the benefit will definitely come in. And as today, Punjab, Himachal Pradesh projects are maturing, they will start also contributing to better margins in the subsequent quarters. So, it's a combination of both. In terms of sustainable we believe 26% to 28% is a sustainable EBITDA, excluding this kind of implementation cost.

Deepak Poddar: So, you have to adjust these costs, right because where I am coming from currently Assam, UP or Maharashtra then again Rajasthan will come. So, what I understand is that this kind of cost will keep on coming. I mean you will have to look at the next two years this kind of cost will keep on coming, right. So, ideally this 26%, 28% if we adjust for these expenses, we will become what, 20%, 21% kind of a range, I mean currently what we did this quarter.

Yash Mutha: No see this EBITDA is also expected to improve with you know for example, when in the next two quarters or from the next fiscal when Assam and Odisha they start contributing. So, the reported EBITDA is also expected to increase with all these contributions coming on from all these centers that are going to ramp up. It is not going to be a permanent feature, of course it depends on what projects we have on hand, and what is the stage of implementation.

Deepak Poddar: So, at the start of the year we guided for around 25% of our EBITDA margin for FY'24. So, how do we look at it then, I mean is it the reported margin we are talking about, is it 25% is the reported margin, without adjusting for these operational expenses or after adjusting for this operational expense, we would be kind of at 25% EBITDA margin?

Yash Mutha: So, we are looking to have these numbers without the adjustment considering our all the Assam, Odisha project ramped up.

Deepak Poddar: Okay, so FY'24, 25% EBITDA margin excludes the adjustment, right so it will be on a reported basis.

Yash Mutha: Correct.

Deepak Poddar: And that excludes other income also, right.

- Yash Mutha:** Yes.
- Deepak Poddar:** And this is what we are targeting, but how we will achieve that because ideally this ramp up will happen only towards the fourth quarter, right. So, ideally --
- Yash Mutha:** Typically for us Q4 normally is good business. And as I said there are certain strategic initiatives being undertaken for ramping up the revenues across the various regions in which we operate. So, once the fixed cost and all these overheads are absorbed every additional revenue will start contributing to the bottom-line or the EBITDA margins, straight away. And that is what we expect Q4 and Q3 gradually to help us deliver and achieve those numbers.
- Deepak Poddar:** And on the Rajasthan front, I mean now because of these delays we don't expect any kind of revenue in this fiscal year, right?
- Yash Mutha:** We nevertheless did not expect in Fiscal '24, except for the last quarter. Any which way in spite of Rajasthan we continue on this growth momentum.
- Deepak Poddar:** The 30% growth that you have been guiding on a CAGR front?
- Yash Mutha:** Yes. So, this year we expect and also the next year.
- Deepak Poddar:** And this Rs. 2.5 crores Ind-AS impact that has come lease rentals, how do we see going forward, I mean it will keep happening every quarter?
- Pawan Daga:** So, Ind-AS impact is for this quarter only, going forward the impact is already taken care in this regular business. So, this is an exceptional expense where we have started the private labs, the long-term association of the rental premises has taken into the consideration from the period of three years to eight years or maybe more, this is the impact of Ind-AS basically.
- Deepak Poddar:** So, it would not reoccur right in coming quarters?
- Pawan Daga:** Yes.
- Deepak Poddar:** And where is it sitting, it's in depreciation, right this Rs. 2.5 crores?
- Pawan Daga:** Depreciation
- Deepak Poddar:** Depreciation, so this Rs. 2.5 crores is sitting in depreciation in interest cost. And it will not recur, right.
- Pawan Daga:** It is sitting in depreciation head of the profit and loss statement

