

May 09, 2018

The National Stock Exchange of India Limited
Exchange Plaza
Bandra Kurla Complex,
Bandra (E), Mumbai - 400 051

The Bombay Stock Exchange Ltd
Phiroze Jeejeeboy Towers
Dalal Street,
Mumbai- 400 001

Dear Sir/Madam,

Sub: Disclosure of information under Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

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Pursuant to Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, we are filing herewith a transcript of the conference call held on Thursday, May 03, 2018 at 3.00 P.M. local time, to discuss the Company's Audited financial results (Stand-alone and Consolidated) for Quarter/ Year ended March 31, 2018.

Dr. Velumani A., Ph.D., CEO, Mr. A. Sundararaju, CFO and Mr. Sachin Salvi, GM-Finance and Mr. Vatsal Goyal, Head-Strategy and Development, represented the Company.

Yours Faithfully,

For **Thyrocare Technologies Limited**,



Ramjee Dorai

Company Secretary and Compliance Officer



Thyrocare Technologies Limited

Thyrocare-03-05-2018

- MODERATOR

- Ladies and gentlemen good day and welcome to the Thyrocare Technologies Limited Q4 FY18 Investor Conference Call hosted by Prabhudas Lilladher Private Limited. As a reminder all participant lines will be in the listen only mode. There will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call please signal an operator by pressing * then 0 on your touch tone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Prateek Jain from Prabhudas Lilladher Private Limited. Thank you and over to you Mr. Jain.

- MR. PRATEEK JAIN – PRABHUDAS LILLADHER PVT LTD

- Good afternoon everyone. This is Prateek from Prabhudas Lilladher. I thank the Thyrocare management team for giving us the opportunity to host this call. From Thyrocare we have with us today Dr. Velumani: CEO, Mr. A Sundararaju: CFO, Mr. Sachin Salvi: GM Finance, and Mr. Vatsal Goel: Head Strategy & Corporate Development. I now hand over the call to Thyrocare management team for their opening remarks. Over to you sir.

- DR. A. VELUMANI - CEO, THYROCORE TECHNOLOGIES LIMITED

- Thank you Prateek. This is Dr. Velumani and good evening to one and all. We are back with both reports that is quarterly that is Q4 and the annual report. When we look at the quarterly report of Q4 of fiscal 18 we have growth wise concern but profit wise comfort. We have 47% improvement in our profits before exceptional items and taxes. And our ebidta has gone up by 18%. And our total revenues have only grown by 11% which is a concern. I will explain later on what is that I have to say about that. But let us look at the annual numbers. In case of annual numbers we have a growth in the top line for 17% and we have an ebidta growth of 26% and we have the profit before exceptional items and that is 24% growth.
- Now this year I have studied what kind of CAGR we have been having. And in the pathology revenue we have 23% CAGR in the last 3 years. And in the volume growth the number of sample growth we have 22% of CAGR. That obviously says nowadays we are doing more tests for the same revenue to keep growing.
- Imaging revenues the growth appears to be better largely because it is a relatively new business. We have a 3 year CAGR of 27% in terms of revenue and

also in terms of the number of scans. We have a 28% increase in our CAGR for 3 years. So overall we have consolidated group revenue of 25% CAGR over last 3 years. And the remaining things I would give a brief about what is the reason for Q4 to have lower numbers. You must have noticed that during IPO we managed to make the outgoing investor to spend their pretty decent amount of 38 crores. And these 38 crores spending obviously had given last year a very big resounding growth of 27%. And our Q3 and Q4 of FY17 was something which was extremely good. The budget we spent before March but the impact of it was seen till another two quarters that is the quarter one and quarter two of FY18. And we felt it is going on well and it's moving well. The impact of advertising may continue for a year or two. But to our surprise the impact suddenly got withdrawn after 6 months of stopping the advertisement. And our Q3 and Q4 were not as much as we wanted them to be. But having seen a previous year Q3/Q4 under that advertisement environment, we found Q3 and Q4 of FY18 challenging in terms of percentage of year over year growth when it comes there Q1 to Q5. So that is obviously the reason why we did not have a good number in Q3 and Q4. And we are now looking at it from the annual point of view. Annually we have done once again this was the lowest in the last 4 years in terms of 17% growth. And we all had a worry about growth even last year when we closed the year. But because it was 27% and because it had come with some advertisement we did not dilute the rates in the last April. We went ahead and enjoyed one more year. And it is obvious that we have got a better profitability and this comes at the cost of growth. And had we diluted the rates last year probably we would have got a better growth and then lesser profitability.

- This year we intend to do a kind of 5-7% dilution of the rates in some products which have been extensively copied and extensively competed and these products are obviously our Aarogyam products. I have been very vocal in every forum to tell that Thyrocare is no more making money in thyroid. It is making money in Aarogyam. But I think it has been understood also by the competition pretty well. And today we find our most profitable fastest growing Aarogyam is getting replicated not only by the organised players but even in the unorganised segment. Earlier people did not know that the kind of package deal is A easier, B useful, and C there is a value in it for the customer. We are very proud of our engineers designing this packaging as early as 2002. And today after hitting 16 years we see that also is getting a challenge as well as competed extensively. So going forward we are quite assured by the 5% reduction in the rates would give us at least some 7 to 10% growth, at least for a year or two. So many investors must wonder what happened. You keep on diluting. Is that the only way to keep growing? This industry is highly unorganised. This industry is high profit industry.

And this industry is low entry barrier industry. With all these things competition is going to be there. 100000 laboratories are equally aggressive in the marketplace. So it might continue for another 5-7 years or 10 years until the unorganised players will have some difficulty either in operating due to government regulations or because of common man moving towards brands. But then that is not something we can truly escape from. And that competition will continue.

- Now having said that in the organised players we are the least priced. And the least priced gets disrupted by the market parameters. I am wondering how the others would get impacted and what must be happening to the competition which is the organized competition. I think the tide itself is a very low tide. Not that we have done poor. Having said that these numbers are a matter of concern for us. We have got used to at least 24% annual growth.
- So that was about what were the reasons in pathology and challenges. And this year we should be working on a better growth than the profit and all efforts are on. Looking at the radiology business I think we today have 11 scanners and these 11 scanners are producing a fair number. I won't say it is a happy number as the industry is struggling. The industry specifically is doing on an average 5 scans per machine per day whereas we have already crossed 10 scans per machine per day. So we believe that we are ahead. Not that we are profitably operating. But in the given circumstances we are doing pretty well. We were only having 5 of the owned and operated business. Subsequently we have tried 6 of the franchisee model to study and we are pretty convinced that owned business model or owned and operate business model would have to be discontinued and franchisee based model will have to be adopted.
- Now couple of more PET/CTs are likely to be installed in this next two quarters. We also felt that why not look at radiology as a segment and evaluate some of the players. Not that we have decided to buy but then we are having some couple of proposals where we can do some joint ventures. Now when I talk from investor point of view is that radiology business that profitable compared to pathology. Let me explain you there is no business on this earth which would be as profitable as pathology. ROI wise as satisfying as pathology. But pathology being a good business segment till other businesses are very bad. According to me radiology business is well organised if the machines and scanners run 24X7 that business would give more profitability than even the pathology business. Having said that we are also moving inch by inch and this year we might evaluate a couple of relationship and might do a joint venture. Also there we don't intend to buy and operate. We intend to find a franchisee model where Nuclear will own the asset

and Nueclear brand will be given and it will be a franchisee who will be running on a revenue sharing model. We might buy a couple of them. If that works then we will tailor. But having undergone these last 4-5 years of challenge in radiology, having learnt a few things and what works and what does not work, creating Nueclear 300 crore turnover is a must and we need to do that and we need to do it in such a way that it has been done not in a hurry but in a phased manner so that we keep learning and we do a business of by around 2025, a business turnover probably much bigger than even pathology. I have reason to believe radiology business would create a better business than the pathology. Now that is my conviction and that is how I am convincing the board. And I have a reason to believe I am right and I am risking and there is a risk in it.

- So this is about the pathology business, reality business. So overall we don't have any threats in terms of regulation or pricing or what you call as growth. I should remain satisfied with these numbers though personally I am still not fully happy about it. So now I wish to answer questions of the investor if any.

- **MODERATOR**

- Hello sir?

- **DR. A. VELUMANI - CEO, THYROCARE TECHNOLOGIES LIMITED**

- Hello?

- **MODERATOR**

- Yes sir now we can hear you.

- **DR. A. VELUMANI - CEO, THYROCARE TECHNOLOGIES LIMITED**

- I thought everybody got disconnected and I was alone talking.

