Ref: MHL/Sec&Legal/2023-24/92 **Date: February 09, 2024**

To,
The Manager - Listing
BSE Limited
Scrip Code: **542650**

To,
The Manager - Listing
National Stock Exchange of India Ltd
Scrip Symbol: **METROPOLIS**

Sub: Intimation of Transcript of Earnings Call for Q3 FY24.

Ref: Regulation 30 read with Schedule III of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

Dear Sir/ Madam,

This is in continuation to our letter bearing reference no. MHL/Sec&Legal/2023-24/82 dated January 29, 2024. Please find enclosed herewith the transcript of Q3 FY24 Conference Call, as organized by YES Securities (India) Ltd. held on Monday, February 05, 2024 at 09:00 a.m. (IST) wherein the financial results of the Company for the quarter and nine months ended December 31, 2023 were discussed.

The same has also been uploaded on the Company's website and can be accessed at:

http://www.metropolisindia.com/investors

We request you to kindly take the above information on record.

Thanking you,
Yours faithfully

For **Metropolis Healthcare Limited**

Kamlesh Chandrashekhar Kulkarni
Digitally signed by Kamlesh Chandrashekhar Kulkarni
Date: 2024.02.09 21:22:31 +05'30'

Kamlesh Kulkarni
Head – Legal & Secretarial
Membership No.: A27554

Encl.: A/a

"Metropolis Healthcare Limited

Q3 and 9 Months FY'24 Earnings Conference Call"

February 05, 2024

Disclaimer: E&OE - This transcript is edited for factual errors. In case of discrepancy, the audio recordings uploaded on the stock exchange on 5th February 2024 will prevail.

MANAGEMENT:	**MS. AMEERA SHAH – MANAGING DIRECTOR – METROPOLIS HEALTHCARE LIMITED** **MR. SURENDRAN CHEMMENKOTIL – CHIEF EXECUTIVE OFFICER – METROPOLIS HEALTHCARE LIMITED** **MR. RAKESH AGARWAL – CHIEF FINANCIAL OFFICER – METROPOLIS HEALTHCARE LIMITED** **SGA, INVESTOR RELATIONS ADVISORS – METROPOLIS HEALTHCARE LIMITED**
MODERATOR:	**MR. BHAVESH GANDHI -- YES SECURITIES**

Moderator: Ladies and gentlemen, good day, and welcome to the Q3 and 9 Months FY'24 Earnings Conference Call of Metropolis Healthcare Limited hosted by YES Securities. This conference call may contain forward-looking statements about the company, which are based on beliefs, opinion and expectation of the company as on date of this call. These statements do not guarantee the future performance of the company, and it may involve risks and uncertainties that are difficult to predict.

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 touch-tone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Bhavesh Gandhi from YES Securities. Thank you, and over to you, sir.

Bhavesh Gandhi: Thank you, Ria, and good morning, everyone. On behalf of YES Securities Limited, I, Bhavesh Gandhi, welcome you all for Metropolis Q3 FY'24 Earnings Call. With us today, we have the Metropolis senior management team, represented by Ms. Ameera Shah, Managing Director, Mr. Surendran Chemmenkotil, CEO, and Mr. Rakesh Agarwal, Chief Financial Officer.

I will now hand over the call to Ameera ma'am for her opening remarks. Over to you.

Ameera Shah: Good morning, everyone, and thank you for joining us on the Q3 FY'24 Earnings Call. Today, I'm joined by Suren, the CEO, Rakesh, CFO and SGA, our IR Advisors. We've uploaded our updated results documents on the stock exchanges and the company's website, and I hope everyone's had an opportunity to go through the same. We are happy to report a 12.3% year-on-year revenue growth in our core revenue for Q3 FY'24, of which 9% has been contributed by patient growth volume and the balance 3% is on account of product mix change.

The performance in Q3 was marginally impacted on account of heavy rainfall and floods in Chennai and adjacent areas in December '23, leading to a loss of revenues of approximately 7 to 8 days from the Chennai region, which is one of the focus cities for Metropolis. We estimate growth would have been closer to 13.5% without this disruption. We have been witnessing a consistent increase in our volumes for our core business over the last 7 quarters and are optimistic about the growth trajectory going forward.

Let me begin with some broad industry insights and specific trends for the quarter gone by. Diagnostics as an industry is poised to grow at about 8% to 10% CAGR by FY'27. And we had laid out our addressable market, which is poised to grow at about 10% to 11% CAGR. And being a pioneer in the industry, we are confident of outperforming the market growth. Outpacing industry growth will be primarily driven by number one, geographical expansion that is deeper into retail existing markets and wider penetration into new markets.

Second, capturing large market share in the wellness segment amongst consumers who are healthy. Number three, increased specialized testing segment by building more credibility with the best specialized doctors in the country and number four, better execution in terms of distribution, service quality, testing support quality and strength of test menu.

Speaking of the quarter gone by, on ground situations and relative competitive intensity. Historically, the third quarter typically experiences a slowdown in the healthcare sector due to festivities and holiday season. Looking at past trends in hospitals, pharmaceuticals and diagnostic companies, Q3 usually reflects a decrease in activity and this quarter follows the same pattern across the healthcare industry.

