

Date: February 17, 2024

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| 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, Bandra 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 nine months ended December 31, 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 Tuesday, February 13, 2024 at 13:00 Hrs. (I.S.T) to discuss the Unaudited (Standalone and Consolidated) Financial Results for the quarter and nine months ended December 31, 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
Q3 FY’24 Results Conference Call”
February 13, 2024



MANAGEMENT: **MR. RAJENDRA MUTHA – CHAIRMAN AND WHOLE-TIME DIRECTOR – KRSNAA DIAGNOSTICS LIMITED**
Ms. PALLAVI BHATEVARA – MANAGING DIRECTOR - KRSNAA DIAGNOSTICS LIMITED
MR. YASH MUTHA – JOINT MANAGING 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 FINANCIAL LIMITED**

Moderator:

A very warm welcome to the Q3 FY 2024 Results Conference Call of Krsnaa Diagnostics Limited. Before we begin, I would like to remind all the participants that today's call may contain statements that are forward-looking statements, including, but without limitation, statements relating to the implementation of strategic initiatives and other statements relating to Krsnaa Diagnostics' future business developments, and economic performance.

While these forward-looking statements indicate our assessment and future expectations concerning the development of our business, a number of risks, uncertainties and other unknown factors could cause actual developments and results to differ materially from our expectations.

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

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

Jainil Shah:

Good afternoon, everyone, and welcome to the Q3 FY 2024 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, Joint Managing Director; Mr. Pawan Daga, Chief Financial Officer; Mr. Vivek Jain, Head, Investor Relations.

I would like to now hand over to Mr. Rajendra Mutha for his opening remarks. Thank you, and over to you, sir.

Rajendra Mutha:

Hello, everyone. I am very happy to announce that your company has made a great progress in the past nine months in the field of diagnostics and its performance has been better than the industry. I am also very happy to announce that your company has won the Best Lab Chain of the west for the year 2024 award by Voice of Healthcare.

I would like to tell you that your company has won two major radiology tenders in Maharashtra and Madhya Pradesh. In both the states, 23 MRIs and 17 CT scans have to be installed. The decision of the Honourable High Court regarding the Rajasthan tender is yet to come, which is expected to come by the end of this month.

And as we told you earlier, our entire effort is that, your company is trying to achieve 30% CAGR growth without Rajasthan tender. I would also like to tell you that Pallavi Bhatevara has resigned from the Managing Director position. Pallavi has played a very important role in bringing the company to this level.

Now she will take up a advanced responsibility and will take care of the second order and will move the organization forward. Looking at the development of your company, we have appointed Yash Mutha as the Joint MD. Since the time Yash has joined the company, he has played a pivotal role in helping bring changes in the way the company operates from a person driven to professional run company and helped build it into a corporate he helped in implementing the system and process along with development.

I am confident that Yash Mutha will continue to take your company to the next level. To support him, we have promoted Dr. Prashant to CEO position. Dr. Prashant is a member of MBBS and IIM Ahmedabad graduate. He has 13 years experience in the health sector. We have received board's approval to incorporate a wholly owned subsidiary. The focus of this company is to increase B2C business in pan India. For this, we will be establishing separate Management teams

Now, for further work, I will hand over to Ms. Pallavi.

Pallavi Bhatevara:

Ladies and gentlemen, good afternoon, and thank you for joining us today for Krsnaa Diagnostics Q3 FY '24 Earnings Call. I want to express my gratitude to each one 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 exchange's website. I'm sure you have had a chance to review the presentation.

I would like to confirm the news shared by our honorable Chairman that I have resigned from the post of Managing Director. However, I will continue with the company as Executive Director from the start of next financial year. I would like to take this opportunity to thank my fellow Directors and the management for extending their cooperation during my tenure as the Managing Director.

Now I would like to brief you about the industry and our company. Health care is one of the key sectors in India in terms of both revenue and employment. The share of expenditure on health with respect to the total expenditure on social services has increased from 21% in FY '19 to 26% in FY '23.

Diagnostics forms a very essential part of the health care industry and is usually the first step towards treating diseases, starting from the diagnosis of the disease to the prognosis and the determination of treatment redeemed to post-treatment monitoring of the patient.

The diagnostic industry is highly competitive and fragmented in nature and the market share of organized players is only limited to around 17%. The major amount of the market share is with the unorganized players. More number of players in the industry are focusing on geographical expansion and inorganic growth, acquiring regional local players to capture higher market share.

The focus of government is development and performance. It resonates well with our business model. In the interim budget of 2024, the focus on increasing and improving health care facility was clearly visible, wherein the announcement to increase more medical colleges across our country, inclusion of maternal and child care -- child health care scheme under one plan, also increasing the Ayushman Bharat screen to include ASHA workers and Anganwadi workers and helpers.

Diagnostic industry under PPP model is an ever-evolving and dynamic sector that consistently concerns new opportunities as well as unforeseen challenges. Krsnaa, as a PPP service provider, tirelessly strives to preserve life and promote the well-being of individuals. Customers today see more accessible and affordable solutions to address their immediate health care needs.

The industry demand has accelerated the adoption of digital technologies, opening doors to innovative approaches in diagnostics, treatment and preventive care. Amid this transformative time, Krsnaa remains adaptable and agile, embracing technology and fresh paradigm to effectively address present and future health care requirements.

Over the past few years, Krsnaa Diagnostics has evolved into a fast-growing and esteemed diagnostic care provider serving communities throughout the country. Our robust capabilities enable us to deliver affordable and superior health care services to the remote and underserved regions of the country. By seamlessly blending dependable diagnostic services with affordability, we have garnered high customer trust paving the way for an exciting and promising future.

We are making relentless efforts to extend our reach by strategically opening new diagnostic centers in the underpenetrated market across Tier 2 and Tier 3 cities. Our aim and focus is to ensure that even individuals in remote areas can benefit from our advanced diagnostic services. We ensure that access to high-quality health care is not just limited to metropolitan areas.