- **MODERATOR**

- No, no sir you were connected. So do you want to take questions now or we have some more comments? Sir may we start with the questions? Participants you are requested to stay connected while we check the line from the management.
- Ladies and gentlemen, we will now begin the question and answer session. Anyone who wishes to ask a question may please press * and 1 on their touch tone telephone. If you wish to remove yourself from the question queue you may

- press * and 2. Participants are requested to use handsets while asking a question. Ladies and gentlemen we will wait for a moment while the question queue assembles.
- The first question is from the line of Anuj Gupta from Perfect Research. Please go ahead.
 - **MR. ANUJ GUPTA – PERFECT RESEARCH**
 - Good afternoon sir.
 - **DR. A. VELUMANI - CEO, THYROCARE TECHNOLOGIES LIMITED**
 - Good afternoon.
 - **MR. ANUJ GUPTA – PERFECT RESEARCH**
 - Sir I had a few questions. So in your interview you have mentioned that diagnostic industry is growing at 15-20% and we are only going to grow higher than that. Sir could you please throw some light on our slower growth?
 - **DR. A. VELUMANI - CEO, THYROCARE TECHNOLOGIES LIMITED**
 - The industry's growth is a very guessing number. The number should be anywhere from 15 plus/minus 2 or 3%. But having said that I think this year the demonetisation and all such challenges have put some challenges. I wouldn't be able to tell this year what has been the growth for the industry. But our growth is not as good as what it should have been because of the better previous year's growth. I believe that the coming years we should be doing better.
 - **MR. ANUJ GUPTA – PERFECT RESEARCH**
 - Sorry sir coming year?
 - **DR. A. VELUMANI - CEO, THYROCARE TECHNOLOGIES LIMITED**
 - We should be doing a 20-22% growth on an average.
 - **MR. ANUJ GUPTA – PERFECT RESEARCH**
 - Okay. Sir other is because our prices are so cheap, many doctors say that our quality is substandard and inferior mediums are being used, and also most

doctors refuse to consider results of Thyrocare tests and demand another test. So how do you counter that impression in the mind of consumers?

- **DR. A. VELUMANI - CEO, THYROCARE TECHNOLOGIES LIMITED**

- Now I think we are talking about quality and that is not an issue which is supposed to be discussed in the annual earning call. You must write a mail to us. We will give you adequate answers because this is a typical answer where somebody is more loving the competitors brand than our brand.

- **MR. ANUJ GUPTA – PERFECT RESEARCH**

- Okay sir. Sir another is...

- **DR. A. VELUMANI - CEO, THYROCARE TECHNOLOGIES LIMITED**

- We have worked for the last 20 years and we have proved to the entire market Thyrocare is the best. *Issey behtar, issey sasta kahin nahin hai; poori duniya maanti hai aapko bhi zaraa manna padhega.*

- **MR. ANUJ GUPTA – PERFECT RESEARCH**

- Sir shall I go to the next question?

- **DR. A. VELUMANI - CEO, THYROCARE TECHNOLOGIES LIMITED**

- Yes.

- **MR. ANUJ GUPTA – PERFECT RESEARCH**

- Sir the imaging service segment is having 21% capital employed while contributing only 7% to revenue. And on the other hand the diagnostic service has 21% capital employed and contributes 92% to the revenue. Sir what is our outlook for the imaging services? Will we keep spending more money there? And do you see the revenue ramp up from imaging services anytime soon?

- **DR. A. VELUMANI - CEO, THYROCARE TECHNOLOGIES LIMITED**

- Pathology business also was like this when it was 5 years. Today pathology business is in the 23rd year. You can't compare an adult child with a young child and tell the growth is not adequate.

- **MR. ANUJ GUPTA – PERFECT RESEARCH**

- Sir I am sorry but I am not telling that the growth is not adequate. I am asking your plans ahead. Because currently you are employing more capital and what is our estimation for that segment.
- **DR. A. VELUMANI - CEO, THYROCARE TECHNOLOGIES LIMITED**
- This business is capital intensive and we have money and we are investing. We are not supposed to compare it with pathology. Radiology business globally is a business. Radiology business is high capex low opex. Pathology business is low capex high opex. So they are very, very different species. I believe this business has a future and I am investing in it.
- **MR. ANUJ GUPTA – PERFECT RESEARCH**
- Sir any plans for any strategy for inorganic acquisition?
- **DR. A. VELUMANI - CEO, THYROCARE TECHNOLOGIES LIMITED**
- Not currently but we are thinking of working on a franchisee model on a CT/Pet CT/MRI, higher end imaging technologies. I think that is something which is high capex intensive and we are going step by step. We are not in a hurry and we will not be doing. Half of our profits we are going to give as dividends. Remaining 50% of the money I have to gamble to be a better tomorrow is there. I can't sit quiet.
- **MR. ANUJ GUPTA – PERFECT RESEARCH**
- Okay thanks a lot sir.
- **DR. A. VELUMANI - CEO, THYROCARE TECHNOLOGIES LIMITED**
- Thank you.
- **MODERATOR**
- Thank you. The next question is from the line of Sudarshan Padmanabhan from Sundaram Mutual Funds. Please go ahead.
- **MR. SUDARSHAN PADMANABHAN – SUNDARAM MUTUAL FUNDS**
- Hello thank you for taking my question. Sir my question is on the testing part...
- **MODERATOR**

- Sudarshan you are not audible.
- **MR. SUDARSHAN PADMANABHAN – SUNDARAM MUTUAL FUNDS**
- Sir my question is on the pathology side of the business where I think the growth has come slower than expected. If I am actually looking at probably the next couple of years I mean the whole belief at some point of time was the market was moving towards organised players from an unorganised set of players. And specifically with the advent of more medical penetration, a government talking about insurance penetration and more focus on insurance. I mean the fact of the matter is today there is very few you know good quality labs which adhere to NABL and other standards. How do you think this shift is going to happen from unorganised to organised leaving probably their base effect etc.? So what can be the long term growth for the industry? And what do you think can be the shift from unorganised to organised?
- **DR. A. VELUMANI - CEO, THYROCARE TECHNOLOGIES LIMITED**
- So the pathology industry as such today is having a warped growth compared to the developed market. In the western world if somebody is spending a \$100 for diagnostics in India we probably are spending \$5-10 only. Which tells that with the improvement of per capita income of the country over a period of next 25-30 years, this market will be spending more and growth will come from because of spending more. Awareness is also growing and preventive care and monitoring has become a necessity for a good number of at least at the top 2-3 slices of the 10 slice pyramid. The shift of unorganised to organised do not happen overnight because common man has no knowledge that there are brands available, there are better brands, there are reliable brands. Moreover medical community also has its own hold on laboratories and its operations. So we can't assume that everything will be followed as per the common man's wish or the brand's wish. Having said that I have a reason to believe 1% or 2% of the unorganised market in a given year will move towards organised. Which tells that unorganised will remain for next 50-70 years and it will degrow while organised will grow. This is my opinion. Organised players have to grow 5 to 10% more than the unorganised players and more than the industry growth. So I don't see a true challenge except that there will be ups and downs depending upon pricing and aggressive marketing. We have seen in these last 22 years. Some of the years we have touched as low as 9% growth. And some of the years we touched as high as 30% growth. We also at times get some good products, good molecules which we aggressively market. For example vitamin D has been a growth parameter for the

last 10 years. If some other better parameter comes in a couple of quarters probably that will keep next 10 years intact which is like pharma industry when you get one or two molecules it makes growth very comfortable.

- **MR. SUDARSHAN PADMANABHAN – SUNDARAM MUTUAL FUNDS**

- Sir you mentioned about probably some kind of 1% price cuts to bring volumes. Sir I mean you have seen last year broadly has been good as far as margins are concerned. FY19 as you mentioned about 25% top line growth. Would we be sacrificing a bit on the margin side? I mean what could be the margins like sir?

- **DR. A. VELUMANI - CEO, THYROCARE TECHNOLOGIES LIMITED**

- I think for every 1% sacrifice in margin you will get 2% growth for 2 years. That once your volumes grow some more you have again the profitability will improve. Profitability need not improve because you raised the price. We have not raised the price for the last 23 years. So our price raising is not necessary for profitability. Volumes will give the profitability.

- **MR. SUDARSHAN PADMANABHAN – SUNDARAM MUTUAL FUNDS**

- But what is the kind of margins which you will be comfortable with sir? I mean....

- **DR. A. VELUMANI - CEO, THYROCARE TECHNOLOGIES LIMITED**

- I have been telling in various forums anything more than 30% is unnecessary.

- **MR. SUDARSHAN PADMANABHAN – SUNDARAM MUTUAL FUNDS**

- Sir then on the imaging business you mentioned that we are running at around 10 imaging per machine per day.

- **DR. A. VELUMANI - CEO, THYROCARE TECHNOLOGIES LIMITED**

- Yes.

- **MR. SUDARSHAN PADMANABHAN – SUNDARAM MUTUAL FUNDS**

- And most of the players are running at 5. I mean given that oncology itself the number one is you are not seeing much of penetration in terms of diagnosis, infrastructure also is not being well developed. Which is why I think a lot of even the hospitals are investing into oncology. I mean here don't you think that given that we are in terms of PET CT Scans also are much lesser than the developed

countries, I mean the scans and the profitability should have actually been faster and better than probably one would have expected?