The decline in OPD hospital visits directly influences diagnostic volumes in the B2C segment. And additionally, the slower IPD business outsourced by hospitals to larger chains like us affects the B2B segment. Despite a softer quarter for the overall healthcare industry, our volumes at Metropolis have increased faster than the market on a year-on-year basis, indicating growth and increase of our market share across segments.

On the competition front, we have been hearing of expansion of labs by new age and new healthcare competitors in terms of geographical reach. But it's important to emphasize that these players seem to be primarily focusing on low-priced B2B business via this network expansion. This particular segment is characterized as being non-sticky with poor unit economics.

We had previously highlighted competitive intensity prevailing in the semi specialized B2B business, which contributes only a single-digit revenue to our overall revenues. However, over the last quarters in this segment also, we have observed positive trends in the revenue per patient, indicating an improvement in our B2B pricing with increasing volumes.

In Q3 FY'24, our overall B2B business grew by 7% with a volume increase of 5% and an RPP growth of 2%. And for the 9 months ending FY'24, RPP growth also stood at 2%, reflecting a positive shift in the environment. This indicates that the competitive intensity in the semi specialized segment of B2B is diminishing, emphasizing a preference for quality over price or discount.

Also, the growth rates of app downloads and usage for emerging health tech players have been slowing down, suggesting challenges in acquiring new customers in the B2C segment. It appears that aggressive pricing strategies and convenience have been the primary competitive edge of these firms, which was valuable to build the wellness segment during COVID but in the post COVID era where illness testing is back in focus, the dynamics have changed.

As Metropolis undergoes transformation in digital technology and customer convenience, we are well positioned to capture higher volumes through online channels. Additionally, our aggressive plans for lab and center expansion further strengthen our position in the big brick and mortar route.

I would like to share some color on the recent news articles and onetime provision done for receivables from the Aam Aadmi Mohalla Clinic project, which we had received a work order for in February '23. Let me highlight the following.

The company has followed all due procedures and guidelines as per the contract, and all samples that were handed over to us have been duly tested and reported. Billings for testing has been strictly done based on the sample received, test performed and reported. Interacting with patients, collecting their samples, collecting their data and registering in the system was the primary responsibility of Mohalla clinics as per the contract.

Our role was only to pick up the sample after collection done by Mohalla Clinic and then to do the testing and generate and submit reports back to the Mohalla clinics. Due to multiple payment delays. This was not a viable contract for us, and we have sent multiple notices for recovery of payments.

The company also sent a notice on December 19, '23 to the government authorities for discontinuation of the contract. Although we would like to exit this contract, we may have to continue to provide services if the government insists. Considering the current circumstances, we believe the best practice would be to provide 100% of the receivables of the Mohalla Clinic project from February '23 to December '23, as we have limited influence on the future direction of this project.

This onetime provisioning has an overall impact of 0.8% on EBITDA for Q3 FY'24. The company is fully cooperating with any relevant authorities and providing all information proactively as they investigate the matter. We filed a statement with SEBI on the above on January 15, 2024, and you can access that document for any more information.

Going forward, with the brand strength of Metropolis, the trusted partners for doctors and consumers, coupled with aggressive expansion plans and foray into adjacencies with opportunities for inorganic growth. We are optimistic of out numbering in the industry growth in terms of revenue growth and profitability.

We feel optimistic about core revenue growth and margin expansion in Q4, as usually, it's the best quarter of the year for the industry. Also, Q4 will be the first quarter where reported revenue and EBITDA growth will be similar to core revenue growth and EBITDA growth because our NACO contract had gotten completed in the last year by February 2023.

And therefore, the base year will now only have 1 month of NACO revenue in Q4 compared to the first 3 quarters of FY'23, '24, where NACO revenue was a continuous part of it, making reported revenue and profits look subdued even though the core business is growing very well. With this, I'd like to hand over to Suren for our update on the quarter gone by, along with our execution plans going forward. Over to you, Suren.

Surendran Chemmenkotil: Thank you, Ameera. Let me give you the specific highlights of this gone quarter. In quarter 3 '24, our core revenue demonstrated a robust year-on-year growth of 12.3% driven by a patient volume increase of approximately 9%. The remaining 3% of the growth can be attributed to changes in product mix.

Notably, our test volume expanded by around 11% compared to the same period last year, consistently surpassing industry growth figures over several quarters. Please note, Metropolis counts 1 package or panel as 1 test. And therefore, our individual test volumes would be much higher.

We would like to highlight that we have taken a price increase on our B2C segment on a pan-India basis, effective January '24, the impact of which will be seen in this quarter and also full year '25, with increased revenues and margins. We estimate the benefit of this to be approximately 3% of the revenue.

We're also planning to take a price increase in our B2B segment, specifically for the specialized and super specialized tests in quarter 1 FY25, which will further boost revenues and margin profile. Specifically focusing on our B2C segment, we achieved a substantial year-on-year growth of approximately 15% in quarter 3. This impressive performance is underlined by a patient volume growth of 13%, a testament to the strong brand recognition, we enjoy among both the medical community and consumers alike.

This takes our B2C contribution to 53% of total revenues, gradually working towards our target of 60% to 65% contribution. Having started this journey, from 35% B2C contribution a few years ago, we have made a great stride and I'm confident of reaching our 60% to 65% contribution target in few years.

