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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 year ended March 31, 2024.

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, May 21, 2024 at 11:00 Hrs. (IST) to discuss the Audited (Standalone and Consolidated) Financial Results for the quarter and year ended March 31, 2024.

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 Ltd.

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“Krsnaa Diagnostics Limited
Q4 FY '24 Results Conference Call”

May 21, 2024



MANAGEMENT: **MR. RAJENDRA MUTHA – CHAIRMAN, WHOLE TIME DIRECTOR – KRSNAA DIAGNOSTICS LIMITED**
MS. PALLAVI BHATEVARA – EXECUTIVE 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**

Moderator: A very warm welcome to the Q4 FY 2024 Results Conference Call of Krsnaa Diagnostics Limited, hosted by JM Financial. Before we begin, I would like to remind all 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 development 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, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

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

Jainil Shah: Good morning, everyone, and welcome to the Q4 FY '24 Results Conference Call of Krsnaa Diagnostics Limited. Joining us today on the call are Mr. Rajendra Mutha, Chairman and Whole-Time Director; Mr. Yash Mutha, Joint Managing Director; Ms. Pallavi Bhatevara, Executive Director; Mr. Pawan Daga, Chief Financial Officer; and Mr. Vivek Jain, Head, Investor Relations.

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

Rajendra Mutha: Hello everyone. Thank you all for taking part in our Q4 2024. I am very happy to tell you that the results of this quarter and the financial year 2024 is as per our estimates. We are feeling proud that in 13 years company has outdone itself in diagnostic and PPP segments. As of now we have 148 CT Scan and MRI service centre, more than 1400 X-ray CR system teli-radiology have been installed. And with this 67 CT Scan and 23 MRI machine tenders are already in pipeline to be installed by the company. And we have to do the installation according to the tender. With this, the company will have 2,50 CT and MRI and more than 1,600 X-ray CR systems for radiology.

I believe that no other company has such a big installation in Asia. It is a matter of great pride to see our company as one of the largest radiology company with CT Scan, MRI Scan and X-ray Tele radiology

Apart from this, while working since last decade for the last decade, we have worked and created a differentiated and niche company in the field of diagnostic and PPP Segment

Our company has regularly invested in expanding its business and presence throughout India. This has created a strong foundation for the development of the future.

We are proud to announce that for the first time in India, our company has received the CAP accreditation in the government hospital. This shows our commitment and proves our ability to

quality service & timely execution of our responsibility towards the utmost care for the patient. We have recently signed contract for 17 MRI & 17 CT Scan in the state of Maharashtra, this is on the largest tender which we have won.

We have established Krsnaa Retail Private Limited 100% subsidiary company whose focus will be on B2B and B2C business. We have started our operations in B2B and B2C space in the states where we are present entirely. We are seeing good traction for our business, but I would like to inform all, we have just began our operations and it would take some time to reach to have any meaningful business from this segment. We would increase our team, to make further inroads in B2B and B2C Segment

Now it would like to update you all on Rajasthan Tender, as you all know the matter is under High Court Jurisdiction, we are waiting for the final decision. We know it has taken a long time, still we would like to repeat, Krsnaa Diagnostic would continue its growth trajectory with or without Rajasthan tender .

Now for further details, I will pass the call to Mr. Yash Mutha.

Yash Mutha:

Thank you, Mr. Rajendra. I'm pleased to present the impressive performance of Krsnaa Diagnostics Limited during the fourth quarter and for the financial year FY '24. Our FY '24 revenue reached INR620 crores, signifying a commendable 27% year-on-year growth, and we maintained a healthy EBITDA margin of 24%.

As a relatively young company, established in 2011, Krsnaa Diagnostics has experienced hypergrowth driven by our strategic investments in setting up diagnostic centers predominately under the PPP model. Considering and the evolution of the PPP model in the diagnostics space, the major capital expenditure has happened in the last few years due to which the complete potential of the investment is yet to be realized.

As you can see in our presentation, the centers have matured, that is those centers which have been operational for at least 3 years period, have demonstrated a much higher EBITDA wherein the centers which are in for less than 3 years, have moderated just breakeven the margin revenue. The centers which are operational for a period of 0-1.5 years have negative margins, which is largely due to the initial ramp-up phase, wherein as we begin a particular project, the cost of the manpower, consumption and other expenses are higher in the initial period and not commensurate to the revenue that is being generated.

The ramp-up of this revenue happens gradually. Thus, the investments provide higher returns in years as the projects mature. The investment that we are making today are laying the foundation for future growth and profitability. We are confident that our strategic approach will lead substantial -- as the projects mature in the years to come.

Having said that, review about the recent developments. We've also successfully operationalized 10 CT scans in the state of Maharashtra. The remaining 29 CT scans would be soon operationalized, and the revenue projections are expected to materialize from the second quarter of fiscal year 2025. Over the last 3 months, we have successfully established two new pathology labs and established 350 pathology collection centers.