- **DR. A. VELUMANI - CEO, THYROCARE TECHNOLOGIES LIMITED**

- No every industry gets time to grow and come to the size. In India PET CT industry itself is only 15 years old. Before 15 years not a single scanner was in the country. Today in the last 15 years we have come to 100. But this is the fastest growing market for PET CT anywhere in the world. But having said that this number going to 2000 is inevitable by year 2040. Now 200 scanners going to 2000 is a journey. Our wish is we must have at least a 5% of capacity and 10% of market in our hands. And today we have 5% capacity and 10% market. So we will not be able to do anything by our aggression. The market has to mature. Today we don't have adequate oncologists. We don't have adequate knowledge for the general medicine doctors that would be useful in monitoring and training. So this is not an exercise that we can do overnight. It is going to take its own time. And if I have to explain you correctly, I am a disruptor and I have gone into a phase where it is still not ready for disruption. So I am under creation. Only once the market becomes big we should be able to disrupt. So my disrupting capabilities are now not fully of use as of today because of the small market.

- **MR. SUDARSHAN PADMANABHAN – SUNDARAM MUTUAL FUNDS**

- Sir thanks a lot. I will join back the queue.

- **MODERATOR**

- Thank you. The next question is from the line of Chirag Dagli from HDFC Mutual Funds. Please go ahead.

- **MR. CHIRAG DAGLI – HDFC MUTUAL FUNDS**

- Yeah sir thank you for the opportunity. Sir I had a question on the Delhi centre. I can see in the presentation that the number of scans over the last 8 quarters has been steadily declining. So what is the big learning here sir from this centre?

- **DR. A. VELUMANI - CEO, THYROCARE TECHNOLOGIES LIMITED**

- That was the fastest growing centre and that has reached a plateau and it is degrowing. The reasons are - number one: Delhi government is subsidising the scanning and it has allotted a few scan centres for that subsidised rate. We had one Delhi State Cancer Institute which did not have PET CT which is equivalent

to Tata Memorial Hospital of Mumbai. And we were having around 15 scans, 10 to 15 scans per day from them. They have now put up their own PET CT and their own cyclotron where the number of scans coming out has come to zero. In spite of such a big disruption in our volume it still could maintain it. Which says that we were luxurious in FY17 and FY16 to get that big volume which was only a temporary one. So it was because the government has purchased its own PET CT and cyclotron one single big client will last and that is the reason for stagnation and apparent degrowth.

- **MR. CHIRAG DAGLI – HDFC MUTUAL FUNDS**

- But they have their own cyclotron. As in they have such large volumes that it justifies.

- **DR. A. VELUMANI - CEO, THYROCARE TECHNOLOGIES LIMITED**

- Yes.

- **MR. CHIRAG DAGLI – HDFC MUTUAL FUNDS**

- Okay fair point sir. And then the second question sir was on the tuberculosis. There have been some new tests in the market. Thyrocare has also launched. If you can just sort of indicate what is – is there any exclusivity in these tests that Thyrocare has and what is the long term potential of this?

- **DR. A. VELUMANI - CEO, THYROCARE TECHNOLOGIES LIMITED**

- Not that we have any exclusivity in the marketplace. Same vendors are supplying to everyone. Only one difference is we are identifying this as an opportunity and branding this as a focused TB and putting an infrastructure and completely a team focused only on tuberculosis. I have a reason to believe if Thyrocare with thyroid has offered to create a good volumes and brand, tuberculosis also as a brand should get this volume. But having said that thyroid is a very different business, tuberculosis is a very different kind of business. And we are of the opinion by investing a 5 crore infrastructure is ready. If something upside we should be enjoying it. If not we will be another standard business. But I have a reason to believe with government's emphasis on tuberculosis for the last 4 years and next 5-10 years government thinks they will eradicate TB. And if government is serious there and if we are also focused as a brand, we should be able to do it. As such government business also has started coming not big numbers, but then these numbers will grow. We have a reason to believe tuberculosis will be volume

wise on the long run. We don't want this tuberculosis to be there forever if you look at this from the social angle. But having said that if tuberculosis picks up well, if this branding works well, we might have to have similar laboratories in 5 or 6 different locations. And we will be able to garner a business probably as good as or as big as thyroid.

- **MR. CHIRAG DAGLI – HDFC MUTUAL FUNDS**

- In how many years sir?

- **DR. A. VELUMANI - CEO, THYROCARE TECHNOLOGIES LIMITED**

- I think it will take 7 years period because no brand as soon as you start everybody will know it. We are making a strategy and budget and working on the feasibility and branding. So it would take its own time but the investments are only 5 crores of investments. And we believe that we should have a 5 crore of turnover by year 2020 end. And there is an opex driven business and not a capex driven business. So we are seeing that as one single disease that can be focused and that is where we have focused. If you noticed we have disordered this company. This is the first disease where focus we are making. We have to see if we can make a difference to tuberculosis.

- **MR. CHIRAG DAGLI – HDFC MUTUAL FUNDS**

- And this 5 crore opex is a first year number. Second year also you will spend similar.

- **DR. A. VELUMANI - CEO, THYROCARE TECHNOLOGIES LIMITED**

- No, no. Capex is 5 crore because in infrastructure for this particular disease needs to be done in such a way that the personal safety is most important. So that part is done. Now opex is not a worry because turnover wise you will have around 40% of it as raw material cost. Typical business of pathology raw material cost is 40%.

- **MR. CHIRAG DAGLI – HDFC MUTUAL FUNDS**

- So do you have a number of opex investments? Is this going to be like over the top kind of investment in the first few years?

- **DR. A. VELUMANI - CEO, THYROCARE TECHNOLOGIES LIMITED**

- This tuberculosis business once you are done the capex end of it you don't need any more capex immediately. But having said that we reached 1000 plus samples. We have to replicate this into one more unit either in Mumbai or elsewhere. Then that unit will be another 5 crores. But then by the time you get 1000 samples you have got a very comfortable position to invest on.
- **MR. CHIRAG DAGLI – HDFC MUTUAL FUNDS**
- Thank you so much and all the best.
- **MODERATOR**
- Thank you. The next question is from the line of Prakash Kapadia from Anived Portfolio Management. Please go ahead.
- **MR. PRAKASH KAPADIA – ANIVED PORTFOLIO MANAGEMENT**
- Thanks for taking my questions. Sir on the B2B side which is majority of our sales volumes, do we need to focus more on marketing efforts to drive volumes? Currently what is the kind of sales team and employees we have in the B2B? If you could give us some sense?
- **DR. A. VELUMANI - CEO, THYROCARE TECHNOLOGIES LIMITED**
- Question is not clear. I want you to repeat.
- **MR. PRAKASH KAPADIA – ANIVED PORTFOLIO MANAGEMENT**
- Sure. Sir I was trying to understand what is currently our sales team in the B2B side of the business and do we need to have more marketing efforts and sales efforts to drive B2B part of revenues which is still a larger portion of our revenues as compared to B2C.
- **DR. A. VELUMANI - CEO, THYROCARE TECHNOLOGIES LIMITED**
- Yeah I think you asked the right question. This company until the private equity players came inside it was only focused on B2B.
- **MR. PRAKASH KAPADIA – ANIVED PORTFOLIO MANAGEMENT**
- Right.
- **DR. A. VELUMANI - CEO, THYROCARE TECHNOLOGIES LIMITED**

- But then when private equity players felt that Velumani's brand is not visible, *naam roshan karna hai karkey bahut badaa kasht kiya*, B2C mein we got inside. But because we were in B2C side we took our eyes off from B2B. And it was doing good. It had a good IPO. I would be happy to say that the IPO was because our B2C focus and it got visibility, branding and everything done. But for the last one year we have understood and we have transferred our focus more on B2B. So our emphasis is on B2B. We have increased our headcounts focusing on B2B and probably next 5 years we will be going very little on B2C and too aggressive on B2B.
- **MR. PRAKASH KAPADIA – ANIVED PORTFOLIO MANAGEMENT**
- And in that endeavour to focus back on B2B what does it take? So currently what is the sales team? What kind of sales team do we need to build?
- **DR. A. VELUMANI - CEO, THYROCARE TECHNOLOGIES LIMITED**
- Actually I
- **MR. PRAKASH KAPADIA – ANIVED PORTFOLIO MANAGEMENT**
- Hello? Hello?
- **MODERATOR**
- Hello sir!
- **MR. PRAKASH KAPADIA – ANIVED PORTFOLIO MANAGEMENT**
- Yeah.
- **MODERATOR**
- Prakash just one moment let me check.
- **MR. PRAKASH KAPADIA – ANIVED PORTFOLIO MANAGEMENT**
- Yeah sure.
- **DR. A. VELUMANI - CEO, THYROCARE TECHNOLOGIES LIMITED**
- ...laboratories are conceiving us. I...
- **MR. PRAKASH KAPADIA – ANIVED PORTFOLIO MANAGEMENT**