- Moderator:** Thank you. The next question is from the line of Pranay Khandelwal from Alpha Invesco. Please go ahead.
- Pranay Khandelwal:** I had this question that, so our relationships with private hospitals and the Krsnaa business associates have been going up. I just wanted to understand what is the structure of the contracts we have with them, like is there a specific time period or do we pay rent, how does it work because I believe it must be different as compared to the PPP projects that we do?
- Yash Mutha:** Correct. So, on private hospital partnerships that we have, typically the structure broadly remains the same, these are long-term contracts that we enter into it. The only difference being is in the private hospital partnerships we pay them revenue share because we are operating out of their premises and that's the only difference. The prices could be slightly higher compared to the PPP projects to accommodate the revenue share that we pay to these private hospitals.
- Pranay Khandelwal:** So, and I believe this revenue share this must be the fees to hospitals that we show on our P&L. So, if I see that that amount has also been coming down recently, so any reason why is there low volumes over there or is there a change in contract or revenue share percentages?
- Yash Mutha:** No, the fees to hospital there are two components, one is of course the revenue share that we discussed. The other component is also where we pay fees to certain business partners that we take in these remote locations where we pay them on a revenue sharing basis. So, as and when these centers or the project matures, we absorb those as employees and the revenue shares is not required to be paid. This is the strategy which we have been maintaining and we also mentioned previously that we want to ensure that over the period of years, the fees to hospital or the revenue share that we pay to these business partners reduces so that going ahead we are able to manage the entire project by ourselves.
- Pranay Khandelwal:** So, there would be projects where the employees are not on our payroll, and we acquire them that's what happens that's why the --?
- Yash Mutha:** If I have to look at some of the projects which are in partner location not just the employees, there are certain processes, it could be the logistics, it could be some other activities, which are worked along with these business partners when we take, these allows us to enter into such remote areas or states where we might not have any presence and allows us to build with their existing centers they have in those particular geographies. And once the project matures then we take over the entire activities wherein earlier we would have used their support.
- Pranay Khandelwal:** And just the last question on the Rajasthan contract, last quarter we had said that our revenue assumption like the peak revenue that we can realize from this project has gone up from Rs. 150 crores to Rs. 300 crores I believe and it was referred to as that that's because the districts were increased from 33 to 50. But as I see it the labs and the collection centers remain the same. So, I just wanted to understand how it is that that assumption got changed?

Yash Mutha: So, with the increased number of districts the coverage also increases wherein we are asked to cater to more population residing in those area and that's how our estimate has also changed.

Pranay Khandelwal: But the labs and the collection centers remain the same, so that has not changed, right.

Yash Mutha: So, these are basically, additional primary health centers that we are required to cover under these locations which allow us to go much deeper into the particular districts. And hence reach out to more people. So, the network of labs might remain the same, but the addition of primary health centers in this district gives us the visibility to go and approach more and more centers and thereby better volumes that we can expect.

Moderator: Thank you. The next question is from the line of Bharat Celly from Equirus. Please go ahead.

Bharat Celly: So, just wanted to understand on Rajasthan, so considering that there has been a new elections, in that case when we can expect Rajasthan to become commercialized now and whether we have already started putting up laboratories or that is also put on hold?

Yash Mutha: Bharat if you could repeat the last part of the question, please.

Bharat Celly: In considering the elections are we already working on putting up the laboratory or that is also put on hold?

Yash Mutha: So, Bharat to answer the first part of the question, Rajasthan whilst we are also working to ensure that the outcome is achieved as soon as possible, but I believe with the current election scenario this might get delayed. And we expect this to see hopefully in the next quarter or Q4. In terms of implementation, our ground teams are still working on with some little bit of whatever activities we need to do so considering that we are confident that the outcome will be in our favor, we don't want to have too much of delay. So, whatever is necessary and with limited resources we can, the activities are ongoing.

Bharat Celly: So, in that case when can we expect the revenues to start for Rajasthan, in the worst case?

Yash Mutha: Rajasthan, as we said Rajasthan whilst we were hoping if all goes well in the Q4 of this year, however we expect it to come in next fiscal. But as I said earlier that doesn't take away the 30% growth that we are thinking without Rajasthan.

Bharat Celly: Yash, I actually just wanted to understand that part as well, so we were expecting our revenues to almost double over the next two years now. So, when we look at Rajasthan was a chunky start, where we were expecting around Rs. 300 crores sort of revenues to come through that. So, ex of that, how do you see to step up, because as far as I remember you already gave Rs. 430 crores of number including Rajasthan and at that time we used to estimate Rajasthan to be around

Rs. 150 crores. So, ex of Rajasthan how that step up will be happen, if you could run us through what sort of revenues will be coming from each center if you could give any hint around that?