Over the last 12 months, we have successfully established 15 new CT MRI centers, 21 new pathology labs, and established around 805 pathology collection centers and 63 new tele reporting centers. These endeavors have been meticulously aligned with our expansion strategy.

As you are aware, we have Dr. Prashant as our CEO, who is looking after our public private partnership business, along with the B2C initiatives. We had also recently executed the agreement for some significant tenders including the installation of 17 MRIs and 17 CT scans across Maharashtra, 5 MRIs for Madhya Pradesh, 31 CT scans for Maharashtra as well as the pathology projects in Odisha and Assam. These projects are currently in various stages of implementation and ramp up adding to our existing operational portfolio. Further, with the upcoming projects, the scale and complexity of these new projects necessitated a focused approach and Dr. Prashant's responsibilities have expanded encompassing new project implementation, ongoing monitoring and organizational development, all with a sharp focus on our PPP initiatives. Currently, Dr. Prashant is also helping us in initiating the B2C vertical and the various initiatives under that, which have shown a very promising potential.

To support this expansion and to ensure that we capitalize on our B2C opportunities, I'm further thrilled to announce a pivotal development in our journey towards exponential growth in the B2C vertical. We are excited to welcome Mr. Mitesh Dave as the Group CEO of Krsnaa Diagnostics Limited. Mr. Mitesh brings a wealth of experience from his illustrious career in FMCG, OTC pharmaceuticals, telecom, diagnostics and single specialty hospitals. His proven track record in driving significant financial outcomes, managing large-scale budgets and horsing P&L responsibilities, aligns perfectly with our ambitious growth objectives. Mitesh brings a wealth of experience from his illustrious career. In his previous roles, he has successfully overseen healthcare businesses with impressive growth rates. With Mitesh at the help, we are poised to leverage our existing infrastructure to accelerate our penetration into the B2C market.

His strategic vision and operational excellence will be instrumental in navigating the complexities of our global business operations and unlocking new synergies across various segments. The strategic hire underscores our commitment to strengthening our leadership team with top tier talent capable of driving innovation, operational efficiency and sustainable growth.

We are confident that under Mithesh's leadership, Krsnaa Diagnostics will continue to set new benchmarks in the diagnostic industry, delivering exceptional value to our stakeholders and enhancing our market position. His expertise will also complement Dr. Prashant's efforts, allowing us to maintain a robust focus on our PPP business, while simultaneously driving growth in our B2C vertical.

This dual approach ensures that we can deliver on our current commitments and at the same time, explore new avenues for expansion without compromising on either front. This collaboration will also enable us to lever our existing infrastructure efficiently, minimizing redundancy and optimize resource utilization.

Further, as we welcome Mr. Mithesh Dhava, we are also conscious that we might have to build a team to support the B2C foray. However, we are committed to maintaining financial discipline.

We are confident that with this enhanced leadership structure, we will continue to achieve impressive growth and financial outcomes.

Furthermore, we have recently secured a significant agreement with the Maharashtra government for the installation and operation of 17 MRI and 17 CT scan machines. This almost 10 + 2 year project underscores our leadership in the diagnostics field. This equipment will be installed in a phased manner over the next couple of years. This ambitious initiative not only strengthens our strategic partnership with the government, but also solidifies our position as a pioneer in advancing diagnostic infrastructure in India.

The brand building by prioritizing convenience and digital investments, enhancing our test menus with cutting-edge technologies to deliver precisely and timely results. These strategic initiatives are designed to expand our network and ensure unparalleled customer service for our consumers. With a robust PAN India presence, Krsnaa Diagnostics is uniquely positioned to capitalize on the burgeoning growth trends in the Indian industry and the health care industry.

Our consistent revenue growth is a testament to our successful expansion across all regions, whether it is North, East, West and South. As part of a relentless pursuit of excellence, we are continuously exploring new testing capabilities to meet the dynamic need of our patients and customers. We're aggressively integrating state-of-the-art technologies and analytical tools across the critical departments such as pathology, radiology, supply chain ensuring it will deliver diagnostic. ensuring we deliver diagnostic services that set new benchmarks for accuracy and efficiency.

Our extensive presence across Tier 2 and Tier 3 cities, facilitated by a successful public-private partnership models position us at the forefront of leveraging opportunities in these rapidly growing regions. While many of our peers are just beginning to focus on these markets, Krsnaa Diagnostics has already established a strong foothold, providing us with a significant competitive advantage. The strategic positioning allows us to meet the healthcare need of the underserved areas, driving both social impact and business growth.

The Indian diagnostic industry continues to show promising growth and Krsnaa Diagnostics stands at the forefront of this transformation. We are on the cusp of limitless possibilities, and we are determined to adapt, innovate and excel. Our ambitious growth plans are designed to unlock new opportunities and drive expansion ensuring we continue to positively impact lives and contribute to the advancements of the healthcare industry.