In quarter 3 '24, revenues from Mumbai market experienced a notable growth of 18%, surpassing the company's average growth rate. This highlights our enhanced market share in Mumbai region. Even in the face of the entry of new players and the perceived intense competition in the Mumbai market, we have achieved substantial growth and expansion of our market presence in this region without using any tactics that would dilute the brand or the pricing metrics.

Our emphasis on the premium wellness portfolio, featuring carefully curated packages tailored to different genders, age groups and wellness profiles has yielded positive results. Through a combination of upselling initiatives and targeted strategies to enhance the wellness portfolio, we achieved a substantial 15% year-on-year revenue growth in the premium wellness segment for the quarter 3. This growth is slightly subdued compared to the previous quarters due to festivals and consumer focus being on other kinds of consumption. We believe quarter 4 to be showing a higher growth for wellness like the first 2 quarters of this year.

In quarter 3, our revenues from specialized testing experienced a noteworthy 13% year-on-year growth, accompanied by a robust 11% increase in test volumes. Over the years, we have consistently witnessed a steady rise in volumes for specialized testing. This can be attributed to the introduction of new tests and technologies, coupled with growing trust among doctors and specialists in Metropolis for our capabilities in specialty testing. This trust has positioned us as a preferred choice for diagnostic partners in specialty testing within the industry. We hope quarter 4 to be the quarter where specialized revenues to grow even faster as a result of all the inputs and rigor put into this area in the last 6 months.

Speaking of network expansion, we remain steadfast in our commitment to expansion with plans to add 30 labs in the current financial year, of which we've already added 17 labs so far and additional 13 labs in the next financial year. Complementing these lab additions, we are also expanding our network of collection centers, creating a robust system, which will feed these labs to generate higher volumes and thereby adding to the overall revenue growth going forward.

While the ongoing network expansion may have temporary impact on our EBITDA margins, we view this expansion as a significant opportunity for the future. It serves as a strategic move to reinforce our presence in core geographies and explore untapped markets with limited diagnostic players and facilities. We anticipate that the combination of enhanced productivity from the new network, increased utilization of labs and higher operating leverage, coupled with organic growth, will contribute to an improvement in margins from the current levels in the future.

Since April 2022, we have successfully added 31 labs with 21 labs strategically located in new geographies, significantly enhancing our national reach. We take absolute pride in announcing that Metropolis has crossed 4,000 collection centers marked in this quarter. We have added 1,000 collection centers since April 2022, with plans to add another 1,000 over the next 12 to 18 months.

A noteworthy achievement is our expanded presence from 307 towns in the beginning of the year to 595 towns within the last 9 months. We aim to further extend our reach to a total of 700 towns by the end of this financial year, solidifying our footprint across diverse regions. Labs opened after April '22 have contributed 3% of revenues in this quarter. Given the growth rate of these recently established labs, we anticipate a more substantial contribution from them in the upcoming years. Furthermore, the labs initiated in the current financial year are expected to further augment revenues and volumes in the future.

In parallel, our strategic focus extends beyond expanding the network. We have also been dedicated to enhancing the productivity of existing centers. The results in the past 9 months have been positive, showcasing the untapped potential for growth. We believe that this emphasis on improving the overall productivity of existing centers will significantly contribute to revenue and margin growth in the times ahead.

We've also been vocal about our technological upgradation and transformation over the last few quarters, I would like to share a few highlights on the same. The current quarter gone by, we have rolled out the second-generation point-of-sale platform, R&I 2.0, that is a registration invoicing platform developed on a highly agile Mendix platform. Salesforce CRM with fully customized -- for customizable CPQ to manage dynamic pricing engine and community cloud for clients for better life cycle management of partner communities. Rolled out Salesforce service CRM at all, is touch points to capture customer interaction effectively.

First ever, Salesforce customer data platform in Indian healthcare landscape, enabling 360-degree view of its consumers and automated CLM through the Salesforce Marketing Cloud. All these initiatives have led to capabilities building for future like 360-degree customer view, personalization for consumers, efficient patient service, relationship management, efficient registration, billing and pricing, improved financial management and increased reported and analytics -- report and analytics for the future references. Half of the projects we have worked on are -- now lies in across the company and quarter 4, we'll see a few more go-live improving ease of doing business with Metropolis. We'll continue on this transformation journey next year, too.

In summary, I would like to highlight that with accelerating our key growth drivers such as expanding our network, emphasizing the specialty and wellness segments and implementing technical transformation is propelling us swiftly towards our growth objectives. With this, now I hand over the call to Rakesh to take you through the financial highlights and the numbers.

Rakesh Agarwal: Yes, thank you, Suren. Let me share some of the key financial performance for the quarter. Our reported revenue for Q3 financial year '24 has grown by 2% on a Y-on-Y basis. Reported growth for Q3 was largely impacted on account of in-sourcing of large B2C contracts in quarter 4 financial year '23. Core revenue as we know is much higher. Our core business revenue grew by 12% for Q3 '24, with patient volume growth of 9% and balance 3% on account of product mix. Our core revenue for 9 months financial year '24 grew by 13% year-on-year.

