VIJAYA DIAGNOSTIC CENTRE®

August 13, 2024

To,
Listing Department
National Stock Exchange of India Limited,
Exchange Plaza,
Bandra Kurla Complex,
Bandra (East), Mumbai- 400 051
NSE Symbol. VIJAYA

To,
The Corporate Relations Department
BSE Limited,
Phiroze Jeejeebhoy Towers,
25th Floor, Dalal Street
Mumbai- 400 001
BSE Scrip code. 543350

Dear Sir/Madam,

Sub: Transcript of the Earnings conference call organized on August 06, 2024.

We are enclosing herewith the Transcript of the Earnings Conference Call organized on August 06, 2024, post declaration of the Unaudited Financial Results of the Company for the first quarter ended June 30, 2024.

Please take the information on record.

Thanking you.

Yours faithfully,
For Vijaya Diagnostic Centre Limited

HANSRAJ SINGH Digitally signed by HANSRAJ SINGH Date: 2024.08.13 15:38:19 +05'30'

Hansraj Singh
Company Secretary & Compliance Officer
M. No. F11438

Encl.: As above

“Vijaya Diagnostic Centre Limited

Q1 FY'25 Earnings Conference Call”

August 06, 2024

MANAGEMENT: **MR. SUNIL CHANDRA – EXECUTIVE DIRECTOR – VIJAYA DIAGNOSTIC CENTRE LIMITED**
MR. NARASIMHA RAJU – CHIEF FINANCIAL OFFICER – VIJAYA DIAGNOSTIC CENTRE LIMITED
MR. SIVARAMARAJU – HEAD, STRATEGY AND INVESTOR RELATIONS – VIJAYA DIAGNOSTIC CENTRE LIMITED

MODERATOR: **MR. BHAVESH GANDHI – YES SECURITIES LIMITED**

Moderator: Ladies and gentlemen, good day, and welcome to Vijaya Diagnostics Q1 FY'25 Earnings Conference Call hosted by YES Securities. As a reminder, all participant lines will be in the listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Bhavesh Gandhi. Thank you, and over to you, Mr. Gandhi.

Bhavesh Gandhi: Thank you. Good afternoon, everyone. So Bhavesh here from YES Securities. I welcome you all for the Q1 FY'25 Earnings Conference Call of Vijaya Diagnostics. At the outset, I would like to thank the management for giving us this opportunity to host the call.

From the management team, we have Mr. Sunil Chandra, Executive Director; Mr. Narasimha Raju, Chief Financial Officer; and Mr. Sivaramaraju, Head Strategy and Investor Relations. Also, I would like to add, due to unforeseen circumstances, Ms. Suprita Reddy, the MD and CEO, will be unable to join on the call.

With that, I would now like to hand over the call to Sunil sir for his opening remarks. Over to you.

Sunil Chandra: So thank you, Bhavesh, for hosting the call. And good morning, and welcome to everyone on this call. I would like to begin by presenting the key highlights for the period, after which we will take you through the operational and financial highlights of the quarter ended 30th June 2024.

I'm very happy to share that we began this fiscal with another strong quarter, achieving a remarkable year-on-year revenue growth of 29.1%, of which an impressive 19.6% growth was achieved organically. The growth was largely driven by both footfall as well as test volume, and our B2C share stood strong at 93%, with wellness contributing to 13.4% of our total revenues.

I'm also happy to share that our new hub center at VIP Road, Kolkata has completed its first year of successful operations, achieving breakeven within just three quarters. This marks a significant milestone in our growth journey, and we are all geared up to make the most of the opportunities that Kolkata market has in store for us.

Also to consolidate our operations and capitalize on both the brands, Vijaya and Medinova. Medinova is the subsidiary of Vijaya Diagnostic. We are operating a center in Southern Kolkata. So we have recently filed for the merger of Medinova into Vijaya. This merger will help us to optimize compliance as well as other operational costs.

As part of our expansion plan, we are also excited to share that we are commencing operations at our new 10,000 square foot state-of-the-art hub facility in Ongole, which is in Andhra Pradesh, on August 8. This facility, which is equipped with an automated lab and advanced radiology equipment, including a 3.0 Tesla MRI and a 160-slice cardiac CT, will offer a comprehensive range of integrated diagnostic services to customers covering three districts of Prakasam, Bapatla and Palnadu in Andhra.