Now to brief you in details about our financial numbers, I would like to hand over the call to Mr. Pawan Daga.

Pawan Daga:

Thank you, Yash. Good morning, everyone. Now I will present the financial highlights for the quarter ending in '24. In the fourth quarter of FY'24, our total revenue from operations experienced a notable upsurge reaching INR166 crores, making an impressive 25% year-on-year growth. Shifting our focus to operational performance, our Q4 FY'24 EBITDA reached INR45 crores, signifying a commendable 28% year-on-year growth, and we maintained a healthy margin of 27%.

Additionally, our net profit amounting to INR19 crores with a corresponding margin of 11%. The margin has improved due to better operational efficiency and center maturity. In FY'24, our total revenue from operations reached INR620 crores, making an impressive 28% year-on-year growth. Our FY'24 EBITDA reached INR147 crores, signifying a commendable 18% year-on-year growth, and we maintained a healthy margin of 24%.

Additionally, our net profit amounting to INR57 crores with a corresponding margin of 9%. During this quarter, our receivables stand out to be 68 days excluding receivable from Himachal Pradesh. We experienced a significant increase in receivable from HP, leading to higher working capital costs. The ramp-up of project in Odisha and Assam, along with the outlay in Maharashtra CT scans project has further impacted our EBITDA to cash flow conversion. The delay in receivable, mainly due to the election-related activities is a temporary challenge. Similar to what we faced during the FY 2019 election, wherein our receivable days were comparable to around 98 days. Despite of this temporary setbacks, which are typical for our business, Krsnaa Diagnostics is laying a strong foundation for future growth. Our current investment in the project and infrastructure are crucial steps towards our long-term vision.

We would like to further update you that we have started receiving the payment from this quarter onwards. This quarter, our depreciation expenses is slightly lower. This adjustment results from a necessary review and revision of our accounting estimates. Specifically, the useful life and the residual value of our assets considering that it had been some time since we last overlooked such a comprehensive review. And this revision was essential to align our accounting practices with the current condition and the uses of our assets. This prudent adjustment ensures our financial statement more accurately reflect the true and fair and the lifespan of our assets providing a clear picture of our company, financial health and sustainability.

Also, Board has recommended a final dividend of INR2.50 per share which is 50% of payout.

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

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Bala Murali Krishna from Oman Investment Advisors. Please go ahead.

Bala Murali Krishna: I have two, three queries. First of all, on the book keeping question regarding this fees paid to hospital. It was decreased drastically on Q-o-Q from INR18 crores to INR9 crores. Could you please explain?

Yash Mutha: Yes. So the fees to hospital comprises revenue sharing arrangement that we have with our B2C partners. So depending on the outcome of the performance obligations that these partners have to deliver. Accordingly, these revenue sharing are evaluated and therefore you see a reduction in this particular quarter.

Bala Murali Krishna: So going forward how it will be – it will be maintained at the same level or we can expect any ramp up?

Yash Mutha: No. So in the -- as the business ramps up it might be slightly higher than in this quarter, but it won't be significantly deviating from -- if you look at on an annualized level.

- Bala Murali Krishna:** Okay, sure. And regarding this Rajasthan tender any update on that, sir?
- Yash Mutha:** Yes. So like our Chairman mentioned in his speech we are equally awaiting for the outcome of the high court matter and as and when it comes we'll certainly update everyone. The hearing is expected to be there in the next couple of days. So we are equally watching the space and we'll keep you posted.
- Bala Murali Krishna:** And regarding the pipeline tender I think we have applied -- we were talking about the tender in the Andhra Pradesh. This was from 1 or 2 quarters. Is there an outcome under any significant tenders we have quoted for which we are waiting for the results?
- Yash Mutha:** No. So as of now, there are a couple of tenders which are upcoming as well. However, having said that until the election gets over, all these tenders will be on hold and hopefully, after the election gets over, we'll be able to give a more clearer picture.
- Bala Murali Krishna:** But is it possible to name a few tenders which you are already participated and waiting for the results?
- Yash Mutha:** No, I won't be able to comment on that as of now.
- Bala Murali Krishna:** One more thing, on the execution side, I see that only we have done out of this [inaudible 22:13] CT scan machines, we've done only 7. We've added only 1 machine this quarter as well as in Maharashtra also. So how we can -- in the upcoming quarters how this will be split up? And any issue in the UP because it's almost I think, 2 years old tender in 2022 we've have won that tender for 8 scanning machines. So we've not yet completed that entire tender and deployed equipment. Is there any issue with that one and in the upcoming quarters how will be this execution\pace how will be the pace?
- Yash Mutha:** Yes. So see, typically in our business after the tender gets awarded we have to receive the site from the respective authorities then the equipments have to be procured and installed. So many places where there are delays these are largely on account of such matters where either the site has not been handed over or there could be issues such as electricity not there on site. So these are typical procedural delays.
- But from a compliance perspective we are all geared up to deploy these equipment at the respective centers and during this financial year also, there are various of these equipments which are in the pipeline along with the time lines. And from a procedural perspective also we have now improved wherein today -- we were earlier used to wait for certain of these updates, but now the team is poised to get all the updates upfront and then decide on the planning. So I believe in this financial year as well, FY '24, '25, there will be significant additions to our centers.
- Bala Murali Krishna:** Okay. That's great. And lastly on the Maharashtra so already we have won 39 CT scan tender in the previous year and now we are at -- again we have won 17 MRI and CT scans. So I think we would have captured the entire state or is there any further scope in this Maharashtra?
- Yash Mutha:** Yes. So if you see predominantly with the 17 MRI 17 CT and the existing 39 CT scans we would have covered majority of the entire Maharashtra. Having said that, there are a few municipalities