Yash Mutha: So, if you see today, we have various projects which are currently under implementation which includes Himachal Pradesh, Odisha, Assam, Mumbai project then there is the Maharashtra CT project. If we consider revenue streams on an annualized basis for all these, there is a significant chunk that is coming out which will allow us to grow and achieve that 30% growth that we expect in FY'25 as well. But this over and above with our existing business that we already have, we are growing year-on-year, so if you take a combination of both these, the existing projects and the new projects that are under implementation, both these will allow us to achieve that 30% growth trajectory that we expect to achieve in FY'25 as well.

Bharat Celly: What sort of revenue we are expecting from all these new tenders ex of Rajasthan?

Yash Mutha: So, all these tenders expect in the next fiscal should give us at about Rs. 140 crores of top-line, additional.

Bharat Celly: That is the max revenue that you are referring to FY'25 for FY'25 --

Yash Mutha: For FY'25, of course then FY'26 onwards as the centers matures, they will of course keep on increasing the contribution.

Bharat Celly: From the maximum potential perspective what sort of revenues it can have?

Yash Mutha: It could go up to almost Rs. 200 crores.

Bharat Celly: Are we expecting our base business to grow at 20% CAGR, in fact we are guiding for 30%?

Yash Mutha: So, our base business -- see there are certain businesses which our base business is also growing at a rate of almost 20% to 30%. And some of the mature businesses will grow at about 8% to 10%. And with this new business combination we expect all of these to be put together if you put it in a bucket that will come to about 30% year-on-year growth.

Bharat Celly: And in case if something goes wrong as far as our expectation in Rajasthan, is there a possibility that the whole tender can go for rebidding?

Yash Mutha: Well as of now considering the High Court orders that have come in our favor, we don't expect anything to go wrong. In terms of the possibility that has to, if we were to see. As a logical process, if something goes wrong of course there might be retendering, but whatever we have been discussing and with the High Court intervention I don't see anything going wrong at least as of now.

- Bharat Celly:** But Yash, still I am unable to understand, we have submitted our bank guarantee, we have done what is required from the government end. So, why government is stopping us, why there is a delay, because if we have done our bit why government is pushing it to a later date, especially when it is the requirement from the public side. And being it an election year, even the government would need it to be on time from their **(Inaudible) 42.54** so why there is a push to --?
- Yash Mutha:** Honestly the authorities would be the best person to answer this. But if I can just guess on this, it could, so probably with the elections being around the corner and typically everyone would want to differ the decisions with because there could be a change of government or whatever. Having said that, given that we have order from High Court and since the High Court has made it very clear, we believe that whomsoever government or whichever the authorities will have to enforce the orders of the High Court otherwise it becomes a Contempt of the Court for which we have anyways filed with the required plea. So, I think it's a matter of time, and for us it allows us to focus on other priorities and continue to expand on those geographies or projects.
- Moderator:** Thank you. The next question is from the line of Rikesh Parekh from Rockstud Capital. Please go ahead.
- Rikesh Parekh:** Just want to understand on the Punjab contract side, if I look at the subsidiary between holdco and standalone and consolidated number, top line seems to be just Rs. 8 crores so am I missing something over there?
- Pawan Daga:** This is where we have an transfer-pricing arrangement, arm's length price arrangement between the subsidiaries and the holding company. If you look at by calculating, subtracting consolidated to subsidiaries numbers, standalone numbers so it is not right approach to calculate, because internally we have the pricing mechanism, which are calculated on arm's length price basis.
- Rikesh Parekh:** Rs. 8 crores of revenue, so it is just a profit number what we show over there or it is arm's length pricing that I understand.
- Pawan Daga:** So, there is a revenue sharing arrangement between the subsidiaries and the holdco, that's why it's not showing the correct numbers there, because the sharing income is shown in the holdco Company's revenue. So, if we net off then we will get a correct revenue number of Punjab.
- Rikesh Parekh:** Second is on our BMC contract where we are expanding quite rapidly. So, has the operation been stabilized? What will be the peak run-rate over there?
- Yash Mutha:** So, in terms of BMC we have operationalized around 462 centers, in fact the kind of volumes that we were expected to complete in four years we have delivered that in the last 6 to 9 months. And hence we have also invested in the Mumbai lab that we are currently expanding. And the revenues of course is expected to increase as the month go by.