Reported EBITDA margin stood at 22.5% as compared to 25.5% in Q3 financial year '23 while we all expected some margin compression due to intensity in lab expansion and negative operating leverage because of loss of PPP contract, the additional dilution has some due to onetime impact on account of provision for doubtful debt taken on account of Mohalla Clinic contract. These 3 elements impacted the margin by around 3%. Onetime impact in provision for doubtful debt on account of Mohalla Clinic contract has been taken which impacted EBITDA by 0.8%. We have provided 100% use for Mohalla Clinic from Feb to December '23.

Excluding this onetime exception, our reported margins stood at 23.3%. Q3, as we know, is always about 2% lower than Q2. So this is not unnatural considering the seasonality of the business. Reported PAT margin stood at 9.4% as compared to 12.6% in Q3 financial '23. Compared to last year, the PAT margin is marginally impacted because of the lower EBITDA margin due to the above mentioned reason and also because of capitalization of IT transformation project, which got completed in Q3 '23.

Moving on the balance sheet. Gross debt stood at INR 12.7 crores and cash and cash equivalents stood at INR 89 crores as on December 31, 2023. We are in line to close the financial year with 0 debt. O2C to EBITDA for December '23 stood at 94%. Working capital stood at 17 days as on December 31, '23 compared to 14 days in March '23. Between this period, debtor has gone up by 1 day, inventory has improved by 4 days and credit has gone down by 7 days. We are hopeful that by March end numbers will look better than last year. That's all from my side. With this, I open the floor for question and answer. Thank you.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Rahul Agarwal from Incred Equities. Please go ahead.

Rahul Agarwal: Two questions. Firstly, on the price hike. You said B2C national price hike, just wanted to understand that the entire Metropolis for B2C works on a single price point nationally? That's one. And second is, could you give a bit more color on when we talk about price hike, does it mean on the overall menu? Or is it still talking about only certain tests? That's my first question.

Surendran Chemmenkotil: All right. Thanks, Rahul, and let me answer this. See, the price hike across the country, we were not at the same price point. We were at different price points even for the same test. So -- but the increment that we have taken across the country is largely the same across price point, maybe a little bit of plus/minus on some of the markets, which we thought we would do it differently. But otherwise, largely on the similar lines, and the second question was about? Can you just repeat the second question, Rahul? I mean, the price hike already answered.

Rahul Agarwal: Yes. What I was asking was is it like across the entire test menu or is it very specific?

Surendran Chemmenkotil: Largely across the board. I mean we would have made some exclusions based on some competitiveness in the marketplace, but it's largely -- large part of the portfolio we have done a price revision.

Rahul Agarwal: And you said 3% impact of the same, which basically means it enhances RPP by 3%. Is that understanding correct?

Surendran Chemmenkotil: Roughly, yes. Yes.

Rahul Agarwal: Okay. Perfect. Secondly, on the growth rates, this question both to you and Ameera, we've been discussing this on the call every quarter. Just wanted to get a sense again. When I look at a longer-term picture, it still looks like we are still lower than double digits for the industry, it's not only Metropolis.

My sense is growth rates pre-COVID versus post COVID has actually declined versus our understanding was we were expecting healthcare actually to go up post COVID. Any analysis on this obviously, you have mentioned that 10% to 11% is where Metropolis TAM should grow and that is what you will achieve which you have in the industry. But just some more sense on the underlying demand trend will be helpful.

Ameera Shah: So as we mentioned, Rahul, that the industry growth is about 8% to 10% overall. And our addressable market, we believe the growth is about 10% to 11% because we are focusing more on the Head of the market, as we had described a few quarters ago. Metropolis has been consistently outpacing the market growth.

And currently, as you see, our 9-month number is at 13%. I think your question around is the growth lower than pre COVID, etcetera. I think the growth is similar. It's not very different. If you see -- I mean at least for Metropolis, I mean I can't comment on other peers.

But at least for Metropolis, if you see in '22, '23, I think our growth was approximately 15%. And by the end of this year, we should be not -- maybe not at 15%, but closer to 15% again as well. So I think we are not going to be very different from where we were in '22, '23. And if you look at our CAGR from FY'17 to FY'19, which was the pre COVID period, Metropolis grew at approximately 16% CAGR in that period, but that was also including the government contracts that we had signed. So overall, I would say that the growth is not significantly different. It's very similar. But obviously, it depends on each company's execution, rigor and the ability to embrace the post COVID era and making whatever decisions need to be made to be able to utilize that opportunity.

Surendran Chemmenkotil: Yes, if I can just add 1 more point, Rahul. Ameera mentioned this in her speech that the -- on the denominator, the NACO contract were sitting till January last year. So in this quarter, you will see that our overall growth will be largely equal to the core revenue growth and we'll also get an upside from the price increase that we have done, which has so far has gone very smoothly. So I think these 2 elements will see a much different picture by the end of the quarter.

Rahul Agarwal: So essentially, if we talk about next 3 years, we should focus on largely the band of 11% to 13% top line. Is that fair value-wise?

Ameera Shah: Yes, I think see it's difficult for me to tell you a projection for the model. But I think, like we said by the end of this year, we should be closing around 14%, 15% for this financial year. After that, I'll leave it to you to see where you want to put it in your model. But I think we feel reasonably comfortable with these numbers.