and some other public hospitals which are still open, but I think now we have a lion's share in the Maharashtra region as such.

Bala Murali Krishna: One last question I will exit. So we have almost covered a few states most of -- 50% of the states in India with the tender for this public private partnership. So going forward is there any further scope for any states which you have untouched or whether they don't have any public private partnership. So do you see any scope in the further -- few more states which we can go for that partnership again?

Yash Mutha: Yes. So if you see we are present in states only like Punjab and Himachal Pradesh where we have full services, but rest of all the other states are still open and again in the rest of the states where we are present we are present only in selected districts or select verticals. For example, in some place we are in pathology, in some places we are in radiology. So there is still an immense potential in our opinion and there is a significant opportunity that Krsnaa can tap into the future in terms of PPP opportunities. So I believe there's a strong opportunity base for us even in the subsequent months or years to come.

Bala Murali Krishna: That's all. Thanks a lot. All the best.

Moderator: Thank you. The next question is from the line of Anshul Agrawal from Emkay Global. Please go ahead.

Anshul Agrawal: Thank for the opportunity and congratulation on the CAP accreditation. We have two questions. One on our gross margins. I am unable to understand if -- why our gross margins have been declining over the past four, five quarters? Is this because of our convergence to a pay-per-use model or any one-offs in this, if I can't -- I can't point a finger on that. Could you help me understand what is the reason our medical consumables are increasing as a percentage of sales?

Yash Mutha: Yes. So this is mainly because of the increase in the share of a pathology business and also the projects of pathology which we have deployed which are at very initial stage where we see calibration QCs are higher at an initial period where we cannot capitalize this cost. So that's why we see a slightly higher consumption cost during this first few years of project implementation

Anshul Agrawal: So we expect this to stabilize at where exactly? Gross margins would be stable according to you by when -- at what level?

Yash Mutha: By Q1 or Q2, you see the gross margin or the consumption level will be stabilized.

Anshul Agrawal: Okay. And any approximate levels or broad range on that?

Yash Mutha: This will be 78% kind of gross margin you can see by -- after stabilizing our gross margin.

Anshul Agrawal: Okay. And would our convergence to the pay-per-use model, which if I remember, you had mentioned in the Q3 call, would that also lead to lower gross margins in the future?

- Yash Mutha:** So on the pay-per-use model, this model will not impact your gross margins, but they will impact the EBITDA margin. So we've started the pay-per-use model with some of our partners, which will eventually help having a better ROCE going forward.
- Anshul Agrawal:** Got it. Very clear. Second question was on the B2C business. While I understand we're investing a lot in terms of managerial bandwidth, etcetera, what I wanted to understand is I believe our aim is not to have any differential pricing for B2C services, would that be correct? Or is there any change in strategy there? Would we have differential prices for B2C model?
- Yash Mutha:** So from a B2C pricing perspective, of course, the pricing will have to be differential considering the fact that this will be a differentiated service. Though it leverages our existing infrastructure, but considering, for example, home collection services as well as others, it will be differentiated, but it will still be competitive compared to what are the market rates.
- Moderator:** Sorry to interrupt, Mr. Anshul. May we request that you return to the question queue, please. The next question is from the line of Lokesh Manik from Vallum Capital.
- Lokesh Manik:** A three data points from my end. One is if you can share the revenue from tele reporting centers in the radiology segment, either annually or quarterly growth rate, whatever is convenient?
- Pawan Daga:** So our tele reporting revenue for the year and the quarter also, it's 9% on overall revenue.
- Lokesh Manik:** Okay. And the number of tests in pathology labs for the year?
- Pawan Daga:** So this data point is not immediately ready. You can reach out to our Head investor relations, Mr. Vivek Jain. They will provide you all the information.
- Moderator:** The next question is from the line of Deepak Poddar from Sapphire Capital. As there is no response, I would request that we move to the next question. The next question is from the line is Rikesh Parikh from Rockstud Capital LLP.
- Rikesh Parikh:** I was referring to your slide on maturity profile. While you have suggested that net blocks have been moving. How the old blocks, we are getting 35% ROCE. Just want to understand at what maturity level or what period is our -- how much time does it take to move to a mature block?
- Yash Mutha:** So typically, if you see, PPP projects take around 1 to 2 years to stabilize. And from there on, then they start moving to the mature level of centers. So by year 3, we have centers which would have matured. And this, again, slightly varies from a project to project, but on a broad-based level, this is how we see the performance improving over the coming years and the past trend that we witnessed.
- Rikesh Parikh:** Okay. So it will be right to assume that Punjab and Chandigarh where we had major investments at the time of IPO, and now they will be completing 3 years and will be going in a mature block down the line?
- Yash Mutha:** Yes. So Punjab has already seen good growth rates coming from the last couple of quarters and we expect that the growth momentum to continue. And now they'll be moving towards the