- Pawan Daga:** Also adding to above point made by Mr. Yash, BMC has given us further mandate to start home collection services across the Mumbai region, for that we can charge an additional, basically the convenience fee to the patient or citizen for collecting home sample from their home, residence or any other location. So, monthly run-rate which is in the range of Rs. 2 crores to Rs. 2.5 crores will further move up to Rs. 4 crores to Rs. 5 crores of revenue.
- Rikesh Parekh:** And last thing on this Rajasthan contract we had estimated revenue fall in the 4th Quarter so since that will be falling into the next year only, so from where else will be making up for the 30% top-line growth.
- Yash Mutha:** So, as I said, in spite of Rajasthan we have Assam, Odisha, the Mumbai CT, then Punjab, Himachal also some of the addition that have been done there and the Maharashtra CT, we believe all of this will help us achieve that or bridge the gap which Rajasthan would have contributed in Q4. So, our focus is on to ramp up the operations of Assam, Odisha so that they will allow us to ramp up faster and bridge that gap.
- Pawan Daga:** Anyways we forecasted our growth without considering Rajasthan project that we will continue to maintain our CAGR growth of 30%.
- Rikesh Parekh:** Andhra Pradesh tender of Radiology, so what is the size of the tender and by when it is likely to be finalized?
- Yash Mutha:** As I mentioned earlier, this is currently under evaluation phase, when we get some more information, we will be able to share it accordingly with public at large.
- Moderator:** Thank you. The next question is from the line of Ankit Pandya from InCred Asset Management. Please go ahead.
- Ankit Pandya:** Just two questions, firstly on the margin front where you said that for full year or 2024, we expect around 25% margin. So, do you expect that sequentially we will see improvement in margins and almost a 25% plus EBITDA margin in 2024?
- Yash Mutha:** Yes, so for FY24 we are expecting those kinds of margins and for FY25 with all the projects getting up, we are also hoping that the margins would continue to improve.
- Ankit Pandya:** So, I was asking how much of more the cost will we be incurring for the next two quarters, like almost in the first quarter, there was around Rs. 3 crores of cost that was, because of the new lab centers being implemented and this quarter around Rs. 7 crores. So, in the next two quarters, how much of those cost where the centers are not yet implemented those cost can we expected?

- Yash Mutha:** So, I believe the majority of the implementation would be done, except for Q3 where the balance of the implementation is going on, that is where we expect there might be an impact on the margins. Q4 onwards the centers are expected to contribute to the revenues and margins
- Ankit Pandya:** So, by Q4 the exit margins will be significantly higher compared to the previous three quarters?
- Yash Mutha:** Yes.
- Ankit Pandya:** Lastly on the receivable days, there has been a jump in the receivable days during this quarter. So, any particular reason and should we expect to normalize by end of FY24?
- Yash Mutha:** Yes, so if you see year-on-year, September quarter or half year typically the receivables are within the same 90 days. The only reason this time it has been slightly delayed further is because of certain exceptional matters for example, in Himachal Pradesh there were flood situations; Meghalaya, Manipur there have been these riots So, they have further impacted some of the receivables, but we see as seasonal and typically we evaluate the receivables mostly at the financial year end, because even from an authorities government's perspective they are supposed to ensure that all the money that has been earmarked for the budgets have paid. So, we don't see any stress on our receivables, and we are confident that we will be able to recover all the dues.
- Ankit Pandya:** But with Assam, Maharashtra the BMC contract and Odisha, we shouldn't expect any major jump or any challenges in the receivable days?
- Yash Mutha:** Absolutely not.
- Moderator:** Thank you. The next question is from the line of Mayur Parkeria from Wealth Manager. Please go ahead.
- Mayur Parkeria:** I had only one question and I don't know if that has been answered, how much is the upfront expenditure we have made on Rajasthan and is it capitalized on balance sheet or is it already expensed out?
- Yash Mutha:** We have not made any significant capitalization for Rajasthan there have been some operational expenses and some basic work, when we start setting up that, so only to that extent otherwise there has not been any major investments in the Rajasthan project.
- Mayur Parkeria:** And whatever we have made is all expensed out till now or is there anything sitting on the balance sheet?
- Yash Mutha:** So, it has been expensed out.

Moderator: Thank you. The next question is from the line of Soumitra Joshi, Individual Investor. Please go ahead.