We prioritize others to the highest quality standards using certified testing reagents and employing qualified radiologists and pathologists to ensure unparalleled accuracy and precision in our diagnostic services. All these initiatives provide Krsnaa better business opportunity in the near future.

Now I would like to hand over to Mr. Yash Mutha, our Joint Managing Director, to take you ahead on company developments. Thank you.

Yash Mutha:

Thank you, Ms. Pallavi. Ladies and gentlemen, good afternoon. I would like to thank the Board of the company for considering me for the post of the Joint Managing Director. I'm pleased to present the impressive performance of Krsnaa Diagnostics Limited during the third quarter and the first 9 months of fiscal year 2024.

Now let me brief about the recent developments. We have successfully operationalized our Assam Pathology project. 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 24/7 and 1,212 collection centers. The anticipated revenue for this project is expected to become visible in the coming quarter of fiscal year 2024.

We have also successfully operationalized 9 CT scans in the state of Maharashtra. The remaining 30 CT scans would be soon operationalized. And the revenue projections are expected to materialize from the first quarter of fiscal year 2025.

Over the last 3 months, we have successfully established 6 new pathology labs and established 116 pathologic collection centers and 64 new telereporting centers. These endeavors have been meticulously aligned with our expansion strategy.

As mentioned earlier, as a strategy, we are establishing 40 labs across these various locations in premises, which are taken on lease and not in the government premises. These labs will allow us to augment revenues from PPP as well as incremental revenue from the B2C and B2B

customer segments, and therefore allow us to leverage infrastructure, which we are creating beyond existing long-term PPP contracts. These labs further will also allow us to grow our network of collection centers, franchisees, etcetera.

The Odisha project, which was operationalized in Q2 FY '24 is ramping up well, and we continue to see good traction from that state. Our B2C business is also growing slowly and steadily and gaining momentum. We see a good traction of packages getting sold along with increased in Krsnaa's brand awareness in the respective regions.

We strive to improve customer experience with exceptional health care solutions tailored to individual requirements. As part of our continuous improvement efforts, we are constantly exploring new testing capabilities to cater to the evolving needs of our patients and customers. We are aggressively embracing cutting-edge technologies, implementing analytical tools for critical departments such as pathology, radiology, supply chain and others to provide a comprehensive range of diagnostic services that meet the highest standards of accuracy and efficiency.

Our consistent growth in revenues and profitability is a testament to the effectiveness of a robust pricing strategy. Our ability to maintain cost competitiveness stems from several factors, including economies of scale, large pool of captive customers, strong balance sheet and efficient working capital management and an optimized cost structure. These factors enable us to pursue sustainable growth opportunities and drive continued success.

We stand at the threshold of infinite possibilities. We remain resolute in our approach to adapt, innovate and excel. We have charted ambitious plans to unlock opportunities for growth and expansion, ensuring that we continue to make a positive impact on people's lives and contribute to the advancement of the health care industry.

With this in mind, I would like to now turn the call over to Mr. Pawan Daga, our Chief Financial Officer, who will provide further insights into our financial performance. Thank you.

Pawan Daga:

Thank you, Yash. Good afternoon, everyone. I will now present the financial highlights for the quarter ending in December 2023. In the third quarter of FY '24, our total revenue from operations experienced a notable upsurge reaching INR158 crores, making an impressive 34% year-on-year growth.

Shifting our focus to operational performance. Our Q3 FY '24 EBITDA reached INR38 crores, signifying a commendable 27% year-on-year growth, and we maintained a healthy margin of 24%. Additionally, our net profit amounting to INR13 crores with a corresponding margin of 8%. The net profit has been impacted by INR4 crores, which includes Ind AS impact of a long-term lease amounting to INR3.32 crores and onetime expenses of a finance cost arising out of processing fee of INR0.68 crores.

In 9 months FY '24, our EBITDA has exhibited a significant increase, reaching INR102 crores, demonstrating an outstanding 14% year-on-year growth along with substantial margin of 23%. Our net profit has reached INR38 crores with a margin of 8%.

Taking a closer look at our balance sheet, we currently hold a gross debt of INR133 crores, while maintaining a cash and cash equivalent worth INR228 crores as on December 31, 2023. It is worth noting that our company continues to uphold a net debt-free status, a noteworthy accomplishment.

Our receivable as on 9-month FY '24 is 121 days, which has increased due to delay in payment from Himachal Pradesh and Manipur. We would like to update you that we have started receiving the payments from this quarter onwards, and the trade receivable days will be normalized by the year-end. Thank you.

We can now open the floor for the question and answers.

Moderator: Thank you very much. We will now begin the question-and-answer session. We have a first question from the line of Vandit Dharamshi from Alpha Invesco.

Vandit Dharamshi: Congratulations, sir, on great set of number. I have some book keeping questions to start with. Firstly, on debt. Does the debt number that we give include the lease liability?

Pawan Daga: Yes. It includes the lease liability.

Vandit Dharamshi: Okay. And what would be lease liability in 9 months FY '24 number?

Pawan Daga: Sorry, could you repeat the last part? Your voice is not very clear.

Vandit Dharamshi: What would be the lease liability amount in 9 months sir, '24 number?

Pawan Daga: So the lease liability on is on account of MRI equipment, which is INR20 crores overall.

Vandit Dharamshi: Okay. Okay, sir. And one more question on debt. So right now, I think inclusive of lease liability, we have around INR133 crores of debt. So is there any plan for us to -- I mean, what policy? Or what do we have -- what is our take on debt, sir? Is there any specific debt-to-equity ratio that we have in mind? Or what is our take on that?

Yash Mutha: So currently, from a position perspective, we maintained that we'll be trying our best to remain a debt-free company. However, depending on what is the kind of project that we're undertaking, and if it is more efficient to take debt, we can take those decisions accordingly. But as of now, we continue to be a debt-free company.