mature centers. And one good advantage with Punjab is also it's a pure cash kind of a PPP model where we collect cash directly from the customers.

Rikesh Parikh: Second thing is just from the next year on point of view, can you just throw more highlight on how much incremental growth will be coming from the radiology or pathology side for the next year in terms of deployment?

Yash Mutha: Yes. So in terms of deployment, considering that our -- the Assam, Odisha projects are almost deployed barring a few sites and few locations. Next year will be more on the radiology side, given the recent tender wins of CT scans and MRIs. So in this fiscal year, we expect more of implementation to be done on the radiology side.

Rikesh Parikh: Sir, the next question, just to addition to it, we have seen that our depreciation has increased substantially, which is heading to a fact while we have a top line growth, our bottom line growth has not been increasing. So do we assume that it will be the same going forward in the coming year, FY'25?

Yash Mutha: So typically, if you see the revenue growth, as I said earlier, with the initial implementation phases, then the revenue growth happens in a pretty significant manner. And that is what we are experiencing that after the initial first two years of the project implementation, you'll see a significant growth rate and especially with radiology where we normally have witnessed in the past as well, the growth rates are much better. And that is what we expect in the subsequent quarters to come.

Moderator: The next question is from the line of Deepak Poddar from Sapphire Capital.

Deepak Poddar: Sir, just wanted to understand the last point that you mentioned about the growth rate to be better in subsequent quarters. So you have to look at next two years CAGR. So what sort of CAGR we might be looking at? I mean, 25% to 30% would be the rough range that we might be looking in terms of top line growth?

Yash Mutha: Yes, that is the rough range we're looking at around 25% to 30% in the coming years.

Deepak Poddar: 25% to 30%. Okay. And then you mentioned your gross margin is likely to stabilize at about 78%, which is currently 74%. So do you expect your EBITDA margin also to inch up from current 25% EBITDA margin?

Yash Mutha: No, I think the EBITDA margins will stabilize at 25%. The reason being, as I said, pathology contribution is also increasing in the overall business. And at the same time, there are incremental projects getting deployed. So those costs also come in. So now we've looked at it from a model perspective, and we believe 25% is a stable EBITDA margin.

Deepak Poddar: Fair enough. And a couple of clarifications. Depreciation at INR18 crores is because of your accounting policy changes is likely to be the rate going forward per quarter?

Yash Mutha: Yes.

- Deepak Poddar:** Okay. And interest cost you mentioned this first quarter will remain higher and then it will normalize for the entire year, right, for FY'25?
- Yash Mutha:** Yes. We see our working capital currently at stretch due to increase in receivables. It will be getting stabilized by end of Q1. We would see reduction in the finance cost.
- Deepak Poddar:** Understood. And then just one last thing. Why our fees to hospital is so much lower? I mean generally, we are in the range of INR15 crores to INR20 crores per quarter, but this quarter is only INR9 crores. So what is the reason of that?
- Yash Mutha:** Yes. So as I mentioned earlier, the fees to hospital is basically revenue sharing that we have with our partners with the business coordinators as we call them. And this is linked to certain performance obligations that they have to deliver. And since those are not met, therefore, we had a revision to these revenue sharing. Now they are linked to certain milestones as well as achievement of revenue in some cases as well as certain collection like in the case of HP and, therefore, you see a dip in this quarter.
- Moderator:** The next question is from the line of Amruta Deherkar Sane from Wealth Managers India Private Limited.
- Amruta Sane:** So on the balance sheet of March '24, we see that the company reported net debt of around INR53 crores. So what is the kind of potential debt level by March '25?
- Yash Mutha:** So we'll try to maintain the existing debt levels. As we said, whatever debt was largely because of the enhanced receivables, which subsequently should go down. But also considering the expansion, we believe the debt ratio will be more or less at the same level and may not increase.
- Amruta Sane:** Okay. And my second question is regarding the receivables you said excluding HP was around 68 days. So have you started receiving money from the HP centers?
- Yash Mutha:** Yes, yes. We've already started receiving money from HP centers in the month of April and May.
- Amruta Sane:** And like how long do you expect will this -- to whole HP effect to smoothen out?
- Yash Mutha:** I believe it will take until the end of Q2 because the elections we get over in June and from there on, then the process will reinitiate again. So we believe between June, July, August, we should be able to recover our receivables.
- Moderator:** The next question is from the line of Ankeet Pandya from InCred Asset Management.
- Ankeet Pandya:** So on the trade receivables, the INR100 crores increase we have seen Y-o-Y, is that majority or most of it coming from Himachal Pradesh or is it some other states also where we have seen increase in receivable?
- Yash Mutha:** So predominantly it is for Himachal Pradesh. As I said, and like Pawan also mentioned earlier in his speech, this is largely receivables from Himachal Pradesh. There have been other receivables, but they are in the regular course of business and we don't see any stretched