Additionally, I would also like to inform you that our expansion plan for the next two years is on track. And as we speak, we have finalized leases for nine hub locations across our home states as well as adjacent geographies, Pune and West Bengal. And these hubs are all scheduled to commence operations over the next 18 months.

With this, I would like to hand over to Raju to take you through the operational and financial highlights for this quarter, and we'll be taking questions after his presentation.

Narasimha Raju: Thank you, sir. Good afternoon, and a warm welcome to everyone joining us on the call today. I will briefly take you through the financial performance and key developments for the current quarter ended June 30, 2024. The consolidated revenue for the current quarter stood at INR156 crores as against INR121 crores in the corresponding quarter of the last year, delivering a robust year-on-year revenue growth rate of 29%.

I'm delighted to inform that the year-on-year growth, excluding PH Pune, the organic growth rate is also quite impressive at 20%, that is from INR121 crores to INR145 crores. And this robust revenue growth was again driven by volume growth of 20% and footfall growth of 17%.

Now coming to PH Pune's performance for the current quarter. The revenue is INR11.4 crores, which is in line with our expectations. Coming to the geography-wise split, the Hyderabad region contributed 71% and rest of AP-Telangana contributed 18%; and the newly acquired geography, Pune, contributed 7% out of the total consolidated revenue.

Like the previous quarters, the revenue growth was driven by both radiology and pathology segments, reflecting the robustness of our B2C focused integrated business model. The B2C revenue stood healthy at 93%. Our radiology business stood at 38%, slightly higher than 37% in Q1 of last year. The revenue per test was INR462 and revenue per patient footfall was INR1,621 during this current quarter.

Coming to EBITDA. EBITDA for the current quarter stood at INR61 crores as compared to INR48 crores in the corresponding quarter of last year, registering a year-on-year growth rate of 27%, in line with the revenue growth of 29%.

Excluding PH Pune, the year-on-year growth rate in EBITDA is 17%, again, in line with revenue growth. The EBITDA margin was also healthy at 39% in the current quarter in spite of expansion activities going on. The profit after tax for the current quarter stood at INR31 crores and the PAT margin was also healthy at 20%, and the surplus cash reserve at the end of this quarter are INR212 crores.

As informed already, during this current quarter, the Board of Directors have considered and approved a scheme of amalgamation, wherein our listed subsidiary, Medinova, would merge into the company from April 1, 2024, which is the appointed date for this merger. Since this is already a subsidiary, there is no material impact on the consolidated financials on account of this proposed merger.

Coming to the expansion. The company is on track of creating new hub centers at Pune and Kolkata regions through a careful expansion strategy, and this expansion will be funded from internal accruals.

To conclude, I would like to say that we continue to hold our position as largest B2C integrated diagnostic chain, supported by a healthy balance sheet and impressive return ratios.

That's all from my side. I would now request the moderator to open the line for the Q&A. Thank you.

Moderator: The first question is from the line of Amey from JM Financial.

Amey: Thank you for taking my questions and Congrats to the management on good set of numbers. First question I have is on the volume growth, which has been in high teens for last few quarters. So is it possible for us to give some breakup in terms of how much of this volume growth will be coming from the existing units and how much would be coming from, let's say, the hubs which you have added over the last two years or one year basically?

Sivaramaraju: So, Amey, basically, if you see, right, in last two to three financial years, we have added a good capacity, right, if you take FY'22, '23, '24, I think roughly including our mini spokes we added about close to 50 centers. But the positive part here is that even if you bar the centers that we opened in FY'23 and '24, if we take the capacity that we had till end of FY'22, the growth from the older centers, which are older by two years, they have delivered a growth of almost close to 12% to 13% in terms of revenue, whereas the rest of the growth has come from the centers that we opened in FY'23, '24, in the last two years.

Amey: Sure. And do you expect that this 12% growth would continue for some time? Or do you expect it to taper down over the following years?

Sunil Chandra: Amey, so, obviously, we foresee that the growth will be strong, and we hope that it will continue. As of now, what's a good trend is that we are adding growth from new centers, and our existing centers are also continuing to grow. So it's a good sign that it will continue.