- Sir I am sorry to interrupt you. Your voice was breaking. Can you please repeat the answer?
- **DR. A. VELUMANI - CEO, THYROCARE TECHNOLOGIES LIMITED**
- The B2B business has been growing without a sales team.
- **MR. PRAKASH KAPADIA – ANIVED PORTFOLIO MANAGEMENT**
- Okay.
- **DR. A. VELUMANI - CEO, THYROCARE TECHNOLOGIES LIMITED**
- And we are not going to appoint sales team where people will go in the field and do some marketing because Thyrocare as a brand had never had field staff at all. Having said that what we are planning to do is make the country into 400 clusters and make sure every cluster and individual is given to focus on. And that individual will persuade all the B2B points and convince them and bring them to our network and continue to persuade them for a B2B business. We are not going to go and sit in the field and do some kind of marketing that typically people do.
- **MR. PRAKASH KAPADIA – ANIVED PORTFOLIO MANAGEMENT**
- Okay. So it will be a cluster specific approach to build specific geographies across the country.
- **DR. A. VELUMANI - CEO, THYROCARE TECHNOLOGIES LIMITED**
- Yes. 400 headcount have been earmarked. We started only 6 months back. We have already crossed 150. We will be having 400 people by the end of this calendar year. And we should be able to get growth very well back because B2B business gives wonderful growth.
- **MR. PRAKASH KAPADIA – ANIVED PORTFOLIO MANAGEMENT**
- Understood. Sir one observation in terms of our current advertisement and communication, it still says 'Think Thyroid, Think Thyrocare'. Do we need to change that now? Because we are no longer a thyroid dependent player. Because you know perception also matters as we are you know having a smaller part of B2C but B2C is also a critical driver for us. So any thoughts on that? Think diagnostic, think wellness, think Aarogyam, Think Thyrocare.
- **DR. A. VELUMANI - CEO, THYROCARE TECHNOLOGIES LIMITED**

- Yeah all those things are there. We are telling that Think Wellness, Think Aarogyam. But when the budget is not adequate they will not reach. We find that thyroid is android. So we are continuing to beat that thyroid as much as necessary, as much as possible. Because I am a thyroid man. Today also 80% of our total investigation sample is thyroid. So I have a reason to believe thyroid will get me the other business and I am going to continue to focus on Thyroid as a communication. And I am unable to find better communication to be completely open with you.
- **MR. PRAKASH KAPADIA – ANIVED PORTFOLIO MANAGEMENT**
- Sir if you could share the ad spend number for the current year and what kind of ad spend we are looking at say in FY19.
- **DR. A. VELUMANI - CEO, THYROCARE TECHNOLOGIES LIMITED**
- I think for our industry generally people don't advertise. Pathology means we cannot advertise that easily. But ours is wellness and ours is a kind of chronic illness. So we believe anywhere from 5 to 8% of the top line is a very big budget, adequate budget for doing our Thyroid what we call as advertisement.
- **MR. PRAKASH KAPADIA – ANIVED PORTFOLIO MANAGEMENT**
- Okay. And this year what would that number be? Would it be the higher part of the range, lower part of the range? What would be the absolute number?
- **DR. A. VELUMANI - CEO, THYROCARE TECHNOLOGIES LIMITED**
- I think this year we intend to do 5%.
- **MR. PRAKASH KAPADIA – ANIVED PORTFOLIO MANAGEMENT**
- 5%. And what was that in FY18 sir if you can.....?
- **DR. A. VELUMANI - CEO, THYROCARE TECHNOLOGIES LIMITED**
- FY18 we have closed with 350 crores. So a 5% would be roughly around 17-18 crores.
- **MR. PRAKASH KAPADIA – ANIVED PORTFOLIO MANAGEMENT**
- So we have spent 17-18 crores.

- **DR. A. VELUMANI - CEO, THYROCARE TECHNOLOGIES LIMITED**
- No last year we did not spend. The year before last we splurged because we had the IPO budgets.
- **MR. PRAKASH KAPADIA – ANIVED PORTFOLIO MANAGEMENT**
- Right.
- **DR. A. VELUMANI - CEO, THYROCARE TECHNOLOGIES LIMITED**
- So we did not do a uniform spending. We were always feeling once in a while you do it. When withdrawn let us see what happens. But now onwards we think we will be continuing to do a 5% or 6% every year. But in a year if we don't do some other year we will splurge.
- **MR. PRAKASH KAPADIA – ANIVED PORTFOLIO MANAGEMENT**
- And that in the opening remarks you mentioned because of that we had higher growth last year and this year growth actually suffered because of this reason also.
- **DR. A. VELUMANI - CEO, THYROCARE TECHNOLOGIES LIMITED**
- This year growth has suffered because the previous year same quarter had a wonderful growth.
- **MR. PRAKASH KAPADIA – ANIVED PORTFOLIO MANAGEMENT**
- Okay right. And lastly on the...
- **MR. VATSAL GOEL – HEAD STRATEGY & CORPORATE DEVELOPMENT, THYROCARE TECHNOLOGIES LIMITED**
- Hi this is Vatsal Goel. I just wanted to take you through few of these numbers.
- **MR. PRAKASH KAPADIA – ANIVED PORTFOLIO MANAGEMENT**
- Sure.
- **MR. VATSAL GOEL – HEAD STRATEGY & CORPORATE DEVELOPMENT, THYROCARE TECHNOLOGIES LIMITED**

- If I look at quarter on quarter of the value from the Aarogyam and the non-Aarogyam group on a year on year basis, in FY18 Aarogyam was at 48% year on year growth. The fitness business was at about 10%. So what has been happening is that the only place where we have lost a bit of steam is in the wellness side of things. And we completely recognise that part and we are going to spend on the advertising bit. Now I think that should answer your question in terms of how that thing has panned out over the last year.
- **MR. PRAKASH KAPADIA – ANIVED PORTFOLIO MANAGEMENT**
- Understood. Right. Last year you know essential diagnostic tests it's been there in the media. So do you think it will be implemented soon? Any feedback on key player and will it be across the board? Will it be specific tests like TB/HIV/Malaria? Or could be nutrition based and deficiency like B, D.
- **DR. A. VELUMANI - CEO, THYROCARE TECHNOLOGIES LIMITED**
- We will not be advertising on malaria fever. We would be advertising only on either thyroid or metabolic illnesses which results into wellness growth.
- **MR. PRAKASH KAPADIA – ANIVED PORTFOLIO MANAGEMENT**
- What I was trying to understand sir is the essential diagnostic list which the government is planning to come out. So I was trying to assess which part of the test could have the CDL framework to be – not the advertising part from your side.
- **MR. VATSAL GOEL – HEAD STRATEGY & CORPORATE DEVELOPMENT, THYROCARE TECHNOLOGIES LIMITED**
- I think it is very premature to ask that question and I think until that notification is out nobody can say what it is.
- **MR. PRAKASH KAPADIA – ANIVED PORTFOLIO MANAGEMENT**
- Okay.
- **DR. A. VELUMANI - CEO, THYROCARE TECHNOLOGIES LIMITED**
- But having said that all CDC, all cholesterol, all basic biochemistry they are all very much in hand and they are all going on. If governments are spending that will help us to grow little 2-3% more. But our branded products' growth is Aarogyam growth and that Aarogyam growth has been excellent for the last 10

years. This year it had a challenge because people have also replicated it in the marketplace. So we should be differentiating going forward and getting back our growth.

- **MR. PRAKASH KAPADIA – ANIVED PORTFOLIO MANAGEMENT**

- Growth back. Understood. That is wonderful. Thank you and all the best. I will come back if I have more questions.

- **DR. A. VELUMANI - CEO, THYROCARE TECHNOLOGIES LIMITED**

- Thank you.

- **MODERATOR**

- Thank you. The next question is from the line of Anuj Momaya from Value Quest. Please go ahead.

- **MR. ANUJ MOMAYA – VALUE QUEST**

- Hi. Sir can you just give a sense of how large the opportunity can be for us in industrial level?

- **DR. A. VELUMANI - CEO, THYROCARE TECHNOLOGIES LIMITED**

- See the opportunity is too big because Anuj I am a man who has created half a billion dollars on a single gland that is thyroid and till date no one has been truly reported to have died because of thyroid problem.

- **MR. ANUJ MOMAYA – VALUE QUEST**

- Right.