receivables there. Our net receivables excluding Himachal Pradesh is about 68 days, so which is in line with our business.

Ankeet Pandya: Understood. And the HP receivables that you said to a response to the prior question, it is already starting to flow in, right? I mean, is already starting to flow in?

Yash Mutha: Yes.

Ankeet Pandya: Okay. And there is a line item on the balance sheet, other financial assets, which has gone up from INR9 crores in the previous year to about INR143 crores. What would this include?

Pawan Daga: So this is basically, if you see comparable year where the other financial assets noncurrent, which is basically a shift of fixed deposits long term and short term, nothing apart from that.

Ankeet Pandya: Okay. These are FDs basically, all right. So then when we compute our net debt, we should take into account the other financial aspects, both noncurrent and current, right?

Pawan Daga: Yes.

Ankeet Pandya: Understood. Just one last question. On the margin expectation, Yash, as you said, 25% despite improvement in gross margin, which you expect from 74% to 78% at maybe over 1, 2 years, depending on how long it takes. So what element of your business will take up this 4%, which your gross margin will generate, which line item do you see taking up this 4% to keep your margins at 25%?

Yash Mutha: Yes. So see, like we've demonstrated or you've seen in the past as well with project implementation, there are initial employee costs, which take a hit as the project gets established or we are implementing those, for example, with 17 CTs, again, there will be manpower that will come. And after seeing all those variables, we thought the 25% is a good stable level of EBITDA of any incremental cost that comes along because of the manpower or the consumption cost or radiology or other initial set of costs which cannot be capitalized.

Ankeet Pandya: And to the same point, this fees to hospitals, is it within the government business that we pay profit share to hospital or is it outside that?

Yash Mutha: No, this is outside. These are all private agreements that we have with business coordinators.

Moderator: The next question is from the line of Vandit Dharamshi from Alpha Invesco.

Vandit Dharamshi: Congratulations on good growth numbers, sir. Now I have 2, 3 questions, sir. First question, sir, I think on the last call, we spoke about we will not be looking for debt per se. But I think on this call, you spoke that even after we get the Himachal Pradesh receivables, we will continue to maintain the debt at these levels. So any reason, sir, why we have changed our stance on debt?

Yash Mutha: So this debt that I was referring was more towards the working capital debt that might come up because of the enhanced -- or the incremental capex that we also have to invest. For example, when we buy these equipment's, there's a certain element of down payment that we have to do.

So that will also add up. And hence, we believe that our effort will be to reduce the debt level, and we -- at a management level, we wish to continue to be a debt-free company.

But considering the dynamics of the receivable management, increasing business and the working capital that is required, we believe these will be the debt levels in the future as well. Of course, our efforts will be to reduce these levels, but just based on the past experience, we believe these -- we will not try to go beyond these levels, but maybe maintain at these levels or lower than that.

Vandit Dharamshi: Okay. Understood. So all of this debt will be all short-term debt is what you're referring to?

Yash Mutha: Yes, yes.

Vandit Dharamshi: Okay. And sir, you had mentioned that for Himachal Pradesh, a large part of the receivables should start flowing in from, say, June, July, August due to elections. So would the receivable numbers actually come down in Q2 because of elections right now?

Yash Mutha: Yes. due to election and its duties, many of these offices are not at the respective locations. So once the elections get over and they come back to the locations and the procedures start getting implemented in terms of the checks and balances, we believe the money should start flowing in post the elections, which might happen in between Q1 and Q2.

Vandit Dharamshi: Got it, sir. And sir, last question from my end. What would be your, say, thought process or vision 5 years down the line, say, for Krsnaa in the year FY '29 or FY '30? Where do we envision ourselves, sir?

Yash Mutha: So since the last couple of years, we've tried to maintain our CAGR growth rate and considering the current project in hand as well as some upcoming opportunity that we see. And with the B2C vertical, we believe that we will try to maintain the same level of growth.

Vandit Dharamshi: Okay. So are referring to say a 25% kind of a growth over the next 5 years because that will take us to sit close to INR3,000 crores kind of a number?

Yash Mutha: Yes. That is what we are also working aggressively towards.

Moderator: The next question is from Vishal Manchanda from Systematix.