Vandit Dharamshi: Okay. Okay, sir. Second question, sir, on lines of payable, sir. What would be our payable number for FY '24, 9 months, and maybe in days or absolute amount, whatever you have?

Pawan Daga: It is in the range of INR75 crores to INR90 crores.

Vandit Dharamshi: Okay. Okay, sir. And last question, sir. I think in our presentation, you have mentioned that on a 9-month FY '24 basis, we have served close to 1 crores, 1 crores 11 lakh patients. So in that, what would be the number of patients whose billing would happen directly and percentage of patients who would be under a subsidy scheme or maybe that the government is paying? If you can just give us a broad split?

- Pawan Daga:** The credit billing is in the range of 70% and the cash billing in the range of 30%.
- Moderator:** The next question is from the line of Lokesh Manik from Vallum Capital.
- Lokesh Manik:** I just have one question. If you can provide the revenue breakup between CT, MRI, telereporting and pathology would be great, either Q3 or 9 months, either will be?
- Pawan Daga:** The radiology business, which is in the range of 60% to 65% and the pathology business in the range of 30% to 35%. If you need the detailed breakup, you can reach out to our Investor Relationship, Mr. Vivek Jain, he can provide you with a further detail.
- Moderator:** The next question is from the line of Omkar Kamtekar from Bonanza Portfolio Limited.
- Omkar Kamtekar:** Congrats on a good set of numbers. Firstly, what I wanted to ask was with respect to the timeline of the CT in Maharashtra. So we have only operationalized 9 out of the 56 radiology centers in Maharashtra and Maharashtra accounts for the largest amount of radiology centers we have. So in approximate what time frame over the next 4, 5 quarters, will the full -- all centers would be operationalized?
- Yash Mutha:** Yes. So see, the reason for delays is mostly -- the government has to give us -- handover of the sites, as well as operational issues like having electricity on-site. So we are working ferociously to ensure that we get completion done as soon as possible. We expect it to be done within the next 2 to 3 quarters in a phased manner as we get the sites ready.
- Omkar Kamtekar:** So all 56 -- so by end of H1 FY '25, is what we can expect all of the 56 to be online under our office?
- Yash Mutha:** No, no. The first phase 1 for the 30 CT scan out of which 9 have been implemented, that will get covered in the next 2 to 3 quarters. And the balance, the new tender that we won since we just signed the agreement, it will take some time to operationalize.
- Omkar Kamtekar:** Understood. So you're saying by H1 FY '25, I can say, 30 would be operational. Would that be fair to assume that?
- Yash Mutha:** Yes.
- Omkar Kamtekar:** Okay. So 30 would be done by H1 FY '25. And also the Rajasthan number that is showing that there is only one center. So that is the one that is under dispute? Or will this number will change?
- Yash Mutha:** I'm sorry, if you could repeat the question?
- Omkar Kamtekar:** So in the radiology centers in page number 25 of the investor presentation, Rajasthan, it is showing radiology center being 1. So this is the one that is under the...
- Yash Mutha:** No, no. The Rajasthan center is one center of MRI in Churu. So that is a radiology center. That is not under dispute. Under the High Court is the Pathology project, not the Radiology project.

- Omkar Kamtekar:** Understood. Understood. That was the question. And finally, with respect to asset terms. So from -- in the presentation, you have said that when our assets mature, we can reach approximately 30%, 32% ROCE in -- from the asset. What is the additional gross block that we are in the earnings over the next 1, 1.5 years?
- Pawan Daga:** Yes. So the incremental addition that we expect to the gross block would be in the range 150 cr and as we've been maintaining earlier as well, it could be in the range of about INR150 crores to INR200 crores given that we continue to win more projects. So they will be added to these -- the gross block. And also incremental revenues will start coming in as when the centers get implemented and they start ramping up.
- Omkar Kamtekar:** Understood. So what is the -- historical ones will be continued? We are not doing additional -- incrementally allocate anything further?
- Pawan Daga:** No, no. As and when the tender will happen, for example, like the Maharashtra MRI tender that we've been shortlisted, as and when the implementation happen that will require an additional investment, which will again add to our gross block. And likewise, as and when there are new projects that get shortlist -- where we get shortlisted or we enter into the agreements, addition capex will be incurred, which will be added to the gross block.
- Moderator:** The next question is from the line of Aditya Khemka from InCred PMS.
- Aditya Khemka:** Sir, first question on the receivable days. So this 121 days, does this include any outstanding from Himachal as and when you guys had to shut the lab to get the payment from the authorities? Or is it post the payment being received from Himachal?
- Pawan Daga:** No. This is as on the position on 31st December 2023. We have received the subsequent payment. But as on 31st December, the receivable days is 121 days, which is including the outstanding of Himachal Pradesh pathology.
- Aditya Khemka:** Got it. Got it. And secondly, you mentioned the capex of INR200 crores. So can you break that up between different tenders? How much would be Maharashtra, CT MRI? And how much would be, let's say, other states where you might have won some projects?
- Pawan Daga:** Sorry, if you could just repeat that question, please?
- Aditya Khemka:** Yes. You mentioned that the capex for the next 2 years will be in the range of INR150 crores to INR200 crores. So can you break that up between Maharashtra and -- the Maharashtra CT MRI project and other states where you might have ongoing projects?
- Pawan Daga:** So Aditya, we have like the current scenario where the new projects were awarded, Maharashtra and Madhya Pradesh. MRI and CT
- Maharashtra CT of an old one, which is going to be deployed. So the capex range for this year -- next fiscal FY '25, which will be in the range of INR150 crores to INR180 crores kind of. And this year, we have anyways incurred INR150 crores, considering all pathology projects.