- **DR. A. VELUMANI - CEO, THYROCARE TECHNOLOGIES LIMITED**

- Whereas tuberculosis is a disease where probably every minute 4 or 5 are dying in the country. So if you look at it they are very, very different. And the size is too big. The size I wouldn't be able to quantify but I won't be reluctant to tell the size could be even 10 times bigger than thyroid. And the opportunity is very big. But having said that UP/Bihar alone accounts for 70% of tuberculosis in the country. And once I find it moving well then I can think of telling you the numbers. Right now my wish is that it's big. Thing which is not leading to too big a capex I didn't do adequate research to see the size. But even if you do research now it is all

done only in the institution. Since the institution's numbers are small there is no large tuberculosis player in the private sector in the country.

- **MR. ANUJ MOMAYA – VALUE QUEST**

- Okay. So which are the TB tests you will be providing?

- **DR. A. VELUMANI - CEO, THYROCARE TECHNOLOGIES LIMITED**

- There are some microbiology tests and there are some molecular biology tests. So those tests are complete set of tests are provided whatever in tuberculosis one can do. But one big challenge comes here. Tuberculosis test is not done in blood, it is done in sputum. So sputum will have its own dynamics and in specimen collection handling and operating. So we have a lot of and we are not going to each thinking that this will be something where it is too big or too attractive. Every business you need to experiment. Sometimes it works, sometimes it doesn't. But we have a reason to believe tuberculosis will work.

- **MR. ANUJ MOMAYA – VALUE QUEST**

- Okay. And sir what are your plans in the Nuclear. How much capex are we going to do in the next 3 years? You said we are moving to a more of a franchisee kind of model. So you have 11 scanners as of now. And how do you see that business evolve 3 years from now? And how many more are you going to set up?

- **DR. A. VELUMANI - CEO, THYROCARE TECHNOLOGIES LIMITED**

- We would be very happy by same time next year if we have 20 machines operating.

- **MR. ANUJ MOMAYA – VALUE QUEST**

- Okay. But the scanners won't be on ours, which will be a franchisee going forward. Is that a correct understanding?

- **DR. A. VELUMANI - CEO, THYROCARE TECHNOLOGIES LIMITED**

- Yeah. Scanner we only have to buy. Franchisee will only operate.

- **MR. ANUJ MOMAYA – VALUE QUEST**

- Okay.

- **DR. A. VELUMANI - CEO, THYROCARE TECHNOLOGIES LIMITED**
- The business model itself, the scanner is ours, the FDG is ours, the CMC is ours, the remaining parts are there's and we are sharing 50/50.
- **MR. ANUJ MOMAYA – VALUE QUEST**
- So what will be the cost occurring on this 9 additional scanners that we will be buying now?
- **DR. A. VELUMANI - CEO, THYROCARE TECHNOLOGIES LIMITED**
- Each machine is 1 million dollars. 0.9 million dollars.
- **MR. ANUJ MOMAYA – VALUE QUEST**
- Right. So around 8-9 million dollars you will be spending additionally next year. And the year after that it will be a similar kind of a thing?
- **DR. A. VELUMANI - CEO, THYROCARE TECHNOLOGIES LIMITED**
- I said it and I want to take it to an 800 number.
- **MR. ANUJ MOMAYA – VALUE QUEST**
- Okay.
- **DR. A. VELUMANI - CEO, THYROCARE TECHNOLOGIES LIMITED**
- Sorry 80 number, not 800. 80 numbers. And with 80 numbers I believe I should be reaching by 2025 March.
- **MR. ANUJ MOMAYA – VALUE QUEST**
- Okay, okay sir. Thank you.
- **DR. A. VELUMANI - CEO, THYROCARE TECHNOLOGIES LIMITED**
- Thank you.
- **MODERATOR**
- Thank you. The next question is from the line of Sarvanan Vishwanathan from Unifi Capital. Please go ahead.

- **MR. SARVANAN VISHWANATHAN – UNIFI CAPITAL**
- Yeah good evening sir. Thanks for taking my question. Sir this shift from unorganised to organised – I mean you have given us a rough indication. But if your B2B business keeps growing at a faster rate, even that is a sort of business moving from unorganised to organised right?
- **DR. A. VELUMANI - CEO, THYROCARE TECHNOLOGIES LIMITED**
- Yeah. Now what gets into common man's hand is already organised laboratory report 50% of the time.
- **MR. SARVANAN VISHWANATHAN – UNIFI CAPITAL**
- Okay.
- **DR. A. VELUMANI - CEO, THYROCARE TECHNOLOGIES LIMITED**
- Because the unorganised player is unorganised in dealing with the customers. Very often they are using the branded laboratories approach. So the operation is unorganised whereas the testing is done parallel in the backend kitchen which is a good thing happening for the last 10-15 years.
- **MR. SARVANAN VISHWANATHAN – UNIFI CAPITAL**
- Okay.
- **DR. A. VELUMANI - CEO, THYROCARE TECHNOLOGIES LIMITED**
- Today a common man also gets in the laboratory any laboratory and asks them can you get me ABC brand. And the man says yes sir I can get you. So if you ask me the existence of unorganised player will I continue to remain because he is the one who is going to connect to the end user. His own kitchen slowly is getting closed.
- **MR. SARVANAN VISHWANATHAN – UNIFI CAPITAL**
- Okay understood sir. So in terms of advertisement spends would we look at the imaging business also? Because you said PET/CET, I mean the awareness among general physicians is very limited. So will we run a focused campaign targeting the general physicians?

- **MR. VATSAL GOEL – HEAD STRATEGY & CORPORATE DEVELOPMENT, THYROCARE TECHNOLOGIES LIMITED**
- APL and BPL kind of advertising for us for now at least remains useful. But we are not necessarily focusing on that as of now. What we are doing however is adopting slightly old school methods. So see unlike pathology where there is an opportunity to remove the gatekeepers and completely dependent on the doctors unless he writes I am not going to get that scan. So what we have decided to do is to spend our efforts and much alone evangelising and educating the people that look hey we do something on PET CTs, this is what we do.
- **MR. SARVANAN VISHWANATHAN – UNIFI CAPITAL**
- Okay.
- **MR. VATSAL GOEL – HEAD STRATEGY & CORPORATE DEVELOPMENT, THYROCARE TECHNOLOGIES LIMITED**
- And what we've realised, so we have written letters, we have sent a whole bunch of WhatsApp messages. We do a lot of stuff. And what we are realising is that that kind of engagement goes better because ultimately the doctor needs to be engaged in a way where he can realise what we are providing and then make use of it. Ultimately this is like one of those classical education things where someone is paying but someone else is the customer.
- **DR. A. VELUMANI - CEO, THYROCARE TECHNOLOGIES LIMITED**
- Right. Let me add here, let me add here. There are two channels through which we are moving. One is publishing our advertisement in medical journals.
- **MR. SARVANAN VISHWANATHAN – UNIFI CAPITAL**
- Okay.
- **DR. A. VELUMANI - CEO, THYROCARE TECHNOLOGIES LIMITED**
- So this is we have a couple of dozens of medical journals in different medical associations. We are taking part in those medical journals. Number 2, this still also is now coming under kind of aggregator hands. In the country as on today at least 20 agencies are there who are helping the common man to get a discount on a scan. So we call them as DSA, Direct Sales Agencies.

- **MR. SARVANAN VISHWANATHAN – UNIFI CAPITAL**
- Okay.
- **DR. A. VELUMANI - CEO, THYROCARE TECHNOLOGIES LIMITED**
- And these aggregators are providing even to us let us say 10 times per day at least 2 or 3 scans come from them. So that will grow because common man will get guided by these guys and these guys will spend time and energy to get his attention.
- **MR. SARVANAN VISHWANATHAN – UNIFI CAPITAL**
- Okay. Understood. So the focus will be on both. Both legs.
- **DR. A. VELUMANI - CEO, THYROCARE TECHNOLOGIES LIMITED**
- Yes.
- **MR. SARVANAN VISHWANATHAN – UNIFI CAPITAL**
- Okay thanks so much. Thank you, all the best.
- **DR. A. VELUMANI - CEO, THYROCARE TECHNOLOGIES LIMITED**
- Thank you.
- **MODERATOR**
- Thank you. The next question is from the line of Ravi Naredi from Naredi Investments. Please go ahead.
- **MR. RAVI NAREDI – NAREDI INVESTMENTS**
- Sir our ... is to rise this year, any reason behind it?
- **DR. A. VELUMANI - CEO, THYROCARE TECHNOLOGIES LIMITED**
- I didn't get the question. Repeat.
- **MR. RAVI NAREDI – NAREDI INVESTMENTS**
- Other income rises by 88%.

- **DR. A. VELUMANI - CEO, THYROCARE TECHNOLOGIES LIMITED**

- Yeah. Other income is because we started water as a business 4 years back. The business was not at all growing for a simple reason I think in Hindi they tell *paani aur khoon jamta nahin hai*. So we found that the water as a business wasn't working okay with our hand. And we felt that this business would be grown by another company, not by Thyrocare. So we were scouting for a partner and we found a laboratory called Equinox Laboratory. And that laboratory has already reached a size of around 9-10 crores of top line. We felt we will hand over this brand and business to them and invest in them another 10 crores so that we will have a 30% stock in the company. So today TTL holds a 30% stock in a company called Equinox Laboratories in Navi Mumbai. And we believe that company will do that business. It is good not to do every business. And we got an 8 crore gain in that water business. So that is an extraordinary item there.