Vishal Manchanda: What is the expected radiology to pathology mix over the next 2 years?

Pawan Daga: So the mix will be in the range of 60:40 as the radiology projects are also under implementation as of now, so which will be deployed and we'll see the incremental contribution from radiology. So radiology growth as well as pathology growth, we will see -- next year range will be 60: 40.

Vishal Manchanda: And we should expect a similar number in FY '26 sir?

Pawan Daga: Yes.

Vishal Manchanda: Okay. And on capex, is it like we're spending INR150 crores excluding Rajasthan next year, right, FY '25 and FY '26?

Pawan Daga: Yes.

Vishal Manchanda: Okay. And including Rajasthan, what would be the capex?

Yash Mutha: So if Rajasthan comes along, again, it will be in the range of around INR250-odd crores, which we'll foresee as the time comes.

Vishal Manchanda: So it will add about INR50 crores to the number?

Pawan Daga: Vishal, this is too early to comment on the Rajasthan part where the capex. Once the project comes in, we will reevaluate and as the quarter -- next quarter we will give you update about the Rajasthan capex and other parameters once we have a clear understanding on the project.

Moderator: Thank you. The next question is from the line of Mayur Parkeria from Wealth Management. Please go ahead.

Mayur Parkeria: Actually, I just wanted to understand, while Rajasthan tender or the situation continues to prolong, in the meantime, we are getting orders already Maharashtra order has come, it's a decent size order with INR150 crores outlay. And if the delay continues and if we get -- as you were saying, alluding that there were a couple of other opportunities in the -- already in the play, will it not create a financial strain if the Rajasthan order comes a little delayed, but it comes, then we'll not be able to even come out of it and already a couple would have been in the hand and will it create a risk of executing on the size of the orders? And if delays continues and then we get, let's say, after 6 months. And in the meantime, we get a couple of 1 or 2 large orders. How will we handle that kind of a risk?

Yash Mutha: Yes. So if you see over the last couple of years, Krsnaa has deployed projects statewide, whether it is Punjab, Himachal or Maharashtra. And like we mentioned earlier as well, the reason we are also increasing the bandwidth at the leadership team, we are cognizant of the fact that tomorrow, we might have pathology projects of Rajasthan as well as Maharashtra coming up.

So overall, and direction-wise, I don't think so we see that as a challenge. In fact, Krsnaa is capable today to deliver in terms of deploying these PPP projects and taking the company to the next level. Again, from a financial standpoint as well, like we've discussed, we have initiated some of the pay-per-use model with some of our partners and that will also help us to expand without significantly taking any debt.

Again, depending on the size, as I said tomorrow if Rajasthan comes and based on what is the capital outlook, we'll take those decisions. But from all perspective, whether it's financial or the bandwidth as well as from team's perspective, we don't see any challenges in implementing this project as and when they come.

Mayur Parkeria: Okay. So that's sir, -- no, sorry to say, but this is a slightly overconfident kind of situation which we sound here because financially, we are already seeing a lot of stress on the margins, which is

there. While -- in a project in PPP with a government kind of project, receivables can always get stuck here and there. It may be 6 months, 8 month situation. But no, those risks are inherent in the business. And if such situation comes then, there can be some risk of financial situation, which may go out of hand for us.

So my only -- or the request to the management was to while we have growth targets very aggressive in our minds, this is absolutely with the health care opportunities there for 20 years in India. It is not next 3 years. While I understand the scale of opportunities may be very large in the next 3, 4, 5 years as governments understand that we need quality health care.

But to keep that pace of expansion also in mind when we look at this because there are many operational risks on the PPP side. I'm sure you all understand that better. But just from the -- as we participate as a minority investors and shareholders, we would request the management to take into consideration any potential risk because these are dealing with the governments and things can happen. So that was just a small observation and risk, which I just thought that to take care of it.

Secondly, if you can highlight some qualitative aspects around the B2C side, which we are doing. I understand it's a small segment, we are starting to expand on that side. But if you can give us some qualitative understanding of what is happening on the business side and which are the states where we are putting this -- we have opportunity. And how are we going about this over the next 12 months? And what are our milestones there?

Yash Mutha:

Sure. First of all, I appreciate and thank you for sharing your concerns. We certainly take note of the concerns that you've highlighted. And as I said, both from at management level, we are cognizant and considering our past experience, we're working towards how to ensure that the risk from these -- any PPP projects does not impact the business.

Now coming to the B2C business, like we've mentioned, we are exploring B2C set up in the existing projects that we have, whether it is Maharashtra, Punjab, Assam, Odisha, where we have the lab infrastructure. In fact, in places like Assam, Odisha, we have labs, which are in the -- not in the government premises, but in the places which are taken on rent.