- Aditya Khemka:** Got it. I understand. Just an additional question on the capex. So let's say, if you win the Rajasthan tender, if the decision of the court comes in your favor, will this INR150 crores to INR200 crores [inaudible] '25 will further go up because of [inaudible]?
- Yash Mutha:** Yes, that is the addition over and above these capex that we plan to invest.
- Aditya Khemka:** Okay. And how much could be the potential capex in Rajasthan, if you win that tender?
- Yash Mutha:** Rajasthan, the overall capex is what we expect is in the range of about INR200 crores to INR250 crores.
- Aditya Khemka:** Yash, the next year your capex will be in the range of INR450 crores to INR500 crores. Is that the correct assessment?
- Yash Mutha:** Yes, if Rajasthan comes through, then that will be the expected capex that we may have to have in outlay. But again, that will be spread over a period of 1 year or so.
- Aditya Khemka:** Yes, yes, exactly. So another question on this, then Yash, I think in between, there was a thought of not buying the machines outright and taking them on pay-per-use sort of model or a lease model. Just wanted to understand where that thought process lies today. And is this capex despite taking some machines for pay-per-use or are we outright purchasing machines?
- Yash Mutha:** So we have tried these models, and we continue to explore this particular aspect of getting this equipment on pay-per-use, especially now with these kind of orders in hand, the discussions are ongoing with the vendors. And we'll also try to see as much as possible how we can move to the so-called asset-light model, where we don't necessarily have to invest in the capex, but get it on a pay-per-use model. So those conversations are ongoing as of now.
- Aditya Khemka:** Yes. But the guidance that you are giving for capex for FY '25 of INR150 crores to INR200 crores, that assumes that you are not going to outright purchase on machines, right?
- Yash Mutha:** So this is what we are bound to invest considering the projects in hand. Of course, if you go through the pay-per-use model then the entire capex will not be required to be invested by us and it will go on the pay-per-use model. But from an amount perspective is what we are quoting.
- Aditya Khemka:** I understand. The last question I had was, given that Rajasthan is also pathology and you have certain other pathology tenders as well. So for your current mix between the radiology, pathology, which is 65%, 35%; 2, 3 years down the road, do you see it becoming like 50%, 50%? Or what would be the mix of your revenue if you win the Rajasthan tender 2 to 3 years down the road, what mix do you foresee?
- Yash Mutha:** So with Rajasthan coming through as well as Maharashtra, the and the MRI tender, I believe it would be in the range of 65%, 35%. Initially, if Rajasthan picks up in -- Rajasthan might have a larger share. But we will -- now we see there are more radiology or you rather want to focus back on radiology tender as well. So we would like to maintain in the ratio of about 60-40. Ideal would be 50-50 where radiology and pathology both contribute 50-50.

- Aditya Khemka:** I understand. Just also on the margin front. So as you do more pathology, you feel the margin at 23%, 25% that is where you feel we will stagnate? Or do you feel that once your operating leverage comes in, we can go back to our historical margins of close to 30%?
- Yash Mutha:** No. So with pathology projects coming in and as you also know from an industry perspective, pathology margins are a bit lower. Of course, what we see is with these Assam, Odisha and all, the other projects stabilizing, the margins will be in the range of about 25% or plus.
- Aditya Khemka:** 25% and above. Is that what you're saying?
- Yash Mutha:** 25% is what we believe which will stabilize. Now depending on how -- if you have more radiology projects, then there might be an improvement. But with the current projects on hand, we believe it will be stabilized at 25%.
- Aditya Khemka:** Understood. Just one last question before I go back in the queue. On the B2C initiative, I see you guys have made a wholly owned subsidiary. And I know that the B2C initiative has been ongoing for a while now. So can you give us some numbers as to what percentage of our current revenue comes from B2C? And let's say, in 3 years' time, how do you see B2C shaping up?
- Yash Mutha:** Yes. So Aditya, the current numbers is not much as compared to overall revenue as I said, it's just a start for Krsnaa entering into the B2C space. Though the initial success that we had in selling the packages and whatever, that has been really great. The current contribution of B2C was in the range of about 1% to 2% of the overall revenues.
- But with the successes that we've had and the kind of response we've seen in market where Krsnaa's brand was accepted, Krsnaa's services were accepted, we believe that this in a long-term range, it can create a good vertical or a pipeline for us. And that is what we are working on.
- It's a bit too early for me to project any kind of numbers as of now. But hopefully, once the management team and the other processes are set in place, we'll be in the better position to answer that question.
- Aditya Khemka:** I understand. But I just want to understand your B2C model a little better. So [inaudible] pay rent and B2C has -- and you don't pay rent on government site, you are able to...
- Yash Mutha:** Aditya, your voice is cracking a lot. I'm sorry, I'm not able to hear you.
- Aditya Khemka:** I'm sorry. Is this any better?
- Yash Mutha:** Yes, go on.
- Aditya Khemka:** Yes. Okay. So my last question was that on the pricing side of your test, bet it MRI or a CT or a pathology test, wouldn't your B2C prices need to be materially higher than your B2G prices given that your cost on the B2C side will be higher than B2G because there will be rental cost, there will be other referral costs in the B2C segment, which you don't incur on the B2G side?

Yash Mutha: Right. So yes, they will be higher, but not materially higher because what models we've tested since -- what we're trying to do here is leverage the existing infrastructure that we have, like the lab setup that we've done or the equipment or the CT scans can and MRI. So from that perspective the incremental costs will largely be more towards the marketing cost or such ancillary cost.

And in spite of this, we see that our prices that we have currently offered in the market on the B2C space are significantly lower than the competition. And we believe that we'll be able to continue offering our services at these prices as we go along. I don't see it to be marginally or materially higher than the current B2G prices.

Aditya Khemka: And Yash, would you be using franchisees to create collection centers? Or do you plan to open self-owned collection centers in these B2C spaces?

Yash Mutha: Yes. So currently, we are exploring all the three models. One is what is known as -- typically known as a company-owned company-operated collection center. Then there are franchises also that are ramping up, which is increasing day by day. And there are some other models that we are exploring. So I believe it will be a combination of various of these strategies. And with Dr. Prashant and team joining me also, then we'll try to see which strategy works best and accordingly, the expansion will happen.