Amey: No. The question I have is basically, if at all if the growth is expected to come down, do we need to be more aggressive in terms of adding more capacity?

Sivaramaraju: So, I think, Amey, if you actually see, if you take last five years of history, right, barring COVID, and if you see the current capacity that we have, the center that we added until FY'22 and the rest of the centers that we added after FY'22, still there is room for growth from these existing centers. I think at least for the next one, two years, these centers will continue to grow. But like any other retail business, if you take in long term, I think center addition will be one of the main factor for delivering this double-digit growth.

Sunil Chandra: And also, Amey, I mentioned in my talk also that we have finalized and we are working on nine hubs right now. So there is a pipeline for growth also from the new centers, which will open over the next year or 1.5 years.

Amey: Got it. And the second question I have on the Ongole region, sir. Is it possible for you to give some color on the market dynamics there? And like do you expect the mix of pathology/radiology to be similar in these Tier 2, Tier 3 towns? And will it have some impact on the margins? If you can give some color on the margins?

Sivaramaraju: So again, Amey, Ongole, if I have to compare within our existing network, it is quite similar to Tirupati and Rajahmundry that we have launched in the last 18 months. So basically, like now in Andhra, if you see, you have about, say, 26 districts after bifurcation. But otherwise, Ongole earlier was one of the largest district.

Basically, it's a health care hub for three districts present in Andhra. And if you geographically also see, you Guntur on the one side and you have Nellore on another side. But between 100 kilometers, so from all these villages, you will see the customers coming for their health care needs to Ongole.

And it's a place where you already have corporate hospitals like Aster DM, you have KIMS already present there. So coming to super-specialty doctors like Neuros, Oncos, Orthos, there are about more than 150 doctors practicing in this geography. So this is a geography which is similar to Tirupati and Rajahmundry.

And coming to the mix, generally, across geographies, there's a requirement for both pathology and radiology. We don't think that the mix will change much in this geography, and since it's going to be a hub, ideally at maturity, the mix will be roughly around 50-50 from both pathology and radiology.

Amey: Sure. And just last question I have on the cost side. The cost of equipment has gone up sequentially. I believe it must be because of the new addition. But do you expect it to get absorbed over next following quarters? How should we look at from the margin perspective?

Narasimha Raju: So, Amey, if you look at the margins, okay, the healthy margins are there, like almost close to like 39% and 39.2% exactly for the current quarter as compared to 39.8% in the last year Q1, okay? Generally what we have seen is that in the Q1, there will be like a 0.5% to 0.6% dip will be there compared to the full year average, okay? So even if you look at the cost, okay, movement from the Q4 to Q1, there's not much movement in the cost, except the employee cost, which has increased by 11.5% from Q4 to Q1 on account of the annual increments, okay, that happen every year.

Apart from that, considering the expansion activities that are going on, okay, you might have seen, in the last year, we added almost close to like six centers consisting three hubs and three spokes. And currently also, we are planning almost close to like nine centers, we've signed the leases. So we've started recruiting people, okay, across different functions, and also we recruited key people in the corporate functions as well. So on account of this, this employee cost has increased. And if you look at Q1 of the last year to the current year Q1, okay, you might look at almost close to like 30% to 31% increase in the employee cost.

And also in the other expenses as well. But primarily, one of the reason is that almost 10% of that increase is coming on account of the PH consolidation. Because PH was not there in the last year Q1. It got consolidated mainly from the Q4 of the last year. And also like 4% to 5% of the cost, okay, increase is attributable to the new centers that got opened in the last year post the Q1. So otherwise, the increment approximately in the cost is like 15% to 15.5%, which is mainly on account of the annual increments.

So what I expect is that going forward, the EBITDA margins will continue to be in the range of 39% to 40%, okay? For the full year, what I expect is around 40% EBITDA margins we will expect.

Moderator: The next question is from the line of Rishi Mody from Marcellus Investment Managers.

Rishi Mody: So just wanted to understand on the PH thing, right? We've changed the brand name now to Vijaya PH. Has that adversely impacted us or we're not seeing any impact because of the brand change?