So these are some of the states that we would be going ahead with the B2C initiatives. At the same time, we are also expanding our test menu, the quality accreditations like you saw the CAP accreditation that we've achieved. So all these are done in a way where eventually, it will converge that the B2C setups as well as the infrastructure could be leveraged. And hence, we could foray into the B2C and create value for both our customers as well as for our stakeholders.

Moderator:

May we request that you return to the question queue for a follow-up question, please. The next question is from the line of Piyush Jain, who is an Investor. Please go ahead.

Piyush Jain:

I have 2 questions. First I want to understand a brief area where our B2C business is going on? What is the current revenue mix and what we see in the next 2 to 3 years, the B2C business will have a size of the business?

And second, will we have a same -- similar type of margin around 25%, 26% type of business something? And second is fees to doctors, which is reduced of around 17%-odd percent of last year to 12% something. This is a 1-year phenomenon? Or should we build up that this number will remain around 15% to 17% only for the future year?

Yash Mutha:

I think there were a couple of questions. I'll take it one by one. If you see the B2C revenues that we have just started off with in terms of the various initiatives we've taken as well as the infrastructure leveraging, we expect the B2C to be around 2% to 3% in the initial years. And of course, as the business ramps up, we'll be probably able to give much better updates. With Mitesh joining, Dr. Prashant being there, I think all considered efforts, we should see good growth in the B2C in the years to come.

Your second question was with regards to the fees to hospitals. So the fees to hospitals basically though it comes under the accounting convention of fees to hospitals, but these are, as I said, revenue sharing arrangements with some of our business partners. And they are basically an outcome of certain performance obligations that we have to deliver. I think going forward...

Pawan Daga:

Will be in the range of 12% to 13%.

Yash Mutha:

As an overall percentage of revenue. I hope I answered your questions.

Piyush Jain:

Yes. Just one follow-up on this. In the previous calls also, what we understood from you that the B2C business will have a higher pathology business? So maybe that margin side, it would be in the lower side as compared to right now we are making because right now, the radiology mix is higher. So can you just give some color on this, the B2C margin? And how much will be the pathology or radiology contribution -- distribution?

Yash Mutha:

Yes. So the B2C will, of course, have a slightly higher share of pathology, given that is where we are trying to foray. And considering, as I mentioned, the pricing point will be slightly differentiated from our existing government pricing. So we expect the margins to be slightly better than our existing government business that we do.

And hence, therefore, the impact on margins should not be significant. Having said that, in the initial period, there will be certain incremental costs, including cost of leadership, certain of the other activities that we'll have to do. But from a long-term basis, the model that we are trying to build upon, we'll have margins which are comparable to our existing PPP business that we do.

Piyush Jain:

Sir, any store-specific number or something we have in mind or something capex number? Or this will be a same center from where we are doing right now our B2B business or this will be a new center where the new and fresh capex will be required?

Yash Mutha:

So we won't be deploying assets for setting up centers. We'll be leveraging the existing lab infrastructure that we have. But of course, I mean the collection center, there's not a significant cost that is required there. It's a slightly asset-light model. I think we'll be having more better updates in the subsequent quarters once we have Mitesh also coming in and then we can put some more numbers to it.

- Piyush Jain:** Okay, fine. Thank you.
- Moderator:** Thank you. The next question is from the line of Rikesh Parikh from Rockstud Capital LLP. Please go ahead.
- Rikesh Parikh:** Yes, thanks for the follow-on question. Sir, you had mentioned that we started a few facilities on pay per use. So as a percentage, can you just quantify how much facility we've started on the paper use?
- Yash Mutha:** No, we've just entered into some agreements on this with some of our business partners. So as of now, these are at very initial stages. But hopefully, by Q2, we'll be able to give more meaningful numbers, how this is shaping up.
- Moderator:** Hello, Mr. Rikesh, do you have any question? Mr. Rikesh, may I request you to unmute your line from your side?
- Rikesh Parikh:** Yes. Sir, second is on our retail strategy. We've appointed our new CEO with a focus over there. So are we looking to aggressively expand over there or any increase in marketing budget to focus over there?
- Yash Mutha:** Yes. So we've been -- last couple of quarters, we've been gradually studying the market. We've seen good response like also our Chairman mentioned about it, wherein some of the initial responses are very good for our B2C initiatives. And therefore, we now decided to go ahead on the B2C foray. We will try to keep the cost as low as possible, but there will be certain incremental costs. But as I said, at an overall company level, we'll try to ensure that our EBITDA numbers and the revenue numbers are intact.
- Rikesh Parikh:** Thank you. That's it for my side.
- Moderator:** Thank you. Ladies and gentlemen, due to time constraint, that was the last question for the day. I now hand the conference to Mr. Yash from the management for closing comments.
- Yash Mutha:** Thank you, everyone, for participating in our earnings call. If there are any unanswered questions, please feel free to reach out to our Head, Investor Relations, Mr. Vivek Jain. Thank you, and wishing a good day ahead. Thank you.
- Moderator:** Thank you. On behalf of JM Financial, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.