Rahul Agarwal: Get it. And 2 smaller clarifications for the provisions, I think the provision for the quarter for the Aam Aadmi Mohalla Clinic was about INR 4 crores, and it was about INR 3 crores odd last quarter. So overall, INR 7.5 crores. When you said 0.8% of impact, I couldn't really figure out because INR 4 crores is 1.5% of EBITDA. Is that correct?

Rakesh Agarwal: Rahul, Rakesh here. The total Aam Aadmi Mohalla Clinic provision we have taken is INR 2.2 crores and that becomes a 0.8% for the quarter. And what you are referring to last quarter, INR 3.4 crores, which we have taken was basically on the whistleblower case. That was a whistleblower complaint which came and we clarified last quarter as well that on the basis of that complaint we have investigated and then found that there was some discrepancy in taking these -- in having the accounting process, there was nothing financial irregularity, there was an accounting process because of which we have taken a onetime provision of INR 3.4 crores last quarter. This quarter, it is INR 2.2 crores on account of Aam Aadmi Mohalla Clinic and we have provided 100% of it.

Ameera Shah: The total revenue for the Aam Aadmi Mohalla Clinic project from February to December was INR 3.68 crores, of which we have received approximately INR 1.3 crores and the balance, we have just taken a very conservative stand of providing for the 100% of the due receivables because very difficult for us, obviously, to know which direction this is going in.

Rahul Agarwal: The numbers are pretty small, but the press release talked about the notes to account in the results said INR 4 crores provision. So I don't know what -- where I'm going wrong. But anyway, I'll take it off-line. And just 1 more clarification on B2C and B2B slides, others is about 12%. What does this others depict? Is this international plus what else?

Rakesh Agarwal: There are 3, 4 accounts one is international, one is institutional, HLMs and clinical trial.

Rahul Agarwal: Okay guys I'll come back in the queue. Thank you so much for answering my questions. All the best.

Moderator: Thank you. Next question is from the line of Shyam Srinivasan from Goldman Sachs. Please go ahead.

Shyam Srinivasan: Just the first one, just delving into the 3% contribution from revenue for labs started after, I think, April 2022. So just want to just expand a little bit more if you could also think about the -- or disaggregate as the volume growth, the 9% core business patient volume. Is there a way to look at it from a same-store versus new store in the format that you mentioned the revenues? And just want to understand, like Ameera, I think, at the start said, you're growing faster than some of our peers from a volume perspective. So is the building blocks coming from same-store where you're doing better or new store addition is helping as well?

Surendran Chemmenkotil: Srinivasan, I think we will come back on the specific maths on same-store growth and the new stores. But I can only tell you that the same-store growth are in double-digit numbers at this point of time, okay? But the exact numbers on split between the 2, we have not put it together, we'll come back to you.

Shyam Srinivasan: Sorry, double digit for the same-store would mean we should have more than 9%, right? Am I missing something?

Surendran Chemmenkotil: Revenue growth year-on-year basis for the same store.

Shyam Srinivasan: You're saying revenue growth. Revenue growth is double digit, you say.

Surendran Chemmenkotil: Yes.

Shyam Srinivasan: Yes, yes, I was more referring to volume growth. So that's where I was coming from.

Surendran Chemmenkotil: Yes volume, that's what I said, the volume split, we'll have to come back to you. I think we will closely look at this.

Shyam Srinivasan: Understood. Understood. Just second question is on the premium wellness, right? I think it's now 14%, 15% of sales, growing well. So again, if you could -- again, I think volumes have been also pretty reasonable, right, 11% volume growth. So what's working for us here? This used to be a fairly competitive space in the past? Is it just the health tech going away? Anything on the competitive dynamics will be helpful.

Surendran Chemmenkotil: Well, I think we continue to do what we do, like we said, like our wellness revenues are largely driven by through our centers and through the digital, right? We continue to put focus on these 2 engines. And in fact, in the last quarter -- end of last quarter, we revamped all our wellness packages and created a much diverse portfolio and specific to gender, specific to illness, etcetera. So I mean, now we have seen -- and also we have revised the prices of all our wellness packages as well at the end of the last quarter. So we are clearly seeing much better traction with all the revamped portfolios from the beginning of this quarter and we are looking forward to see the wellness revenues growing at the same pace that we have done in the first and second quarter or maybe better. Does that answer your question?

Shyam Srinivasan: Yes, yes, sure. That's helpful, yes. And just my last question is on the margin trajectory. So by fiscal '25, is there any outlook in terms of the dilution coming from the investments that you're doing on either, say, if -- and if you could give us some outlook around how margins should kind of trend up now. Q4, I think you mentioned briefly, but I'm more looking at it from a fiscal '25 perspective.

Rakesh Agarwal: So Srinivasan, one thing for sure is that whatever price increase we have taken as we mentioned 3%, that should come down to a large extent in the bottom line because we'll have very little cost towards it. And definitely, the quarter 4 being a good quarter for us in the overall scheme of things so the revenue should also look up from a quarter 3 point of view. So overall, I think we'll see a good jump in the margin in quarter 4, and it should be more or less in line with what we have done in pre COVID era. So that's how I just -- on a nutshell we can give it. And next year, obviously, we will work out the strategy and maybe we'll talk about it more when we discuss the next quarter results.