Sivaramaraju: So Rishi, basically, the brand change happened on April 1. So there are actually two changes that we have done. One, the brand change, and also the systems, right? The entire billing and all the back-end systems got now aligned to parent company on April 1. So what we have seen is some dip in revenue in the month of April.

I would not say it's because of the brand change, it's more because of the system changes. Generally, whenever you do that transition, you have some hit. But subsequently, in the month of May and June, we are seeing the revenue coming back on track. And July was a great month for PH like for any other diagnostic center.

Rishi Mody: So if we were to compare PH's revenue in this quarter versus in the last year same quarter, what has been the growth rate? Like if you want to split it, say, June, how much was the decline, or flattish; and then May and June, what was the pickup; April, what was the hit; and then July, what has continued? If you can just give an understanding of how PH is shaping up?

Sivaramaraju: Yes. So if you see year-on-year, it's more or less flat, Rishi, because we did not do any price increase. At the same time, there is no capacity expansion.

Narasimha Raju: These are all five to six years old.

Sivaramaraju: Yes, yes, if you basically take the main six centers, they're operating at least from the past five, six years, right? And like we told you, in the month of April, there was some hit because of this entire transition that happened. So there was a dip in the month of April. I can get back to you with the numbers month-on-month. I don't have it handy. But in the month of June, we have seen a single-digit growth in terms of revenue when we compare year-on-year.

Rishi Mody: Okay. Got it. Second, I wanted to understand what is the hub and spoke expansion plan for FY'25?

Sivaramaraju: So FY'25, right?

Rishi Mody: Yes.

Sivaramaraju: So again, Rishi, like last year, this year also we're going to focus more on hubs, because we are opening up new geographies like say, Pune, adding the capacity in Pune and Kolkata and a few of our existing geographies like Tier 2 markets, right? So the concentration will be more on hubs.

You will see more spokes coming in from FY'26, because we added Rajahmundry, Tirupati, and few other centers in the last one, two years, which are ramping up and they may hit maturity maybe in next one, one-and-a-half year. And also these new hubs coming in these larger markets like Kolkata and Pune. So this year, you will see lower number of spokes. But next year is when you'll see more spokes adding up to these hubs.

Rishi Mody: Okay. And what's our target for hub addition for the year? I think Raju mentioned nine hubs? Is that correct?

Sunil Chandra: Yes, Rishi. We mentioned that we have already signed leases for nine hubs. And these are across both Pune as well as Kolkata, and also some of the adjacent geographies in our home market. So these are all going to be operational within the next 12 to 18 months, yes.

Rishi Mody: Okay. Got it. Raju, just the final. On the accounting front, what's the impact of Ind AS 116 for the quarter?

Narasimha Raju: So Ind AS' impact on the quarter, on the PBT level, it is approximately the PBT is lower by 2.5%. And if you look at, at the PAT level, it is approximately 1.2% lower. So we reported Ind AS PAT of 20%. Had we followed Indian GAAP, it would have been 21.2%.

Rishi Mody: Okay. Got it.

Narasimha Raju: 1.2% is the gap between Ind AS and Indian GAAP at the PAT level.

Moderator: The next question is from the line of Dheeresh from WhiteOak.

Dheeresh: Just following up on the last question. Can you give the absolute, in crores, the rental after EBITDA, the cash impact of rental?

Narasimha Raju: So Dheeresh, so the rental is approximately like 7% to 7.5% of the top line. I'll give you the exact number, but it's approximately 7% to 7.5%.

Dheeresh: 7% to 7.5%, no that is good enough, okay. And just on this Calcutta hub, which broke even. So from the day we started, till the day we broke even, how much opex burn, if you have that handy, like how much opex burn did the hub incur?

Narasimha Raju: So I don't have the exact number, Dheeresh, but what I can tell you is that today if you look at it, we completed like one year for the Kolkata. And for the other hubs also, we completed almost like 6 to 7 months for most of these hubs, okay? So all these hubs are generating a positive EBITDA.

And if I look at it compared to the company level EBITDA of 40%, the drag on the company level, it's approximately like 0.3% to 0.4%. In terms of the number, it's approximately like INR40 lakh or something on a top line of INR156 crores, which is like a 0.3% drag on account of the hubs which got opened in the last 1 year, okay? That's the impact.