- **MR. RAVI NAREDI – NAREDI INVESTMENTS**

- Okay thank you. Thank you very much.

- **MODERATOR**

- Thank you. The next question is from the line of Shivam Gupta from CWC Advisors. Please go ahead.

- **MR. SHIVAM GUPTA – CWC ADVISORS**

- Yeah thanks for the opportunity. First I would like to get a little clarification. So is it that you are saying that from next year onwards 5% of the top line is going to be spent in advertising and over and above that we are taking a price rationalisation of another 5%?

- **DR. A. VELUMANI - CEO, THYROCARE TECHNOLOGIES LIMITED**

- Now both have to be done together. Without advertisement listed company we won't have visibility. So we will continue to do that an amount equivalent to 5% of our top line we should, spending is what our wish. It could be 1 or 2% or 3%. Depends upon how the year goes. But having said that taking a hit on pricing in Aarogyam has become essential because we have 5 margin products and everybody has started getting into that. And wherever there is a room for disruption people will disrupt. So this price reduction is not under pressure. This price reduction is too high profit products will have challenges. So let us dilute that product. So some of the Aarogyam profiles which are doing very well in

volume, we are diluting the rate. But we believe that dilution of the rate will give a better outcome in terms of volume and this will not feel bad about it.

- **MR. SHIVAM GUPTA – CWC ADVISORS**

- So okay, that's helpful. So effectively there will be a – I still need some understanding. So you will have an advertising budget of 5% and then separately your rate is getting rationalised. It is not within that same 5% correct?

- **DR. A. VELUMANI - CEO, THYROCARE TECHNOLOGIES LIMITED**

- Yes you are absolutely right.

- **MR. SHIVAM GUPTA – CWC ADVISORS**

- Okay. The second question was that practically right now at this juncture we see a lot of competition that you have mentioned they are using advertising a lot. We see that in terms of peers. So we already have a leadership position in this business through our brand. So why don't we like do more of advertising at this particular point in time?

- **DR. A. VELUMANI - CEO, THYROCARE TECHNOLOGIES LIMITED**

- I was worried that you were worried about the advertisement. Now you are advising me to motivate to advertise. I think I am drawing a balance between those who want me to do more and those who tell that why you are advertising in pathology. I don't think any other brand is visible. I can't see any brand. Maybe the top 4 people are visibility wise because of either IPO because IPO time everyone is visible and somebody who seems to come to IPO probably they will advertise. Otherwise diagnostic in the sense advertisement has not been frequently seen. Having said that I wouldn't be doing anything more than this in advertisement because advertisement do not give returns. If I spend 10 crores in advertisement the top line will grow only by 6 crores. That is the unfortunate part in this particular kind of business. It is not a consumable like or it is not durable like household items that advertisement gives you huge revenues. Medical diagnostic does not make sense in revenues if you advertise and look for the returns.

- **MR. SHIVAM GUPTA – CWC ADVISORS**

- So just a question on that that maybe in the immediate years the map is correct. But over a period of time would not that effectively build saliency around your

brand and then may actually help you bring down the BTL commissions and all which you may end up paying. Because people were actually asked for your products.

- **DR. A. VELUMANI - CEO, THYROCARE TECHNOLOGIES LIMITED**

- I think it is already happening. The brand Thyrocare and the organised 4 or 5 players their products are demanded by the market. But it is very difficult to splurge like a zero budget or why was zero budget because there are very different kinds of products. Our products would then become – we will have to burn the total top line. I think 5% is a very decent amount and we should be settling there.

- **MR. SHIVAM GUPTA – CWC ADVISORS**

- Okay and the last thing from my end sir then so few quarters back we had this nice plan that we will be looking at this 25/25/25 or let's say 20/20/20 kind of growth across top line ebidta and the bottom line. So with this change in pricing advertisement how does that change?

- **DR. A. VELUMANI - CEO, THYROCARE TECHNOLOGIES LIMITED**

- I don't think anything has changed in this last 10 years. We have been doing some revision with pricing going aggressive and getting volumes. So don't worry this 20/20/20 will continue to be there at least for a couple of more years. I am not supposed to be talking forward looking statements in this kind of a call, but I think what was happening will happen and I don't see any challenge.

- **MR. SHIVAM GUPTA – CWC ADVISORS**

- Okay. Thank you sir. Thank you for a patient hearing and time sir.

- **DR. A. VELUMANI - CEO, THYROCARE TECHNOLOGIES LIMITED**

- Thank you.

- **MODERATOR**

- Thank you. The next question is from the line of Neha Manpuria from JP Morgan. Please go ahead.

- **MS. NEHA MANPURIA – JP MORGAN**

- Thank you for taking my question. Sir if I were to look at your comment that these spends that we did on promotions we didn't see the effect continuing beyond – we haven't seen the effect continuing to the third and fourth quarter. But if I were to look at your volume breakup it would seem as if the volumes have actually declined only in one market, only in Aarogyam and probably only in Delhi. So do you think we need a more region specific marketing effort or do you think the market is probably little more competitive than the other markets?
- **DR. A. VELUMANI - CEO, THYROCARE TECHNOLOGIES LIMITED**
- You have rightly studied it. It is all happening in Delhi. Delhi has become the most competitive market because every player is disrupting the NCR. I think recently some 5 of them have come in with a budget of not less than 10 million dollars. All of them are putting up a shop there thinking that let us start from Delhi. Delhi and Mumbai are the two major markets which are disrupted by all people who come inside. Let me give you a picture about what is happening in the industry. Everybody can get a 1000 samples but then going from 1000 samples to 10000 samples no one is doing. Everyone reaches a size of viability and profitability and then afterwards when they want to scale it up to the next zero there is hardly anyone who has fully succeeded. And see being the scale for the last 20 years, we are we are fourth and the 6th one is 10th. So that kind of gap continues to remain. But this gap will remain and people will keep trying. That is what is happening. Everyone comes inside. Everyone is spending what you call as runway and at end of the runway they are unable to take off and they are going to the side. Most of the money is spent by all these players in eating away the organised players' profitability. If we were not having this kind of disruption we would have been growing not less than 40%, 50%. So if you ask me Delhi is the most disrupting market and there are plenty of players who have come inside. I think metro cities are the biggest challenges and smaller cities are not. So this is observation and we have observed that in Delhi specifically my Aarogyam has been copied along with the art work, not only the contents. So that is something which is not that we didn't expect. But even people who put in 10 million dollars are not looking for any other art work. They are using our art work. So that is something...
- **MS. NEHA MANPURIA – JP MORGAN**
- Sorry to cut you sir, in that case if our argument that if we spend, we increase our promotional spend we should be able to grow revenues for at least 2 years, how does that work out? Because we didn't see it play out last year. So what gives

- you the conviction that increasing the promotional spend and bringing down prices will help solve this issue of competitiveness in the metro markets?
- **DR. A. VELUMANI - CEO, THYROCARE TECHNOLOGIES LIMITED**
 - I did not tell increasing the promotional spends will increase the top line or the profitability. Being a player of size and repute we must spend a budget to remain in the minds and hearts of the industry. But the growth will come only if this industry is highly price sensitive industry and we know what we did and we know what we will do and we will do.
 - **MS. NEHA MANPURIA – JP MORGAN**
 - Okay, okay.
 - **DR. A. VELUMANI - CEO, THYROCARE TECHNOLOGIES LIMITED**
 - The more of the growth will come because of the price differential, not because of your promotional campaign.
 - **MS. NEHA MANPURIA – JP MORGAN**
 - Yeah. No when I said promotion I meant the pricing that we have. The promotion around pricing that we would have. Because it does seem...
 - **DR. A. VELUMANI - CEO, THYROCARE TECHNOLOGIES LIMITED**
 - Let me tell you I will give you a very simple example. There are two kinds of customers walking in a laboratory. One asks for thyroid testing another asks for Thyrocare test. The Thyrocare test comes to me without fail. The thyroid test if somebody is operating at 10% or 15% less then they are tempted to give that because the patient did not ask for the brand. Now if I can reduce my rate before that chap is going out to reduce. So this I have done 3-4 times in the last 20 years. I know what will work and here we are going to do that again. Every 4 years we need to do that.
 - **MS. NEHA MANPURIA – JP MORGAN**
 - Okay got it sir. Thank you.
 - **MODERATOR**