Moderator: The next question is from the line of Avadhoot Joshi from Bryanston Investments.

Avadhoot Joshi: Just one clarification about this lease, rental impact you have mentioned in the remarks about INR3.32 crores. So last quarter, I think it was around INR2.5 crores. So I just wanted to know, is it because of the expansion, what we are doing for the B2C it is occurring? Or what's the exact reason for this?

Yash Mutha: So this is primarily because of certain equipment that we've taken on a lease payment basis and all these labs that we've opened on lease premises. So that is the impact which you are seeing in the financial statements. It's a combination of radiology equipment and certain of these labs that we've taken on lease premises.

Avadhoot Joshi: Okay. So there is not -- the lease premises is just not for the B2C, but could be the government projects also?

Yash Mutha: Actually, these are -- what was decided as a strategy is this lab that earlier we were setting up in government premises, we've decided to set them in private lease premises, so we can augment both business from government as well as business from B2C and B2B initiatives.

Avadhoot Joshi: Understood. Understood. And just another clarification. Assam is fully operational? That's -- because in the presentation, it is mentioned that 7 labs have been operational, whether it is fully operational that's what I want to...

Yash Mutha: I think there are about 3 labs, which are under implementation, which is expected to get completed by end of this quarter.

- Avadhoot Joshi:** Okay. So we have sites and everything is in place, just it will be operational.
- Yash Mutha:** Yes, yes, yes.
- Moderator:** The next question is from the line of Amol Rao from Kitara Capital.
- Amol Rao:** Just a couple of questions, one clarification. So Assam, Odisha and Maharashtra, these are the three major orders that basically will show heightened state of operationalization in the next quarter onwards, right? Or Maharashtra is in quarter 1 of next year, but Assam and Odisha are next quarter? Am I correct in understanding that?
- Yash Mutha:** Yes. So Assam and Odisha have been operationalized. Like as I said -- mentioned earlier -- Assam, 3 labs will be completed in this quarter, quarter 4. So basically, all the labs will be operationalized. And from next financial year, the revenues will start -- you see more contribution from revenues coming from Assam and Odisha. Maharashtra we've completed 9 out of 30, and the balance will be happening over the next couple of quarters, hoping by H1 of next financial year, we complete the entire 39 installations.
- Amol Rao:** Perfect. Perfect. And second, a clarification on the operational -- operations is that the BMC contract, we got a widened scope to include home collections. Am I correct? So that's working in our favor right now, correct? Am I right?
- Yash Mutha:** Yes, yes, yes. So we've been asked to do home collection services as well. And also, there is a certain convenience fee that we can charge. So that process has been started.
- Amol Rao:** And what's the response there, Yash? If I may ask? How is that experience been? It's been a smooth operation so far?
- Yash Mutha:** So of course, there were operational hiccups with a project like this where the ramp-up was high, but now it has smoothed out.
- Amol Rao:** All right. All right. And congratulations on the elevation to JMD and wish you all the best.
- Moderator:** The next question is from the line of Deepak Poddar from Sapphire Capital.
- Deepak Poddar:** Sir, first off, I just wanted to understand, in terms of capex, the planning that we have, how are we going to fund it?
- Yash Mutha:** So we have a combination of our internal accruals as well as certain vendor credit that we've been discussing where vendors are now willing to provide us financing. This is the primary source that we're looking for. We might also evaluate debt if that becomes a more efficient way of capital.
- But like also mentioned to the previous question, we are exploring where we can get these equipment on a pay-per-scan or a pay-per-use model. And with the discussions are at an advanced stage, so a combination of all of these will help us to invest in these new infrastructure and new equipment.

- Deepak Poddar:** Okay. So when we say this INR150 crores, INR200 crores, it doesn't take into impact the benefit that you can get it from vendor credits and all? This is on the gross basis, right?
- Yash Mutha:** This is on gross basis. So if I have to invest about INR200 crores, all these various initiatives that I spoke about will be utilized to fund this capex.
- Deepak Poddar:** Okay. Understood. And then the Rajasthan would be additional, right? INR200 crores, INR250 crores. So I mean, to me, this capex number looks very high. So just trying to understand to meet that, are we going to over leverage our balance sheet or -- because you did mention that we focus on to be on the asset-light model, right? So what...
- Yash Mutha:** So we continue to do so with all these -- even if -- as I said, even if Rajasthan has to be implemented, again, there are discussions going on. We'll try to keep away from debt as much as possible. However, given that today, there are certain debt structures, which makes it more efficient to go for a debt, we might think about it. But our efforts and endeavors are to ensure that we remain debt free in spite of all these capex projects.
- Deepak Poddar:** Okay. Understood. Fair enough. And in terms of Rajasthan, I mean, currently, you are awaiting some response, right? From the court or something like that. So by when do you expect a meaningful or revenue can start? So what would be the thought process there? I mean earlier, I think we were targeting by FY '24 end or by first quarter revenue to start, right? So where are we now as we speak?
- Yash Mutha:** From our team's perspective, we are all ready. We are just waiting for the High Court to give a judgment and we are all keeping our finger crossed and optimistic that the decision will come in our favor. But as I said, since it is a matter which is subjudice, as of now, we just have to wait until the High Court makes a decision and accordingly then the next steps begin.
- Deepak Poddar:** Okay. And when is it expected?
- Yash Mutha:** It is expected by end of this month.
- Deepak Poddar:** Okay, by Feb end. And assuming that the decision comes in our favor, then from Feb end how much time will it take for you to actually start the revenue there?
- Yash Mutha:** So after we get the order, then the process of getting the agreements executed and then the installation of labs will have to be done because there are multiple labs, almost 100 plus labs to be established across the state of Rajasthan. So Rajasthan revenues, I believe will meaningfully come only in the second half of the year or towards Q4 of FY '24, '25.
- Deepak Poddar:** Understood. So that gives a fair understanding. And in terms of, I mean, growth outlook and margin outlook for next year, anything, I mean 30% CAGR is what we are looking at for FY '25 as well, right? In terms of revenue growth?
- Yash Mutha:** Correct.
- Deepak Poddar:** And what sort of margins we might be...

