VIJAYA DIAGNOSTIC CENTRE

November 16, 2023

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,
Phiroz 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 November 08, 2023.

We are enclosing herewith the Transcript of the Earnings Conference Call organized on November 08, 2023 post declaration of unaudited financial results of the Company for the second quarter and half year ended September 30, 2023.

Please take the information on record.

Thanking you.

Yours faithfully,
For Vijaya Diagnostic Centre Limited

HANSRAJ SINGH Digitally signed by HANSRAJ SINGH Date: 2023.11.16 15:57:48 +05'30'

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

Encl.: As above

Vijaya Diagnostic Centre Limited

Q2 FY'24 Earnings Conference Call

Held on November 08, 2023

MANAGEMENT:	**MS. SUPRITA REDDY – MANAGING DIRECTOR & CHIEF EXECUTIVE OFFICER - VIJAYA DIAGNOSTIC CENTRE LIMITED** **MR. SUNIL CHANDRA – EXECUTIVE DIRECTOR - VIJAYA DIAGNOSTIC CENTRE LIMITED** **MR. NARASIMHA RAJU K.A. - CHIEF FINANCIAL OFFICER - VIJAYA DIAGNOSTIC CENTRE LIMITED** **MR. SIVARAMA RAJU VEGESNA – HEAD, STRATEGY & INVESTOR RELATIONS - VIJAYA DIAGNOSTIC CENTRE LIMITED**
MODERATOR:	**MR. BHAVESH GANDHI – YES SECURITIES**

Moderator: Ladies and gentlemen, good day and welcome to the Q2 FY24 Earnings Conference Call of Vijaya Diagnostic Centre Limited 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 the operator by pressing '*' then '0' on your touchtone phone. Please note that this conference is being recorded.

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

Bhavesh Gandhi: Thanks, Michelle. Good morning, everyone. Bhavesh here. On behalf of YES Securities, I welcome you all on the Q2 FY24 Earnings Call of Vijaya Diagnostic Centre Limited.

Firstly, I would like to thank the management of Vijaya for giving us this opportunity to host the call.

Today, from the management team, we have with us, Ms. Suprita Reddy, Managing Director and CEO; Mr. Sunil Chandra, Executive Director; Mr. Narasimha Raju K.A, Chief Financial Officer and Mr. Sivarama Raju Vegesna, Head-Strategy and Investor Relations.

I would now hand over the call to Ms. Suprita Reddy for her opening remarks. Over to you, ma'am.

Suprita Reddy: Thank you, Bhavesh. Good morning, everyone.

On behalf of the management team of Vijaya Diagnostic Centre Limited, I welcome you all to this forum. I would like to first share the "Key Highlights for the Period," following which Mr. Narasimha Raju – our CFO, will take you through the "Operational and Financial Highlights of the Quarter ended 30th September 2023."

I'm glad to announce that we were able to maintain a healthy business performance this quarter along with a steady 18% year-on-year non COVID revenue growth, we also recorded a 15% quarter-on-quarter growth, demonstrating the strengthening of our core business. The Wellness segment maintained the contribution of 13%, while the B2C segment continued to stay strong, contributing 95% to the total revenue.

Completing three months of successful business operations, our hub centre in Kolkata has gathered notable business traction, bringing to light the fact that Vijaya is a brand with successful in establishing its presence in West Bengal, the new geography we set put into, that to the very first time that we launched out under the Vijaya brand. We remain confident that at the current pace of progress, we will be able to achieve the operational breakeven as guided earlier.

Making progress in line with our plan for strategic expansion, particularly into the Tier-2 city, we have recently come up with one of its kind hub at

Mahbubnagar where formal operations started in October 2023. The centre is equipped to offer a comprehensive range of diagnostic services, both in pathology and radiology right up to MRI and an automated lab.

We consistently strive to strengthen our expansion efforts with thorough market study and research and to extend all under one-roof comprehensive model of business even to Tier-2 cities and new geographies.

Our objective is to address the customers need, position ourselves as the customers brand and stand out in the diagnostic space as one of a kind in every region, geography. This approach has always resulted in a generous acceptance of our brands and consistent progress in our business performance wherever we expanded, and we believe that it will continue to be so in the days to come.

I would now like to invite Narasimha Raju, our CFO, who will take us through the Operational and Financial Highlights for this Period. Thank you.

Narasimha Raju K.A: Thank you. Good morning and warm welcome to everyone joining us on the call today.