Dheeresh: No. Maybe I'll take it up later. What I wanted was that Kolkata hub, since the time it opened, till the time it broke even, what is the opex burn that a hub, a good hub, which ramps up pretty nicely, what is the opex burn that it has from the time of commissioning to the time it breaks even?

Sivaramaraju: So I think specifically for Kolkata hub, we'll get back to you with the exact number, Dheeresh, but roughly it would be in the range of for the first nine months, if you take the opex burn, it will be in the range of maybe, say, around INR1.5 crores for the first timer, but we'll get back to you with the exact number. We don't have that handy, but we'll get back to you.

Dheeresh: Understood. And can you just maybe double click more on the new hub locations? You mentioned how much in Pune, how much in West Bengal, which cities, if you can explain?

Sivaramaraju: So out of these nine, we have two when we say nine, these are basically hub locations, we are not talking about spokes. So out of these nine hub centers, we signed two in Pune, they are signed leases, and three in West Bengal and four in our home markets and adjacent geographies.

Dheeresh: Three in West Bengal will be Kolkata, right?

Sivaramaraju: So one is a district headquarter, which is closer to Kolkata.

Dheeresh: Okay. And the capex requirement remains the same, INR12 crores to INR15 crores per hub, like that?

Narasimha Raju: Per hub, it is INR12 crores to INR14 crores, Dheeresh. And in case of hubs where we are coming up with advanced 3 Tesla MRI, and also like high-end cardiac CT like 160-slice CT, the capex requirement might be in the range of INR18 crores to INR19 crores. Otherwise, for a typical hub with 1.5 Tesla MRI and then 32-slice CT, it is INR12 crores to INR14 crores.

Moderator: The next question is from the line of Sumit Gupta from Centrum.

Sumit Gupta: Just want to get sir, over the next three to four years, how do you see the geography mix going forward? So let's say, Pune contributing around 7% right now. Hyderabad and rest of AP-Telangana contributing nearly 90%. So how do you see this mix changing forward over the next three, four years?

Sivaramaraju: So Sumit, maybe we'll not be able to quantify percentages, but if you actually see on ground, the aim is to grow faster in markets like Pune and Kolkata, right? So a majority of the capex is also going to these geographies. While Hyderabad is growing at a higher percentage, in double digit, right; even today, Hyderabad for us is growing at double digit, but because the capex is going to be incurred in new geographies, maybe three, four years down the line, organically what you may see is today, we are almost roughly at 72% Hyderabad is around 72% of our total revenue. Maybe that may come down to, say, something like 65%, right, because the newer expansion is happening outside Hyderabad.

Moderator: The next question is from the line of Anshul from Emkay Global.

Anshul: I had a question on the EBITDA margins. Would we continue to see contraction from current levels wouldn't we continue to see the contraction from current levels given that we are aggressively expanding in new geographies and adding aggressively nine to 10 hubs in the next 12 to 18 months?

Narasimha Raju: So Anshul, so historically, if you look at it, our expansion, almost all the hubs got the EBITDA breakeven at either like superfast like Tirupati in one quarter or like Kolkata in like three quarters, okay, not beyond like one year. So we are quite confident that the hubs that will come up in these 2 regions, that is Kolkata and Pune also, we'll be able to achieve the P&L EBITDA breakeven over a period of like one year time, not beyond that. So I don't think there will be any material impact, okay, on the EBITDA margins currently that we're having, okay? So only like 0.3% to 0.4% here and there might happen, but what I am confident is that between 39% to 40% is a sustainable EBITDA margin in spite of the aggressive expansion that we are focusing in the next 18 months.

Because if you look at, in the last year, we opened like six centers, three hubs and also three spokes, including Tirupati, if you consider, which got opened in February 2023, like 4 major hubs. The drag on account of these new centers and the current EBITDA of 39.2% was hardly like 0.3% to 0.35%. That's why I'm quite confident that there won't be any material drag on this current margins of 39% or 40%.

Sivaramaraju: So Anshul, only in case like, say, the timing of the hubs are such that we open, say, three or four hubs in one quarter, right. So you may see some drag coming in the quarter, but then subsequently in the next quarters, as the revenue ramps up, right? So at a year level, whenever we're seeing at a year level, we don't see much impact. You may see in maybe one or two quarters, it's the timing of multiple hubs, they open up in 1 quarter.