- Thank you. The next question is from the line of Ashwin Reddy from Samatva Investments. Please go ahead.
- **MR. ASHWIN REDDY – SAMATVA INVESTMENTS**
- Yeah hi. Thank you for the opportunity. I have two questions. Firstly on the radiology bit. I was just trying to understand what has changed in the last 3 or 4 months? Because the commentary in the last conference call was not so positive on the business. But again it looks like you are investing around 100 crores on the business. So I am trying to understand what has changed in the last 1 year.
- **DR. A. VELUMANI - CEO, THYROCARE TECHNOLOGIES LIMITED**
- I have not understood the question. Have you understood?
- **MR. VATSAL GOEL – HEAD STRATEGY & CORPORATE DEVELOPMENT, THYROCARE TECHNOLOGIES LIMITED**
- Yeah.
- **DR. A. VELUMANI - CEO, THYROCARE TECHNOLOGIES LIMITED**
- Mr. Vatsal will answer.
- **MR. VATSAL GOEL – HEAD STRATEGY & CORPORATE DEVELOPMENT, THYROCARE TECHNOLOGIES LIMITED**
- Hi Ashwin this is Vatsal. I think what has changed in the last 3 or 4 months is that we basically as I mentioned a few moments ago we had 5 -7 PETCTs and we were experimenting with the franchisee model. Now somewhere during the middle of this year we were sitting on this which way we should be going and whether it is working out or not. So to be conservative that was the kind of approach. I think by this time the 6 centres operating in this and the velocity with which more importantly that they are operating I think the whole franchisee model has delivered their own proof of concept and the fact that it is eminently scalable. And because we are now on that knowledge we are going to go back to our original plan which is that we will keep expanding opportunities. That said we are still tempered by the fact that there aren't enough nuclear medical doctors in the country. We are still tempered by the fact that logistics and the cooperation of logistics partners especially in terms of something that decays every 2 hours like FDG remains a concern. So we are not there yet in terms of influence in the country but I think we will continue to do more of what we have been doing over the last year which is find high quality partner. And use their local knowledge to create more and more business in the country.
- **DR. A. VELUMANI - CEO, THYROCARE TECHNOLOGIES LIMITED**

- Are you seeing that we are moving suddenly fast or are you seeing we are making better growth?
- **MR. ASHWIN REDDY – SAMATVA INVESTMENTS**
- No, no what I was trying to understand is after the initial commentary in the last 2-3 years, the last quarter and the first quarter the commentary kind of turned a bit bearish or a bit more cautious I would say. So suddenly we reached 100 crores. But again I was trying to understand what has changed. Just following up on that the amount of 100 crores that you want to earmark that is over what period of time? Is it 1 year, 2 years? What is the time period for that?
- **MR. VATSAL GOEL – HEAD STRATEGY & CORPORATE DEVELOPMENT, THYROCARE TECHNOLOGIES LIMITED**
- See the amount of 100 crores is actually earmarked, you can assume next 25 months it's....
- **DR. A. VELUMANI - CEO, THYROCARE TECHNOLOGIES LIMITED**
- No, no, I will explain you. I wanted only some 25-30 crores. But I have been thinking why not we try to do this franchisee business in PET/MRI because of a couple of proposals, and I thought let me take approval from the board and see if there is a necessity. But if that comes through then only we will be spending money. Otherwise we won't be spending anything more than some 30 crores in PET/CT business alone.
- **MR. ASHWIN REDDY – SAMATVA INVESTMENTS**
- Okay thank you, that's helpful. Just moving on, now I was trying to get your thoughts little bit on the entire government subsidising the industry. Because for example you quoted an example of Delhi wherein government is trying to spend on the subsidy. Now is there a risk of this that you see happening in pathology business as well? Because there are now state governments trying to get into this actively. So some thoughts on this will be helpful. Or at least what should we be not worried about in that case? And what should we be looking out for?
- **DR. A. VELUMANI - CEO, THYROCARE TECHNOLOGIES LIMITED**
- I think the Delhi government doing is not a true big disruptor. I think mentioning about Delhi government business before Delhi State Cancer Institute created confusion. Government in Delhi is probably subsidising 10 scans a day where Delhi people need not less than around 400 scans a day. So it is very little what the government is doing. Government doesn't have wherewithal to support every

need of a healthcare diagnostic. Having said that the government can open little more up in its spending that all spending will be diagnostic per capita spending for the country and that would result in stakeholders enjoying the additional 1 or 2% of revenues. Who will enjoy? The low cost operator will enjoy or the screening guy will enjoy, those who are dying the government will only enjoy or the entire country will enjoy, these things remain to be seen. But having said that government rates will not allow too many people to enjoy unless otherwise the operator keeps as such the cost of a true player. And we being the least cost in the country we believe he will be the most benefiting brand and company.

- **MR. ASHWIN REDDY – SAMATVA INVESTMENTS**

- That is helpful but just following up on that, so far whatever government end has already happened, are we in a position to talk about that? Have we got a majority of tenders because the low cost operators? What is the current status?

- **DR. A. VELUMANI - CEO, THYROCARE TECHNOLOGIES LIMITED**

- It is not wise for me to tell in an earning call the statement but very often government tenders are manipulated to benefit a particular vendor.

- **MR. ASHWIN REDDY – SAMATVA INVESTMENTS**

- Okay, okay.

- **MODERATOR**

- Thank you. The next question is from the line of Surajit Pal from Prabhudas Lilladher. Please go ahead.

- **MR. SURAJIT PAL – PRABHUDAS LILLADHER PVT LTD**

- Hi. Good evening Dr. Velumani.

- **DR. A. VELUMANI - CEO, THYROCARE TECHNOLOGIES LIMITED**

- Good evening.

- **MR. SURAJIT PAL – PRABHUDAS LILLADHER PVT LTD**

- So basically my question is that you know at various occasions you said the more number of people enter the industry the smaller guys or the PE back guys with a smaller volume what you have identified, something like let's say 1000 samples, they need some guy who can provide a cost effective testing for that. So that will help you to grow your B2B business. So that will be one of the growth engines.

So you are not actually bothered in terms of making more smaller guy's entry through organised or unorganised way whatever it might be, that will be helpful for your B2B business.

- **DR. A. VELUMANI - CEO, THYROCARE TECHNOLOGIES LIMITED**

- See give me a break. I will continue after giving some inputs here.

- **MR. SURAJIT PAL – PRABHUDAS LILLADHER PVT LTD**

- Right.

- **DR. A. VELUMANI - CEO, THYROCARE TECHNOLOGIES LIMITED**

- Every man who gets into the business is putting up the laboratory before he gets the first specimen.

- **MR. SURAJIT PAL – PRABHUDAS LILLADHER PVT LTD**

- Right.

- **DR. A. VELUMANI - CEO, THYROCARE TECHNOLOGIES LIMITED**

- Which means he started spending too much and before even reaching viability he has spent too much into the business of laboratory quality floor protocols and accreditation. And that is the same mistake all the clients are doing. Actually what they should do is by sit and negotiate and by service for a Rs. 5 crore from a standard laboratory which will not compromise on quality. Use those services till you get your volume. And after that time if you think the volumes are motivating and you should put up your own laboratory then you put it. Otherwise why you have to put a laboratory before you start the corporation. This mistake everybody is doing. Why he is doing it is not benefiting me. It is not benefiting him. It is not benefiting the country. Because the first 2 years his machines are standing, not running. So this has resulted in impact on quality. Get traction then you put up your own processing is the lesson we need to give to the newcomers. Now you go ahead.

- **MR. SURAJIT PAL – PRABHUDAS LILLADHER PVT LTD**

- Okay so basically do you think over a period of time these kinds of lessons they will learn and they will change the business model so that will be helpful for your B2B growth going forward?

- **DR. A. VELUMANI - CEO, THYROCARE TECHNOLOGIES LIMITED**

- In the country out of 1000 ten are doing it.
- **MR. SURAJIT PAL – PRABHUDAS LILLADHER PVT LTD**
- Okay, okay. Second question over there is that you told me I think a year back that you guys are developing foot soldiers who will be mainly following the lead which you guys are generating through your own interfaces that is online or offline or whatever. So that over a period of time you will get some good figure going forward where you may not be dependent on B2C guys or B2B guys to generate business. So that business itself is for basically utilising the new source of communication. Now where do you stand in terms of how many foot soldiers do you have currently?
- **DR. A. VELUMANI - CEO, THYROCARE TECHNOLOGIES LIMITED**
- We have around 800.
- **MR. SURAJIT PAL – PRABHUDAS LILLADHER PVT LTD**
- 800 okay.
- **DR. A. VELUMANI - CEO, THYROCARE TECHNOLOGIES LIMITED**
- We have around 2500 per day order. So roughly around 3 orders per day these guys are executing.
- **MR. SURAJIT PAL – PRABHUDAS LILLADHER PVT LTD**
- Okay. And profitability wise is it good vis-à-vis what you were earning currently this model?
- **DR. A. VELUMANI - CEO, THYROCARE TECHNOLOGIES LIMITED**
- Actually the realised amount is high. But the cost of getting the lead and cost of executing all when we calculate B2B business makes better sense than B2C business. This is a learning we have had in last 10 years.
- **MR. SURAJIT PAL – PRABHUDAS LILLADHER PVT LTD**
- Come again please, I missed your point.
- **DR. A. VELUMANI - CEO, THYROCARE TECHNOLOGIES LIMITED**
- The order comes only after you spending and getting a lead. Lead acquisition cost itself is a cost. Then lead execution itself is a cost. So lead management cost,

lead execution cost and lead acquisition cost all when you factor you are seeing B2C business not making sense as much as B2B business makes.