I will briefly take you through the specific financial performance and key developments for the current quarter ended and also half year ended 30th September 2023. The consolidated revenue for the current quarter stood at ₹139 crores as against ₹121 crores in the corresponding quarter of the last year, registering an overall year-on-year growth rate of 15%.

When it comes to the Non-COVID business, I'm delighted to inform that it has grown at year-on-year growth rate of 18%, i.e. from ₹117 crores to ₹139 crores in the current quarter. This robust revenue growth was largely driven by volume growth. This significant growth in the business was driven by both radiology and pathology segments, underscoring the robustness of our B2C focus integrated business model. The B2C revenue share, just like every quarter, stood healthy at 95%. Our radiology business stood higher at 36% as compared to 33% in Q2 of last year.

The revenue per test was ₹459 and revenue per footfall was ₹1,525 during this current quarter.

EBITDA for the current quarter stood at ₹57 crores as compared to ₹49 crores in the corresponding previous quarter, registering a year-on-year growth rate of 18%. The EBITDA margin was healthy at 41.3% in the current quarter, marking a year-on-year increase of 90 basis points. The faster ramp up and early break even at major hubs like Rajahmundry and Tirupati and the opening operating leverage due to fixed costs have contributed for this improvement in the margins on year-on-year basis. The profit after tax for the current quarter stood at ₹33 crores and the PAT margin was also healthy at 24%.

Coming to the update on the capital investments for the current quarter, as you are aware, we have successfully launched our Kolkata Hub Centre and in addition to this, we have upgraded our main hub facility in Vizag by adding a PET-CT. And we have added First Open MRI in our Hyderabad network at an existing hub centre. With this open MRI, customers with claustrophobia or kids and elders can get a comfortable MRI scan.

As part of the digital initiatives, already in the last quarter, we have launched mobile apps, e-commerce, web portal and WhatsApp Chat bot, etc., we are currently working on few more digital initiatives like AI-enabled radiology reporting software, comprehensive CRM software for better customer engagement.

I will now summarize our performance for the half year ended September 2023. The consolidated revenue is ₹260 crores as against ₹225 crores in H1 of last year, marking a year-on-year growth rate of 15% on total revenue, and when it comes to the Non-COVID, it is 19% year-on-year growth. EBITDA stood at ₹105 crores as against ₹89 crores in the corresponding half year, registering a year-on-year growth of 19%. EBITDA margin stood healthy at 40.6% and the profit after tax was ₹60 crores with margin of 23%.

To conclude, I would like to say that the balance sheet of the company remains healthy and robust, with surplus cash reserves of ₹288 crores and impressive return ratios as well.

This brings me to the end of my address. I would now request the moderator to open the line for the Q&A session. Thank you.

Moderator: We will now begin the question-and-answer session. The first question is from the line of Abdulkader Puranwala from ICICI Securities. Please go ahead.

A Puranwala: Just wanted to understand the broader split of growth in this particular quarter, sir? So, is it fair to assume that your radiology business this quarter will have grown upwards of 25%?

Narasimha Raju K.A: It's the range of between 20% to 25%.

A Puranwala: If we break in that particular number, the pathology growth didn't stand between somewhere between 10% and 15%. So, is there any reason for this lower growth in the pathology as compared to radiology? And if you also could share some bit of a color on how the margins are panning out in both of these segments would be helpful?

Narasimha Raju K.A: So, Abdul, last year Q2 if you see 67% of revenue came from pathology and 33% from radiology, out of that 67% close to 3% is from COVID. So, if you remove that COVID base and see even pathology grew more than 15%, right, but yes, definitely. Radiology grew at a faster pace because of the additional hubs that we launched in the last year, but otherwise both the segments grew at a healthy rate. And coming to margins, again, yes, definitely at a gross margin level because radiology will have some advantage, but otherwise, at EBITDA margin, more or less 1% change in revenue mix will not change the needle by much.

A Puranwala: Secondly, then on the cash accumulation which is happening on ₹288 crores. So, are we evaluating any M&A here and how do we plan to deploy this capital?

Sunil Chandra: Abdul, this is Sunil here. We've been getting this question every quarter and right from in fact our probably IPO roadshow time. So yes, the company is debt-free, we have cash on the books, and we have aggressively been looking at many M&A opportunities, but PDR remains the same, one, that they are aligned with our business model, which is integrated B2C kind of a business, not B2B; and two, valuation multiples need to be reasonable. We have seen that there is a moderation in this valuation in fact in recent times. So, I think we might have more positive news in the shorter term now, maybe a year ago, the valuations were not looking so attractive because of COVID. But now I think things are looking a little more attractive, so we are very, very keen to do some M&A based on the quality of the assets that are available.