Anshul: Sure. Sunil sir, my concern was precisely that we are opening we might commission almost 6 hubs this year, and majority of them would probably happen in Q3 and Q4, which would result into this drag, but you're foreseeing that the other hubs would ramp up and sort of take care of the drag that these new hubs create. Is my understanding correct on that front?

Sunil Chandra: Yes, Anshul, this is Sunil. So even traditionally, every year, we have been opening hubs. So if you look at even our past numbers, even with the years where we have opened four or five hubs, the drag has not been so much, as Raju was explaining to you, because there are also hubs which are ramping up at the same time, and the existing centers are also growing. So we don't see a significant impact this year just because we are opening new hubs.

Anshul: We're opening new hubs especially in the noncore geographies. Both of these factors according to you all wouldn't lead to margin contraction significantly is what you're saying?

Sunil Chandra: Pune, I think, see we have acquired PH, right? So we are operating under that umbrella, Vijaya PH now. And we are seeing growth across the existing centers, but there is capacity issues, which is why we are opening these new centers in Pune. So I don't see a big issue in Pune. And in our core geographies, anyway, we've always had breakeven in less than one or two quarters. So we don't see a significant impact.

Anshul: Got it. Just one last bookkeeping question from my end. Would you be able to divulge the revenue per patient in the wellness vertical, in the wellness segment?

Sivaramaraju: So basically, I think so Anshul, we get roughly around INR2,200 to INR2,300 per patient. Because when we say this wellness, generally, retail wellness, the ticket size is beyond, say, INR2,500, INR2,700. But you do also have corporate wellness, which are low ticket items. So, at a company level, we are at around INR2,200, INR2,300.

Moderator: The next question is from the line of Pranav Chawla from Antique Broking.

Pranav Chawla: I just wanted to ask, on the PH side, we have seen a slight sequential dip in revenue per patient as well as revenue per test. Is there something to read into this?

Sivaramaraju: So I think there is no significant fall in the revenue per test. But more or less, I think revenue per test and footfall in fact, the revenue per footfall went up. The reason being, right, like I told you, earlier also we had this issue at Vijaya, right, when we were using the old IT systems. If a patient is going to multiple branches, we used to bill the patient, like suppose if a patient has to go to two branches, we used to do two bills, which was counted as two patient footfall. The same issue we had with PH, which after now transitioning to the new systems, that got rectified. So in fact, the revenue per footfall, I think, slightly went up. Otherwise, there is no drop in revenue per footfall.

Pranav Chawla: Okay. That is very helpful. And what would be the split of radiology and pathology in PH?

Sivaramaraju: It's roughly around 55% to 60% comes from pathology and the rest from radiology.

Pranav Chawla: And wellness?

Sivaramaraju: So wellness in PH is slightly higher than the company level. They are upwards of around 17%, 18% is what they get from wellness. Because there you have good number of corporate tie-ups.

Pranav Chawla: We have already introduced the packages that we have on the Vijaya level in PH as well? Or that is yet to happen?

Sivaramaraju: So on the retail side, more or less we have the same packages now, but PH gets most of their wellness revenue from corporates. Because these are slightly when compared to the company level realizations, they are slightly lower because of their corporate business.

Pranav Chawla: So despite all of this, PH, if I'm not mistaken, you highlighted the margins for this quarter would be around 43%. So any particular key driver that you want to highlight for sequential expansion in the margins for PH? If I'm not mistaken, last quarter was around 40, 41 odd percent.

Narasimha Raju: Yes, even now, even in this quarter, margins for the PH were higher than 40%, almost close to 41%, even in Q4 and also in Q1. Only thing, in the revenue, there's a slight dip from INR11.7 crores to INR11.4 crores, because what we have seen is that a slight dip in the month of April, okay, because of a couple of changes that Siva explained that happened in the Pune, okay? So otherwise, there's no major dip in the business, and also no major change at the EBITDA margins level. It's in the range of 41% approximately.

Pranav Chawla: And what would be the revenue, PH, last time same quarter, 1Q FY'24?