- **MR. SURAJIT PAL – PRABHUDAS LILLADHER PVT LTD**

- That's right, that's right.

- **DR. A. VELUMANI - CEO, THYROCARE TECHNOLOGIES LIMITED**

- We are going to go slow on this B2C business and we are going to go very aggressive on B2B business.

- **MR. SURAJIT PAL – PRABHUDAS LILLADHER PVT LTD**

- Okay, okay. My last question is on PET/CT. In PET/CT though you have said that your aspiration is you will be having this number 11 scan going to 20, but previously what I understood talking to you is that given the regulators time more than 3 months per centre to get approval, so do you think that more than 5 or max by 6 installation of one – I mean 6 machines is anything realisable in a year?

- **DR. A. VELUMANI - CEO, THYROCARE TECHNOLOGIES LIMITED**

- Oh if I want I can put up 20 also in a year. That is not a challenge. All of them parallel – if we want we can buy – it is like the number of aircrafts added in your fleet. If you have money you can buy it and you can scale up within one year or even 25 flights can be added. Similarly 25 PET/CT scanners also can be added. Only thing is scanning machine is not an asset. Learning machine is an asset. So we are going slow on it. It is not any difficulty in execution and it is not the fund. It is the market and its availability for us to enjoy the lesson to run.

- **MR. SURAJIT PAL – PRABHUDAS LILLADHER PVT LTD**

- Okay, okay. That's great. Wish you all the best.

- **DR. A. VELUMANI - CEO, THYROCARE TECHNOLOGIES LIMITED**

- Thank you.

- **MODERATOR**

- Thank you. The next question is from the line of Vinay Bafna from ICICI Securities. Please go ahead.

- **MR. VINAY BAFNA – ICICI SECURITIES**

- Good evening sir. I just have one question. In your presentation slide number 5 you have given number of investigations as 142 million for FY17 and 171 million for FY18. If I have to compare it to the previous information which you provided last year there is some discrepancy. Maybe there is something missing because in last year's presentation you provided FY17 number as 76.47 million. So what am I missing here sir?
- **MANAGEMENT - THYROCARE TECHNOLOGIES LIMITED**
- See that much has been adjusted for better presentation.
- **MR. VINAY BAFNA – ICICI SECURITIES**
- Okay. Alright sir, alright. Thank you.
- **MODERATOR**
- Thank you. The next question is from the line of Saion Mukherjee from Nomura Securities. Please go ahead.
- **MR. SAION MUKHERJEE – NOMURA SECURITIES**
- Hi thanks for taking my question sir. My question is regarding margins. So it looks like with advertisement cost and some curtain pricing for Aarogyam we should look at low margin from what we have currently. Something like less than 35%. Would that be a fair assessment? And I am wondering if there are any cost levers that are available where you can squeeze out something? Sir if you can guide something on the margin it will be helpful at least for the near term.
- **DR. A. VELUMANI - CEO, THYROCARE TECHNOLOGIES LIMITED**
- Actually the immediate – with this year we may have some kind of challenges in the margins because these corrections 6 years back that time thyroid was disrupted, thyroid was almost 30% reduction in the pricing we did in a single day. And that was the time when private equity was there not a listed company. And the private equity partners were wondering why Velumani is doing such a deep discount. But then that only gave the IPO story. That makes 5 years we had a wonderful growth. So if you.....
- **MR. SAION MUKHERJEE – NOMURA SECURITIES**
- Hello?
- **DR. A. VELUMANI - CEO, THYROCARE TECHNOLOGIES LIMITED**
- That is if I can take a risk of disrupting 10% in my margins, in my top line as a discount, there is a likelihood another 3-4 years, 5 years I will have a better top

line. So here I have no fear of margins. I have margins. Compared to anyone in this industry I am the one who has the highest margin. If I am scared I think that is not fair. So I am going to do a disruption somewhere around 5% to 10% only I am going to disrupt. Not too much like what I did last time. But this 10% deduction should be able to give us at least a 10% extra growth for next 2-3 years. This is just a guesswork. What comes out will always have its own surprise also either way.

- **MR. SAION MUKHERJEE – NOMURA SECURITIES**

- Okay. Okay sir. And any cost levers you have? Like other expenses or cost of material as your volume grows?

- **DR. A. VELUMANI - CEO, THYROCARE TECHNOLOGIES LIMITED**

- No there is unwritten arithmetic equation. That every doubling of the volume 10% of the cost will go down.

- **MR. SAION MUKHERJEE – NOMURA SECURITIES**

- Okay.

- **DR. A. VELUMANI - CEO, THYROCARE TECHNOLOGIES LIMITED**

- Even now if we can double it I will enjoy a 10 more percent of reduction in the cost in raw material.

- **MR. SAYAN MUKHERJEE – NOMURA SECURITIES**

- Okay, okay. That's all sir thank you.

- **DR. A. VELUMANI - CEO, THYROCARE TECHNOLOGIES LIMITED**

- Thank you.

- **MODERATOR**

- Thank you. We will take the last question from the line of Chirag Dagli from HDFC Mutual Funds. Please go ahead.

- **MR. CHIRAG DAGLI – HDFC MUTUAL FUNDS**

- Yeah sir thank you for the opportunity. Sir coming back to the Delhi centre and the Navi Mumbai centre, we've been doing about 11-12 scans a day for these mature centres. And this has been the story for the last I think at least 7-8 quarters. Is this where we peak, you know a mature centre sort of peaks?

- **DR. A. VELUMANI - CEO, THYROCARE TECHNOLOGIES LIMITED**
- I think there was a philosophy of mine which has been proved wrong. The philosophy was having two scanners together will make wise use of isotopes and it will grow and it will give great profit. But it looks like each centre will at the maximum do 20 scans even if you have 4 scanners. So we are going to dismantle 2 scanners from the twin centres and put them in standalone elsewhere so that this volume is making me great profitability. This we will be doing this year.
- **MR. CHIRAG DAGLI – HDFC MUTUAL FUNDS**
- So then in that case on these mature centres you will probably go to the 20 scans which you said as...
- **DR. A. VELUMANI - CEO, THYROCARE TECHNOLOGIES LIMITED**
- I must tell you if everything is in order it can go to 30 scans also per machine per day because it is the capacity.
- **MR. CHIRAG DAGLI – HDFC MUTUAL FUNDS**
- Right. And would the other slightly lesser cities like Hyderabad, Baroda, can those also do similar numbers 20?
- **DR. A. VELUMANI - CEO, THYROCARE TECHNOLOGIES LIMITED**
- I think this is all like whether a flight will be viable or not. I found the Jet Airways Mumbai to Trichy just 2 months old now tickets are not available. So if you look at it some market if you are the only player and you are the only operator your lesson becomes viable and profitable very fast. Having said that I must tell you the biggest surprise in PET/CT was in Mumbai. We had put up a centre very close to Tata Memorial hospital. That centre has done 300 plus scans in the first month itself. It is history. No one in the country has done it. So going away has some benefits and being in the market where everybody is sitting has some benefits. So we are learning. It is very difficult for us to draw some conclusion at this stage. We have to put next scanner.
- **MODERATOR**
- Thank you. Due to time constraints that was the last question. I now hand the conference over to the management for their closing comments.
- **DR. A. VELUMANI - CEO, THYROCARE TECHNOLOGIES LIMITED**

- Right thank you very much for being patient for last 100 minutes. And I believe I have communicated the true spirit of what was the year and what we wish to do this year. As I said in pathology we should be doing some kind of a price correction so that we get back 25% plus growth at least. And in radiology we will continue to keep doing 12 scans per machine per day. By increasing the scanners when the scans go up so that business is not into loss. Business will be ebidta positive for next 3 years, 4 years. And a time will come when we will take a call. Now we don't invest more and we start looking at the profits. The radiology business is like that. It is not going to give you immediate results. Having said that we are going conservative and we are taking every conscious step in the radiology side in investment. Pathology side appears to be a matter of strategizing and we will be doing it this year to give you a better number next year. Thank you very much. Good day. Bye.
- **MODERATOR**
- Thank you. Ladies and gentlemen on behalf of Prabhudas Lilladher that concludes this conference call for today. Thank you all for joining us and you may now disconnect your lines.

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