Soumitra Joshi: I basically have two concerns here, one is from a margin perspective I am still not able to fathom the fact that we are talking about EBITDA margins of 25% normalized, not adjusted for the year of FY24. So, if we just look at the first quarter and the second quarter are we saying considering that there would be some cost that we would bear in Q3 also? Are we saying that we are going to do margins of around 29% to 30% in the coming two quarters? So, if adjusted also the overall EBITDA margins for the year come out to be 25%? I don't know how these calculations fall in of ending up with 25%, I am doubting that. So, if there is something that you can help with this?

Yash Mutha: Yes, so see there are a couple of strategies we have implemented in terms of certain costs that could also be reduced in the coming quarters. So, these are basically on the consumption side, s logistic & operation cost. That put together along with the incremental revenue that we see in Q4, where by then Assam, Odisha would have been fully or at least would provide us the initial contribution over and above the cost incurred following which we expecting some good run-rate from these projects. Some of these projects have a better margin profile compared to the other existing project. With all this initiative and combination of work, we believe that we should be able to achieve that kind of EBITDA margin run-rate.

Soumitra Joshi: Again I am saying that this would mean around 29% to 30% of actualized margins for the quarter. This is like huge, okay, so it is just unbelievable 1). 2) Okay, I think that this will be a very tough task to achieve. I don't think so that these kinds of margins can be achieved for Q3 and Q4.

Second thing is, being in the liaisoning business for sometimes while I was working, and interacting with the government there are a few things that is bothering me about the Rajasthan tender, i) Is assuming the elections don't go the way for this particular government, can the new government completely start the project from scratch? ii) Even if it is this government considering the number of to and froes that we have had with the court, and with whatever little experience that I have of liaisoning over a period of time for multiple companies, it doesn't augur well in terms of relationships and word of mouth for the company in other areas. So, have you spoken to government officials etc.?

Yash Mutha: Yes, so we have seen on various governments come and go without affecting the PPP project. As u see, Punjab is a very classic example where we started off with different government and then AAP government came in. So, per se with governments coming in, even Himachal where we are currently, there were different governments. See governments coming and going does not really impact the PPP process, the reason being is, these are projects which have gone through the tendering process, they have been validated at different stages and thereby the question of enforceability or entering the agreement is only the final leg of the process.

Whichever government comes in like even during Punjab the AAP government which was new to this PPP project that we had won in the earlier government they took time to understand. But after they realized the benefit, they have been supportive of us including the recent home collection which was blessed by the Health Minister. So, we don't see any impact here.

And whichever government comes even if it be new government or the old government given that as I said earlier, the entire process has been completed except for the agreement we don't see any impact in either of relations, there has no issue of relationships, because only on the technical disagreements we had in terms of the bank guarantee which was anyway subsequently resolved and which the company has paid as well. So, I don't see there are any disagreements with whether new or old government comes and they will have to play it out differently.

Soumitra Joshi: Okay, my experience with the government have been slightly different, especially in terms of cases going to the court and then subsequently working with them it becomes very difficult, but I am assuming that you have done your background check, and you are coming with that.

Yash Mutha: Yes, so see we have in this business for last 10 years. And as I said across 14 states, across various governments we have worked.

Soumitra Joshi: How many such cases have gone to for legal tendering through the courts --?

Yash Mutha: As I said, Rajasthan has been one of the aberrations of the exceptions and we have not seen this earlier.

Soumitra Joshi: Yes so, I am talking about this aberrations itself, I am not talking about the others. So, I am saying when --; so that ends the question, that is why I was looking at the past also, so hence the question. So, considering that this is an aberrations and this is has happened for the first time I am saying from my little experience that I have working as liaisoning officer really these things have an impact. So, I just wanted to understand what is the background check that we have done to ensure because it's an exception and it's not the norm, and this is also probably the first time that we are facing such a situation, how have you ensured that there would be no gap in the working relationship, because I have always seen a gap, that's what I am asking?

Yash Muthu: No, I think I wouldn't be able to comment on your experiences but being part of this business for the last 10 years and more importantly with the High Court order coming in our favor, which was also very well appreciated during the conversations with the government authorities as well. We don't see any issue there, I think as I said, with the elections around the corner that could just be a bit of a delaying happening but even during the discussions with the High Court as well as our submissions of the guarantees we did not see any pushback or issues from the government. And as of now, all we can do is hope for the best and look forward how this evolves.