Ameera Shah: Just to talk about a little bit more forward-looking on FY'25 margins. See, there are 3 things which are impacting the margins currently, right? One thing is obviously that like the lab expansion and that dilution will continue till FY'25 because like we said, we are adding labs this year, and we are also going to add 30 labs next year. So that dilution will continue even in FY'24, '25 post FY'25, we expect that dilution to reduce. The second thing, obviously, is obviously the onetime things which are hitting the bottom line today in the last quarter and this quarter. Obviously, hopefully, does not play out in the future. The third thing is obviously, whatever benefit we get from operating leverage, which comes from 2 areas.

One is as our B2C contribution increases and as our specialty contribution increases and wellness contribution increases. If these 3 areas keep increasing as we are expecting it to then we should see some operating leverage getting created at the EBITDA level, which will certainly help the company.

And obviously, like Rakesh mentioned, the price increase. So I think Q4 it would be fair to expect the pricing benefit to come into the bottom line. And then obviously from -- that will continue next year. And then as we keep growing next year, we should hopefully continue to see some expansion. But I think overall, like Rakesh mentioned, the pre COVID margin, which was usually between 26% to 27%, we think would be a fair number, that would be okay till FY'25.

Shyam Srinivasan: Understood. Thank you and all the best.

Moderator: Thank you. Next question is from the line of Abdulkader Puranwala from ICICI Securities. Please go ahead.

Abdulkader Puranwala: Just 2 questions from my end. So firstly, on this Aam Aadmi Mohalla Clinic so what was the balance contractual amount or the obligation what we have for the next few quarters coming up?

Ameera Shah: Currently, like we said, we have given a notice to the government, but if the government insists on us continuing to provide services till they can find a replacement, then we would obviously continue to support them in public interest. And till that time, our plan is to keep providing for 100% of whatever revenues we book per quarter within the quarter itself. So from quarter 4 also onwards, if there is whatever revenues we do will be provided for within the quarter itself.

Rakesh Agarwal: I think revenue will be in the range of around INR 75 lakhs to INR 1 crores in the quarter it used to be...

Abdulkader Puranwala: Okay. Okay, and I mean, what is the contractual duration? Is it 1 year or more than that?

Ameera Shah: The contractual duration is longer, but like we said that the idea is that as soon as they would be in a position to replace us with another service provider.

Abdulkader Puranwala: Okay, sure. Got it. And secondly, on this network expansion so if I look at your PPT where you mentioned the 9-month impact and on the labs that you have added in the last say 24 to 36 months. Last quarter, if you see the presentation says that it was at par with what the company level is this quarter, again, there has been a sizable dip. So just wanted to understand in terms of the new labs, what you are adding how soon you think this can reach to where your company level margins are, think of it like 3 years, 4 years? Or the gestation can be a little higher than that?

Rakesh Agarwal: So basically, what happens is that it depends upon the geography in which we open the lab. So we have seen that in the geography, which are core geography, we open lab and generally in 2.5 years, 2 to 2.5 years, we are back to the normal company margin but our intent is also to expand in the new geography where we are not very competitive. So there, it takes around 3 to 4 years to come back to the normal EBITDA margin level. So overall, I think from an average point of view, it should be 3 years to expect that we should come, 3, 3.5 years we should come back to the normal margins. That is what we are seeing.

And from a contracts point of view, last year, we had not expanded our labs to that extent. We have only opened fewer labs. And this year, we have -- intensity is a bit higher. So therefore, you are seeing a 0.4% of dilution from last year to this year if we look at the network expansion and dilution of margins. So last year, it was 0.8%. And this year, with the 17, 18 labs coming in the first 9 months, we are seeing this dilution going to 1.2% if that answers your question.

Abdulkader Puranwala: Okay. Thank you and wish you all the best.

Moderator: Thank you. Next question is from the line of Prashant Nair from Ambit Capital. Please go ahead.

Prashant Nair: Just 1 question on your lab addition target. So once you're done with the current target up to fiscal '25, how should we think about this on an ongoing basis? I mean, do -- would you be adding labs in set of steps? Or would there be a consistent increase due in fiscal '25 that we have to look at?

Surendran Chemmenkotil: All right. So we have already mentioned that we are on a course of adding 30 labs this year, of which 17 has already been done and the remaining is work in progress in this quarter. And we also projected a similar number for the next year based on the opportunity markets and the new markets that we want to get in. I think that planning is already -- also happening. And post that, I think the lab additions will slow down and may not be at the levels of 30 labs, 20 labs in a year.

But on need-based and as and when we get an opportunity to put a lab in an existing market to improve the penetration or a very good new market, we will, I mean, keep exploring those but the numbers will be very less, will not be to the tune of 20 or 30 labs per annum, but maybe purely on need based and much smaller in number.

Ameera Shah: So just to add to that, in FY-- if you look at FY'17, '18, '19, '20, we added approximately 4 to 5 labs a year, just in comparison to the 30 labs that we're adding now. So the idea post FY'25, as Suren said, will be to slow down the lab expansion closer to where we were earlier, but then to really ramp up the collection center expansion to feed the labs which obviously is not capital intensive, will be done through a combination of franchise and our own center route, mostly through franchise. And therefore, post FY'25, we expect the collection center ramp up to be significantly high.

Prashant Nair: Great. And just 1 more question. This is on your tax rate, I mean where should we assume it settling down this year and then on an ongoing basis?