Narasimha Raju: Approximately similar, because at the year-end, okay, you remember, approximately INR44.5 crores was the full year revenue. So last year Q1 to the current Q1, it's approximately flat.

Pranav Chawla: Okay. And sir, just one last question, if I can squeeze in. What was the revenue split between Hyderabad, the other markets, and Kolkata last year 1Q?

Sivaramaraju: So it was at 80%, because that time we didn't had PH. So it was around 80%.

Pranav Chawla: And rest of AP-Telangana?

Sivaramaraju: It was about close to 17%. So 16% basically.

Narasimha Raju: 3% was coming from Kolkata and Gurgaon put together. Out of the 97%, 80% was Hyderabad.

Moderator: The next question is from the line of Ashutosh Parashar from Mirabilis Investment Trust.

Ashutosh Parashar: Thanks for the opportunity, congrats on great set of performance, continued out performance within the industry, so my question was on the expansion that we have taken over the last couple of years. So we have seen the operational breakeven for the labs happening quite quickly in one to three quarters. So just wanted to understand what is driving this faster breakeven? Is it due to more contribution from the radiology business during the initial phases of operations of hubs, or some other reason for that?

Sivaramaraju: So basically, Ashutosh, one thing is like all these geographies that we have launched, like let it be Tirupati, Rajahmundry, and Kolkata, these are markets which are mature. You have business. It's only that you went there and introduced some newer technologies in that market, right?

And like although Vijaya is strong on both pathology and radiology, the advantage that we have, right, pathology is a business where in spite of not having capability, you can still send the sample to the headquarter and get the sample processed, but radiology is something which happens at the site, right?

Because of our advanced radiology advantage, initially, in the initial like first five, six months, we see higher revenue coming from advanced radiology. And then slowly, pathology takes on. Because of these newer technologies and availability of all the services, right?

In radiology what also happens is, two diagnostic centers may have same MRI and CT, but you should also have the doctor who can report the scan and also you should have a technician who is capable of doing the scan. Because of our network of 250-plus doctors, right, and also we spend a lot of time on L&D, I think we are able to get that high-end cases, which the other players have not been able to do in these geographies. So in the initial months, like you rightly said, it will be advanced radiology. And then slowly, the name gets built and you also get the pathology volumes.

Ashutosh Parashar: And sir, how does the mix between the radiology and pathology business pan out in a typical hub, say, in the first year versus four, five years later? What is the mix change?

Sivaramaraju: So generally the trend that we have seen, at the time of breakeven, which is like sixth month or ninth month of operations, so roughly around 60% to 65% of revenue would be coming from advanced radiology. It's not the same for all the hubs, but generally, this was the trend that we have seen.

But over a period of 2, 2.5 years, if you see, this mix will come to 50-50. You see 50% coming from the entire radiology and 50% from pathology. But in the initial 1 year, you see, within radiology also, you see advanced radiology dominating.

Ashutosh Parashar: Got it, sir. Just one more question is how many labs currently are incurring operational loss, which have broken even currently, the number of labs?

Sivaramaraju: I think as of now we have only one hub which is yet to break even, which we launched in almost end of November last year, which we're expecting that center to breakeven maybe in August or September. Other than that, I think all the other hubs are contributing to positive EBITDA.

Ashutosh Parashar: This will be the lab in Karnataka, right?

Sivaramaraju: Yes, Gulbarga. So that's the sector that we launched at the end of November, which we are expecting the breakeven to happen either in the month of August or September.

Moderator: The next question is from the line of Bhavesh Gandhi from YES Securities.

Bhavesh Gandhi: Yes. So one or two questions. One is on the realization per patient, which I think is at 5% Y-o-Y. So how much of this is due to the mix change or more of wellness and higher tests, and how much is I presume we have not taken any price hike. So is all of the realization due to the mix change?

Sivaramaraju: So there are basically two reasons, Bhavesh. So one, if you see, last year to current year, last year, generally at PH, because it's in Pune, right, the entire business comes from Pune, the realization for test and footfall are higher when compared to Vijaya stand-alone. So that's one of the reasons why you're seeing the revenue per patient going up.

But if you basically see the price increase, I think even during the current year, Q1 to Q1, if I consider the organic business, the impact of price increase is less than 1% for this current quarter.