- Yash Mutha:** So as I said, margin profile-wise, given that there are pathology projects, which will have a major revenue contribution in the next fiscal year, the EBITDA margins we are looking at, it should be stable at 25%. Of course, our efforts are to see how we can improve them. But we believe considering these Pathology projects, it will be stable at around 25%.
- Deepak Poddar:** 25%, because earlier we were targeting 26% to 28% kind of a margin range, right? So anything else changed that there is a slight change in our view?
- Yash Mutha:** Yes. The change is largely because the -- as we've seen the projects ramping up, especially Assam, Odisha, with the test menu and given the way these contracts are ramping up and shaping up, certain of these tests, there are -- the consumption cost is a bit higher side. So that is how we see that it has stabilized.
- Of course, with some of the other projects coming through, there might an improvement, but I would want to be with the conservative especially on the numbers, be a bit conservative and believe that 25% is a stable EBITDA margins for us.
- Deepak Poddar:** And that excludes other income, right? I mean you're saying operational basis, you're targeting that 25%...
- Yash Mutha:** Yes, of course. Yes, yes.
- Deepak Poddar:** Okay. And just one last small thing. In terms of lease rental, in last couple of quarters, so is that something which will continue in coming quarters as well?
- Pawan Daga:** This amount will not go significantly increasing from year onwards. It will be stable at this level or maybe minimize in over a period of time.
- Deepak Poddar:** I mean stable at INR3 crores per quarter?
- Pawan Daga:** No, no. So this an impact of lease equipment and the rental. But over a period, this will be reduced over a period of time. This is a onetime which we see in this quarter and the last quarter.
- Deepak Poddar:** So this is one time. I mean, the reason I was trying to -- because you will always have new equipment and new premises, right? So ideally, your lease rental will keep on building up. So is that understanding wrong basically?
- Yash Mutha:** No, no. So currently, for the projects that we have already implemented, the impact has already been accounted for and the lag on lease has already been done. So we don't expect newer lease, except for wherever there is a financing arrangement that we are exploring. But for the charge that you see in the financial statement, the INR3 crores, this amount will start reducing from the quarter -- subsequent quarters. This is what Pawan was alluding to.
- Deepak Poddar:** Okay. So charge to this project will reduce, but a new charge may come because of other projects, right?
- Yash Mutha:** Yes. So that depending on how we structure the lease and how the accounting standards adopted, the charge will come accordingly.

Moderator: The next question is from the line of Mayur Parkeria from Wealth Managers India Private Limited.

Mayur Parkeria: Yes. So actually, it's just a couple of questions from my side. Currently, on 9 months basis our adjusted EBITDA margins are in the region of 25% itself. You said that if pathology centers, as expected in the next year is going to increase, and the margin should come down, right? And you are mentioning that our aspiration is to maintain the 25% margin. So I just didn't understand which of the sides...

Yash Mutha: The margins are not expected to come down. What I'm saying is, currently, we are operating at about 25%. We will continue that trend of maintaining 25%. Earlier we were targeting to have about 27% to 28% in that kind of range, but given that the pathology mix is increasing in the business with higher consumption cost that is the reason why we believe 25% will be stable EBITDA level for the next financial year.

Mayur Parkeria: Okay. So despite pathology increasing in the next year, you don't see margins getting diluted from here on? That is right?

Yash Mutha: Yes. We don't see margins getting diluted. It will remain stable at these levels.

Mayur Parkeria: Okay. And one more little high-level question in the sense of now we are present almost in 16 states in some way or the other, right? Broadly if we look at our presence. Barring states -- so barring some large states like Gujarat or here on the eastern side, we are present more or less across many large states now. And we are already in a very hyper growth stage where revenues are rising at 30%, and we are maintaining 30% CAGR.

How will you ensure or at what is the time when we will say that it is time for us to start looking at bringing the growth not only running after growth, but ensuring that our financial metrics is in terms of return on capital employed and margins, actually the reported basis, not all adjusted basis. But on a reported basis, they start depicting the true picture of the business, which is underlying the centers and the business which is there. At which stage do we think -- is it 1 year? Is it 2 years down the line?

Or you believe we are already at that one stage and now -- because the opportunity maybe continue to be very large, but at the same time, we need to size it up based on our size and what risk -- financial risk and operational risk, which comes along. So at which stage do you think we will start looking at that phase. Is it 2 years down the line? Or is it a little more longer.

Yash Mutha: So if you see -- first of all, just to give you a bit of background. Krsnaa is a young company with just about 10 years, and our growth has been largely in the last 5 years. And with this -- within that, we've been achieving this kind of numbers or milestones.

Now along with this, there have been opportunities of large states, whether it's Assam, Odisha, Rajasthan or even Maharashtra, for example. So from a company's growth and long-term perspective, of course, these contracts or these tenders are important for the company, and we would want to grow.

Having said that, like we maintained and in the previous quarter we said, now that we -- most of the centers are getting stabilized, the operations are getting stabilized, we expect the business to also stabilize and equally we started focusing on the B2C verticals as well.

So directionally, if you ask me, yes, the company has reached a certain critical mass where things have now started stabilizing and you could also see it from the quarterly margins perspective, where they have shown an improvement.

If you ask me from a growth potential perspective, of course, there are many large projects, but we are also now becoming very selective in which tender to participate provided they are aligned to our financial metrics only in those tenders we would continue to participate and see if they add to the overall value that we are creating for the stakeholders.

So in my opinion, it will be a combination of -- if there are some good opportunities, of course, we'd want to pursue -- any company would want to pursue such good opportunities. But I think the opportunity is large, and we'll be more selective going forward is how I want to answer that question.