Ameera Shah: Sorry, we couldn't hear you. Could you repeat that?

Prashant Nair: Yes, just a question on your effective tax rate, where should it settle down this year and in future?

Rakesh Agarwal: I'm not very clear, but you are asking for a tax rate. I think tax rate, we are not seeing any difference happening as of now. This budget also the tax rate remain same. And going forward, we are not having any prediction of when it is changing really drastically either positive side or negative side. So as of now, the next 3 years have been built up more or less in the same range what we are doing right now.

Prashant Nair: Okay. thanks a lot.

Moderator: The next question is from the line of Rahul Agarwal from Incred Equities.

Rahul Agarwal: One question I had on the North and Eastern markets. South and West, obviously, are the bulk of our business. Any thoughts in terms of the network expansion happening right now over the last 9 months and ahead, how are we looking at growth rates here? It looks like these markets are not really picking up for us. Is that right understanding? And what's the way ahead here?

Surendran Chemmenkotil: No in fact, we have done -- we are putting a lot of efforts in the North and East markets. I mean, I think we also talked about last time picking up UP, MP, Assam and AP/TS or new markets for expansion. And we are on our course. And the labs that we are putting up in North and East are doing reasonably well as per the plans that we have for these labs in the first year, second year, etcetera. So our efforts and our focus on North and East continues, and we are in line with our plans and projections, Rahul.

Rahul Agarwal: Sir, in terms of the current network, how are we -- what's the mix like between, let's say, South and West and North and East in terms of labs or collection centers either way? How is that set up? And should that change in favor of North and East going forward?

Surendran Chemmenkotil: I can tell you of the new network coming in, new centers and the new labs coming in, more than let's say, almost half of them -- a little more than half of them are going towards North and East markets. And on the centers, maybe 60% of the centers are coming up in North and East new --

because we have seen that we have increased the number of towns where we operate from 307 to 595 and a good chunk of this has come from the north and east markets, right? So there is definitely a slightly disproportionate focus on increasing the footprint in North and East. Of the total labs, how many of them are in North and east or south and west, I think I have to get to do that maths and come back to you.

Rahul Agarwal: Sure. I understand. Secondly, any updates on Hitech or the international business? Any point you would like to talk about and highlight?

Surendran Chemmenkotil: We talked about Hitech last quarter as well. Hitech is largely on course and in line with the company levels of revenue. On a YTD basis, Hitech revenue growth is at about 13%, 14% and the margins are higher than the company margins and on course. So I think it's -- I mean, I told you last time also, we have completed the integrations and in the last quarter -- or 100% integration in terms of IT, people, resourcing labs, everything has been done.

Now Hitech on its growth journey now as we speak. And international business, again, is doing well. And we are doing -- we are getting -- seeing a much higher levels of growth than what you -- and on a company level. And hence, we are also now putting our focus on expanding some of the centers and getting a little bit more on the B2B business on the international market. So both continue to be our focus areas and doing fine as we speak.

Ameera Shah: Q3 obviously had some impact in Hitech in -- yes, because of Chennai floods as it did for Metropolis as well. So that growth would have been a little bit higher in Q3 if obviously not for that division, otherwise, things are on track.

Surendran Chemmenkotil: Yes.

Rahul Agarwal: Got it. And the plan of this lab and center addition, does that include the international expansion? Or is it only domestic?

Surendran Chemmenkotil: Yes. This year, we have been really focused on expanding the labs and centers in the international market. Now looking at the response that we are getting from the international market, we will have a few at least center expansion, definitely on the plan for the next year. Labs, we are exploring multiple options whether we do the deduct model or we do through a franchisee model. So we are exploring multiple options and so that's what the status for the plans for the next year in international.

Rahul Agarwal: Got it. And just 1 last question from my side. In terms of the revenue mix between what you get from metros and cities which are smaller and towns which are smaller, obviously, we all know Mumbai-Chennai is very large contribution to Metropolis top lines. Incrementally, Tier 2, Tier 3, Tier 4, are these markets behaving in a manner where you see whatever growth we're talking about, the base is smaller there.

Obviously, the percentage numbers would look higher. But incrementally, the reception to bigger brands, doctor influence there in smaller towns, are they playing in our favour? The realization might drop because we're expanding there, but just your sense on how will Tier 2, Tier 3, Tier 4 play out for the entire industry and Metropolis will be really helpful.

Surendran Chemmenkotil: I'll tell you what we have shared with you all in the investor deck, I think for the quarter 3, of the 12% split, I can tell you, 8% has come from the focused cities, which you know that in the Tier 1 cities for us. 7% growth has happened in the seeding cities, which is largely the Tier 2 type of cities. And 28% has come from the new markets that we have got into, right? So I think that's largely on the Tier 3 and -- a little bit Tier 2, Tier 3 and even smaller cities. So the response from the Tier 3 and smaller cities are really good for us. That encourages us to take the journey forward.

Ameera Shah: Also just as an entry point, usually when you enter a Tier 2 or a Tier 3 market, you enter usually with a franchise center, you build up a small base, a collection center. And then, of course, when you open your own greenfield lab there, initially, while you may end up picking up more of semi-specialized testing and B2B through the B2B channel the final goal, obviously, is, like you said, to get to the top specialists of the city, to the top hospitals of the city and be able to get more specialized work.