So there are two reasons. One, because of PH, and also because of number of tests per patient going up.

And again, within PH, because they have three hubs. So the mix, basically, what you see is, in a hub, the number of tests per footfall are higher than compared to a spoke. And because PH has got three hubs and three spokes, because of that mix, they have higher tests per footfall. So because of these two reasons, you are seeing the higher realization per patient, but otherwise, the price increase is less than 1%.

Bhavesh Gandhi: Got it. Secondly, more of a kind of broader position in terms of two new markets, Kolkata and Pune. So in terms of margin trajectory that we envisage in Kolkata, how would that be vis-à-vis Vijaya what it is doing today? And secondly, how will you rate Pune market, since you are on an expansion plan now, how would you rate it in terms of margin potential there? Will it be similar to Kolkata and our core markets of Hyderabad?

Sivaramaraju: So Bhavesh, again, firstly, if you see, the pricing of tests other than MRI, if you take CT-led majority of the tests, the pricing when compared to Hyderabad, Kolkata is slightly higher. And Pune being, again, the Tier 1 city, it's almost more or less equivalent to Hyderabad.

Sunil Chandra: Bhavesh, Sunil here. See, obviously, we have chosen these markets because we see a potential in terms of both business as well as a profitable growth. So I can't say that one is better and one is worse. I think both are good markets. Kolkata also we are expanding. Pune also, after PH, we are adding new hubs. We are adding new centers. So both will see good growth for us.

And the expectation is that the margins that we see will be in line with the margins we have always looked at, which is around that 40% margin. So we see there is no challenge in getting those kind of profitability margins in both these markets.

Bhavesh Gandhi: Okay. Just wanted to understand, is the volume growth number, is it broadly similar to the value share if you disclose for Hyderabad, Pune and Kolkata? And the volume breakup, will it be similar to that? The value share or the revenue share?

Sivaramaraju: So Bhavesh, I did not get your question. Is it you're asking about the growth of volume in the individual geographies?

Bhavesh Gandhi: Yes, yes. So would Hyderabad volumes be that ratio would be kind of leading, and Pune is flat, so maybe just a capacity constraint. So would that be the pecking order Hyderabad, Kolkata and then Pune?

Sivaramaraju: So again, Bhavesh, I think it's not a right comparison at this point, because Pune we just acquired and expansion is underway, right? So we've not set up any new centers. And coming to Kolkata, we earlier had only one center. Now, obviously, because we added the second center, definitely, the growth is in double digit. But for now, whatever growth you are seeing, it's predominantly because of Andhra and Telangana, right? So if we are growing at that 16.6% patient volume growth, it's predominantly from Andhra and Telangana and again from Hyderabad.

Bhavesh Gandhi: Okay. Last question from my side. If you see some of the periods so far, footfall, excluding PH, for us has been typically growing above the early teens, like 13%, 14% kind of a trajectory. What we have seen in this quarter is I think an acceleration of about 17% kind of a growth. So is this the outcome of the hub additions that we have done over the last few years? And kind of is this the new norm for volume growth in terms of patient footfall on a stand-alone basis?

Sivaramaraju: So generally, in the earlier years, we used to see a dip from Q4 to Q1. Generally, Q2 and Q4 are your stronger quarters and Q1 and Q3 are slightly weaker than compared to Q2 and Q4. But yes, this year, we have seen sequential growth of 1% and year-on-year growth of higher double digit.

Like we told in the opening remarks of the call, right, so the growth has actually come from both the existing and the newer centers. So if you bar three years and four years CAGR because of COVID, if you take five years versus two years CAGR, right, the existing centers also have grown at a double digit.

It's basically the growth across centers. But definitely, yes, the newer centers are delivering a higher growth. But otherwise also, if you take the older centers, they have delivered almost close to 12% to 13% of growth.

Moderator: Ladies and gentlemen, that was the last question for today's call. I now hand the conference over to the management for closing comments.

Sunil Chandra: Thank you, and I would like to thank everyone for attending this call on behalf of our entire management team at Vijaya. And should you need any further information about our company, please feel free to reach out to us. And thank you once again for attending this call.

Sivaramaraju: Thank you.

Narasimha Raju: Thank you.

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