Mayur Parkeria:

So you already have started becoming a little more selective than what -- given the scale at which we are doing and already reaching that size. Great. That was great to hear. Just one last question. What would be our proportion, proportion of revenues, which will be mapped to matured centers, semi-matured and new ones? You have given the ROCE differences, which are there, but what would be the proportion currently, let's say, in the 9 months, which would be mapped on that side?

Pawan Daga:

So if you can see, we calculate this on an annual basis, but still, I can give you the background on that percent. The semi-mature -- out of the semi-matured, annualized number was 14% of gross block. Out of that, we can see 5% will move to the mature side. And from the newly launched centers, we can see a 12% to 15% of the gross block shift to semi-mature block.

Mayur Parkeria:

I understand. The reason I asked on the revenue side because the centers and different scale would also have different capital turnover ratios at each stage. So I just was trying to understand that how much of revenue is mapped on each of that stage, if possible.

Pawan Daga:

So it is not readily available as of now. We can -- you can reach out to our investor relationship, Vivek, so we can provide you that information.

Moderator:

The next question is from the line of Aditya Khemka from InCred PMS.

Aditya Khemka:

Yash, just a question on Rajasthan tender again because of the capex number that you said. So if I remember correctly, our expected peak potential revenue from Rajasthan is INR250 crores to INR300 crores. And the capex number you alluded to was in the range of INR200 crores to INR250 crores.

So despite the pathology driven tender, the capex asset on that I can see you're talking about in this businesses between 1.1x to 1.2x, it seems. So is there -- am I missing something? Or are these the numbers that you wanted to discuss?

- Yash Mutha:** So basically, the requirement for the tender is to set up certain equipment which are large equipment or capex heavy equipment or the cost is higher. And that is the reason why if you see the investment is larger. But from a turnover perspective or from an asset turn perspective, what we are expecting is, INR200 crores is like a conservative number. Of course, as the business ramps up, this number should -- I mean in our opinion, it will certainly try our best to increase the number, but on baseline is what I'm stating the number of the top line. But the investment is required as per the tender norms.
- Aditya Khemka:** Right. And because it is pathology, these new equipment you're talking about, this would be analyzers going in, right?
- Yash Mutha:** Yes, analyzers, Immunoassay all these equipment.
- Aditya Khemka:** Understood. And what kind of margins do you foresee if Rajasthan tender were to materialize? What sort of EBITDA margins would we have there? 25% or more or less?
- Yash Mutha:** I think it will be too early. As and when these projects get operationalized, we can be able to give a much better picture.
- Aditya Khemka:** Yes. I'll tell you why I'm asking about the margins, even if I assume that margins and let's say you do INR300 crores of top line at peak in Rajasthan, INR[inaudible] crores of EBITDA. And then post depreciation and tax you'll probably be left with something like INR50 crores of PAT and INR50 crores of gross block, which you deploy of anywhere between INR200 crores to INR250 crores, that's like a 20% pretax ROC. So 20% pretax ROC, I mean, is that something you guys are comfortable is what I wanted to check?
- Yash Mutha:** If you remember earlier also we had quoted Rajasthan is a very distinct and unique project, both from an expectation of top line and the margins. However, as I said, it's a bit too early for us to comment on. Of course, when we bid for the project, we had certain projections in mind, which is making this a favorable project like others. However, I think as of now, I want to revert back only when we have some more credible information given that it's currently in the courts.
- Aditya Khemka:** I understand. And one last question on Rajasthan because I just bother about that. So it's a cash project or it's a credit project?
- Yash Mutha:** It's a credit project. Aditya, like I've been mentionng, and Mr. Mutha also mentioned, what we expect is the 30% growth is without Rajasthan.
- Aditya Khemka:** Yes, that is well understood.
- Moderator:** The next question is from the line of Rajneesh Behl, an Individual Investor.
- Rajneesh Behl:** I have two questions. One is asked by the participant. Like you told that you mobilize to the site when it is provided by the government. In case is there any delay from the government side, do you get any compensation from the government?
- Yash Mutha:** There is no compensation. Typically, work says when we start in PPP installation, we approach to the government asking them to hand over the site. As and when the site is handed over then

only the equipment procurement and installation begins, but there's no any kind of compensation given by the government.

Rajneesh Behl: Okay. And second question now. Now you're evaluating pay-per-use model versus your own hired model. So what will be the margins between two models? It will come down or it will go up?

Yash Mutha: So there might be an impact on the EBITDA margin, but definitely, the PAT margins will be much better because it's an asset-light model.

Rajneesh Behl: Okay, asset-light model, so margins -- and this Rajasthan tender is like 50-50 JV, no? You have INR250 crores revenue, which you're talking about is in the JV model? Or this you're own INR250 crores?

Yash Mutha: No. So here, we have a PSU as a partner, but they have a very nominal share of revenue. The rest of the entire revenue comes to Krsnaa.

Rajneesh Behl: And what is the arrangement with them? Will they investing in the capex? Or you'll be doing the whole capex?

Yash Mutha: No, the entire capex will be done by Krsnaa.

Rajneesh Behl: Okay. And last question is regarding when you do the B2G projects, so is there any like minimum guaranteed number of tests will be given to you? Is there something like what the arrangement there?

Yash Mutha: No, no. PPP that we've seen where government assures us with any numbers, it is based on our own survey and estimation that we do.

Rajneesh Behl: And is there any cap on the number, if the number goes above that number, there is further discount on your rates?

Yash Mutha: No, there is no cap as such. So these are initiatives taken by the government to provide access to quality diagnostics or health care to the people of that state. So there is no cap or -- there cannot be such cap. You can't restrict people from availing healthcare services.

Rajneesh Behl: No, no. I'm not asking that the cap. Is there like, for example, you establish a center, government -- you have done your survey, and the number goes beyond that number, is there any further discounts on the rates?

Yash Mutha: No nothing like that.

Rajneesh Behl: And you are setting -- you're trying to enter into B2C business, like you have set up a central lab in Maharashtra. Are you planning set any central labs?