So there should not be a dilution of RPP if this plan plays out the way we want it to. And we are definitely seeing that happening. So in core markets of South and West, this obviously happens faster in challenger markets of North and East, this takes a little bit more time, but the goal and the destination is the same.

Rahul Agarwal: Got it. Perfect. Thank you so much for answering my questions. Best wishes.

Moderator: Thank you. Next question is from the line of Bhavesh Gandhi from YES Securities. Please go ahead.

Bhavesh Gandhi: Just 2 questions. First on wellness. So if I look at 9-month growth, it's around 22% for premium wellness and the quarter growth is around 15%. So any color on is the growth kind of slower for this quarter? And then how should we look at Q4 and the next year from a premium wellness perspective?

Surendran Chemmenkotil: Yes. Bhavesh I will try to answer this question. So like I mentioned, quarter 3 normally is not a wellness quarter because it's all festivities, etcetera. People have not focused on the wellness. But having said that, I think a lot of our team was very busy on transitioning into the new registration and the billing system.

Like I mentioned, because at the end of the day the wellness has been largely driven by our touch points, and we were doing this transition into the new registration system. So it has consumed a lot of energy and they were just trying to stabilize this without any difficulties or any disruption in the consumer services. So has a little bit of less of time being spent on that.

And also, I mentioned that in December, we have gone through a full-fledged ramp-up or revamp of the wellness packages. So when we do a full change of packages, it goes through a lot of training, a lot of understanding of the new packages, why we have done that and also answering to the consumers about the changes, etcetera. So it took a little bit of time for us to establish the new revamped wellness packages.

And largely because of these 2, 3 reasons, you are seeing a little bit of slowdown in the quarter 3, but I think we are back in quarter 4. I mean I think YTD, we are doing 22%, 23% if I'm right, and I think first 2 quarters were better. So in this quarter, we are seeing the similar levels of growth that -- what you have seen in quarter 1 in quarter 2. And with the price corrections, we are doing a little more than that. So I think wellness is back and better.

Bhavesh Gandhi: Okay. Thanks for that. My second question is on in your opening commentary, you have mentioned about upcoming price hikes in specialized and super specialized tests in the Q1 F '25 quarter. So what is the potential quantum here? And what makes you confident the price hikes will be digested in this segment of the test menu?

Surendran Chemmenkotil: So, I mean, B2C, we have already done, including the specialized and semi specialized everything, B2C, we have already done from 1st of January, right? What I mentioned in the comment is like B2B specialized and say specialized will be done in the next quarter. So that could be maybe another 1% is the company revenue.

If we do all that, we want to do and we really don't find any big challenge in implementing it because it has been done through a lot of planning, a lot of discussion with the B2B clients and considering all the sentiments and all the feedback from the partners as well. So I think we should be able to sail through seamlessly once we implement this. So we should be able to do this latest by the early next quarter.

Bhavesh Gandhi: Okay. Thank you. That’s it from my side.

Surendran Chemmenkotil: Thanks.

Moderator: Thank you. Next question is from the line of Aashita Jain from Nuvama. Please go ahead.

Aashita Jain: Am I audible?

Surendran Chemmenkotil: Yes.

Aashita Jain: Yes. Just 1 quick question, like 1 clarification I wanted on this PDD that you've created. So what was the amount for this quarter? And what is the amount for the 9 months? If you can clarify.

Surendran Chemmenkotil: You're talking about the onetime PDD that we have created or the total PDD?

Aashita Jain: So what is the total PDD that we have created for this quarter?

Rakesh Agarwal: So yes, overall PDD, which we have created is approximately INR 4 crores. And out of that, INR 2.2 crores is on onetime impact of Aam Aadmi and INR 1.8 crores is generally the ECL provisioning as per the provisioning policy we take every quarter. So that's something which is a normal in the normal course of business. So it's a normal course of business, something we have taken. And INR 2.2 crores is taken on onetime Aam Aadmi Mohalla Clinic provision.

Aashita Jain: Understood. That’s helps. Thank y you. That’s all.

Moderator: Thank y you. Ladies and gentlemen, that was the last question of today. I now hand the conference over to Ms. Ameera Shah for closing comments.

Ameera Shah: Thank you all for joining us today on our Q3 quarterly call. As mentioned, I hope we've been able to clarify all the questions and any doubts that were there. We feel extremely positive about where the industry is headed and especially about where Metropolis' progress is tracking.

We continue to obviously focus on our execution rigor, our technology transformation, our geographical expansion, good leading management team and really making sure that we bring that additional ring to sort of the execution that we are doing. As we are moving into smaller markets, as we are moving into -- and deeper into our existing cities, the focus remains the same, which is to increase our B2C contribution to only make sure that we are looking at getting business from the top doctors across the country who really value quality and our kind of reporting and personalized service that we give them.

But at the same time, for all customers to be able to really continue to strengthen the customer journey whether they are a partner, franchise partner, whether they are a B2B customer or a B2C customer, and all the different inputs that go into making life easy for customers to work with Metropolis.

And we believe that with that goal in mind and with this very strong expertise and science that we have at the back end, that is a winning combination in the industry that will allow us to continue to outperform as we have been doing. Look forward to chatting with all of you at the end of Q4, and have a wonderful year. Yes, thank you.

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