- Soumitra Joshi:** So, this was an anomaly with no prior experiences of cases going to the High Court, right, that is what I wanted to know. This is probably an abrasion or an anomaly that happened in Rajasthan, correct?
- Yash Mutha:** Yes.
- Moderator:** Thank you. The next question is from the line of Ashish Chhabra, an Individual Investor. Please go ahead.
- Ashish Chhabra:** So, I just wanted to ask like how roughly we can expect this Rajasthan tender to go through, like one quarter, two quarters and since you just said that in the past also in two to three states like Punjab there has been a change of government, but we still went through it. So, I think it's just a matter of time right, the entire process won't repeat right?
- Yash Mutha:** So, in terms of Rajasthan what we expect is the process to follow its natural course of justice, which is the contracts has been executed and the High Court has ordered to complete the process. For us Rajasthan is like one of our many PPP projects, it doesn't really impact the company's vision or the company's plans for the future. Of course, if it comes, as we mentioned, it's a buffer for us. But considering our revenue run-rate, our existing projects, other PPP projects also which are in our hands we don't expect Rajasthan to impact us significantly. And we believe that the process will follow its normal course and the agreements will be executed in the short term.
- Ashish Chhabra:** And plus, I just wanted to ask which are the states that are in the pipeline right now like you said Andhra Pradesh. Are there any more states where we have budget recently?
- Yash Mutha:** Well, there are a couple of states, but I think this will be too early for us to discuss. As and when the project comes up and we have any information to share we will certainly share it with the group.
- Ashish Chhabra:** And thirdly you said in FY25 also we will expect 30% growth rate to continue, presently we should do like Rs. 600 crores by FY24. So, what will be the main contributors for FY25, if you can just share a bit?
- Yash Mutha:** For FY25 as I said, we have various projects of Odisha, Assam, the BMC project then we have Maharashtra CT coming up and the Himachal Pradesh also ramping up. So, all these projects are expected to contribute for achieving that 30% growth trajectory that we are set out ourselves for.
- Ashish Chhabra:** So, that is safe to say right we can do Rs. 180 crores to Rs. 200 crores per quarter in FY25, rough estimate?
- Yash Mutha:** Yes.

- Moderator:** Thank you. The next question is from the line of Pranay Khandelwal from Alpha Invesco. Please go ahead.
- Pranay Khandelwal:** I asked the question regarding those private tie-ups that we have. You said those are long term contracts, but can you just give me a range of what might be the range of these contracts?
- Yash Mutha:** Typically, these private hospital partnership that we enter into they are for 10 years mostly. And considering the investment that we have to do into the kind of hospital setup, so these are 10 years plus contracts. And most of the times we have also seen that they get extended over a period of time.
- Pranay Khandelwal:** So, it does not matter if it's Radiology or Pathology, it's 10 years plus.
- Yash Mutha:** Yes.
- Pranay Khandelwal:** And the other thing, I was just looking on this Rajasthan contract, so I asked this question about the assumption change in the revenue potential from Rajasthan was Rs. 300 crores that was **(Inaudible) 1:03:24**. So, as far as I can understand Rajasthan recently added 17 more districts as in broke up their existing 33 into 50. And apart from that there is no change in the contract that we had got so again that we have changed our guidance from Rs. 150 crores to Rs. 300 crores, because our labs and tenders still remain the same but it's just that districts have internally changed to 50 and we were only given 33, right.
- Yash Muthu:** So, basically when we had initially estimated considering that we were in the early stage of estimation and now getting the ground information after bagging the contract, we expect that kind of revenue from the project, and we believe that is achievable, of course after the agreements get executed.
- Moderator:** Thank you. As there are no further questions from the participants, I now hand the conference over to the management for closing comment.
- Pallavi Bhatevara:** Thank you everyone for joining our Q2 FY24 Earnings Call. I extend lots of wishes for the upcoming festival of light, Diwali on behalf of the entire Krsnaa Diagnostics family. And I wish everyone a very Happy and Prosperous Diwali and New Year. Hopefully we have answered all your questions, and if any questions remain unanswered, please feel free to connect with our Investor Relations Team's Head Mr. Vivek Jain. Looking forward to interacting with you all in the future quarters. Thank you, have a great evening ahead.
- Moderator:** Thank you. On behalf of JM Financials that concludes this conference. Thank you for joining us and you may now disconnect your lines.