Yash Mutha: So we have set up labs in Maharashtra as well as Odisha and Assam, then you have labs in Himachal Pradesh and Punjab as well. So we'll be leveraging all the infrastructure for the B2C initiatives.

- Moderator:** The next question is from the line of Omkar Kamtekar from Bonanza Portfolio Limited.
- Omkar Kamtekar:** Firstly, just a clarification. The radiology and pathology mixed split what was given was 65%, 35%. Was that correct?
- Yash Mutha:** Yes.
- Omkar Kamtekar:** And just to understand, so on a calculated basis, the average revenue per patient from the 1.1 -- 11.1 million patients that we have served in the 9 months, like equates to INR408 odd. So let's take it as INR400. How do you take -- what are the measures that we will be taking to improve this revenue per patient, a?
- And with respect to the margin as we have stated that it is going to be steady state at 25% for the few quarters and year against growth, what are the measures that you're seeing or what are the activities that you are going to undertake to improve this margin with respect to being -- because compared to other peers, our margins are almost similar, but our revenue per patient is lower. So how does that work? If we can improve the margins as well? What are the initiatives that we are taking to do that?
- Yash Mutha:** . First of all, you need to understand that Krsnaa offers the test at prices which are almost 50% to 60% lower than the market rates. And that is how we operate in the PPP setup.
- Now from improving the pricing, most of our prices are linked to the tender rates that we have contractually signed with these various authorities. There are initiatives that we have done, for example, offering a mix of various tests or it could be cross-selling, certain of our services or introducing packages, which could be at higher price points. So these all initiatives are undertaken. And as I said earlier as well, we have seen a great success in selling packages even in the kind of PPP model.
- So with this combination, our efforts are there to increase the price, the revenue per patient. But just to make it clear, our business is linked to rates, which are hard coded or embedded in the contract. So we do not have a great flexibility. But of course, there's a huge potential of increasing the volume. And this is a unique feature of PPP where you have significant volumes, which you'll probably not see even in other players in these kind of volumes.
- Omkar Kamtekar:** Understood. So my second question was coming on that only. Because we have this captive audience via our nature of the business being through these tenders. So the question that I was wanting to come to, how much time will it take for -- say for example if you take a new project and it gets allocated to you, what is the time for it to mature?
- Because as you have said in your PPT, it takes about -- returns up to 30% of ROCE once the asset gets matured. So the maturity time for us would be much lower than the peers. So what is that maturity time for the asset to become mature over the period?
- Yash Mutha:** Again, it differs from project to project and between radiology and pathology, but typically, our centers mature within 1 to 1.5 years of time if it's a radiology. Pathology, again, depending on the test menu side, it can even be 9 months to 1 year.

- Omkar Kamtekar:** 9 months to 1 year, okay. And a small clarification. Generally, the margins would be higher on the radiology side, just to understand it?
- Yash Mutha:** Correct. Correct. Absolutely.
- Moderator:** The next question is from the line of Nitin Agarwal from DAM Capital.
- Nitin Agarwal:** Yash, only one question. So there is this talk of a national essential diagnostic list which the government is probably looking to implement; I mean, a, have you heard anything about it? You had been party to discussions around this? And what does it really mean assuming discussion implemented for us, from a business perspective?
- Yash Mutha:** Yes. So the conversations are going on by the government authorities, and this has been going on. We had been asked for certain inputs. What I believe is, this will be a list that they are trying to look at. And whilst too early to tell, but this might have what we believe is a good impact for Krsnaa given that it will create more opportunities with more test. Earlier, there were basic tests. Now there are certain special tests, so they are looking at all of these. So in my opinion, this certainly will be welcome for Krsnaa as and when it gets implemented.
- Nitin Agarwal:** And this is what's going to be a model, that the states will have to follow up, which is prescribed by central government?
- Yash Mutha:** Yes. So typically, whenever they come up with such list, they create this list or test menu, which other states have to follow or implement as part of the PPP initiatives.
- Nitin Agarwal:** Got it. And what's your sense about what timeline do we see this thing getting rolled out?
- Yash Mutha:** It will be too difficult for me to answer that question for now.
- Nitin Agarwal:** Fair enough. And lastly, you talked about the tender that you won in recent times. I mean versus, say, a couple of years back and versus the pipeline and the kind of conversations you're having now, I mean qualitatively, can you just tell us what is the difference in the kind of in the scale of conversation having now versus what you're having maybe a year, 2 years back?
- Yash Mutha:** Sorry, if you could just repeat the question? I couldn't get the last part.
- Nitin Agarwal:** I'm saying the kind of conversations you have in various states now who are looking to probably roll out tenders, PPP models of their own, I mean what is the difference in the scale and the quality of discussions you are having now versus what you were having maybe a couple of years back? I mean, are there larger in scale tenders? Are there more states looking for these things?
- Yash Mutha:** Yes. So frankly, first of all, we don't have conversations with any governments. It's basically, as and when these governments decide or authorities decide to publish a tender. Having said that, after the successful installation -- or implementation of various PPP projects, of course, there have been discussions between the bureaucrats or authorities where now many states are exploring avenues to come up with more PPP tenders and which I believe is creating more opportunities for us in the near future.

So these conversations are going on more and more with states and especially with the emphasis from the various governments, whether it is the center or the state to increase access to health care for the citizens of the country. I think these conversations initially will materialize into more opportunities for us.

Moderator: Thank you. Due to time constraint, that was the last question for today. I would now like to hand the conference over to Mr. Yash for closing comments. Thank you, and over to you, sir.

Yash Mutha: Thank you. Thank you, everyone, for joining our Q3 FY '24 Earnings Call. Hopefully, we were able to address to all the queries. If any questions remain unanswered, please feel free to connect with our Investor Relationship team head, Mr. Vivek Jain. Look forward to interacting with you in the future quarters. Thank you, and have a good day, everyone.

Moderator: On behalf of JM Financial, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.