A Puranwala: We called out that Kolkata is on track for breaking up the expectation. So, in the current quarter would it be possible to call out the overhead cost which will be sitting of this facility? As well as if you could give some color on the Tirupati venture what we had done few quarters ago, I mean, what is the progress there as well?

Narasimha Raju K.A: So, Abdul, your question is not fully clear. Can you repeat it once again, please?

A Puranwala: So, my question was into two parts. First is on the Kolkata hub centre. So, what would be the operational cost for this quarter? And secondly, on the Tirupati facility, what we had ventured a couple of quarters ago, how is the traction there and what's the plan ahead in terms of the network expansion and spokes for that?

Narasimha Raju K.A: So, Abdul, as you know, the Kolkata centre was just launched, okay, it is just like a three months old centre. So, for a hub centre like this size with 3T MRI, 128 Slice CT, you need to give at least like three more quarters, ok, to achieve an operational break even. As you know in case of Rajahmundry in a couple of quarters, we achieved break even and in case of Tirupati surprised everyone that in the first quarter itself we could achieve the break even. But Kolkata being a new market for us, we expect another couple of quarters to achieve this operation break even. And coming to the operational expenditure on the Kolkata front for the current quarter, it's not a material number. The impact on the EBITDA will be hardly like a 0.2% or 0.25%.

Moderator: We'll take the next question from the line of Rishi Modi from Marcellus Investment Managers, Please go ahead.

Rishi Modi: Just picking up on the previous participant's questions, so could you just give me some light on how Kolkata is progressing like in terms of productivity versus say if you had opened the hub in Hyderabad, how far ahead or behind is Kolkata?

Suprita Reddy: Rishi, like I've mentioned earlier, West Bengal being a new geography and Vijaya going in with almost about two decades of experience with Medinova we still went in with the Vijaya brand itself and chose to go into the northern side of Kolkata and mentioned earlier that we would give it a year to break even whereas we would say normally nine months in the home markets of Andhra and Telangana. Saying that, I think it's on track, it's doing well and we're very, very confident that we'll see an operational breakeven in the 11th or the 12th month as guided earlier. And when it comes to expansion there, we're also looking at putting in a few more hubs because it's a larger city and until and unless there is a base, we cannot start opening up of your spoke centres, keeping the TAT in mind and keeping the advanced radiology. So probably we will also be able to give you more light in the next quarter when the next two or three hubs coming up in Kolkata itself.

Rishi Modi: So, you're going to put up these hubs before achieving break even on the first half?

Sunil Chandra: Rishi. Sunil here. So, if I understand your question correctly, you are trying to ask us what happens when we go to a new geography and do the same kind of fast operational break-even numbers work. You have to understand we are not new in Kolkata. We've already had that Medinova centre, we were doing ₹12 to ₹13 crores and it was a profitable centre. The new centre is under the Vijaya brand of course. But most of the patients and doctors already know the brand, we are not new in Kolkata. We are being a little conservative in guiding for Kolkata, because we don't want people to say like Tirupati in one quarter, you have achieved the breakeven and…..

Suprita Reddy: And why not Kolkata? So, I was just being a little conservative by saying we'll take an extra quarter and that's the reason why we said a year instead of the normal nine months in the home market.

Rishi Modi: You also mentioned you all opened up in Mahbubnagar which is the Tier-2 town. So how is that shaping up versus say Kolkata or Hyderabad -- are they on similar lines, if you just set a timeline on how your hubs function in cost of these versus Tier-2?

Suprita Reddy: Mahbubnagar and Kolkata are not comparable both in terms of size, equipment, technology and a lot of size of market. Mahbubnagar is a Tier-2 town in Telangana where we have a basic automated lab and the CT and then MRI, which is a typical small hub in a Tier-2 city versus you have the best of the class technology in Kolkata with a 3T wide bore and a 128 cardiac CT at 10,000 square feet centre versus about a 4,500 square feet hub that we're talking in Mahbubnagar. And it's opened only in October, so it's been just about 15-days since it's opened. So, we'll probably have to give it some time to give some light on the numbers.

Rishi Modi: Finally, just you all have opened two centres in H1. Are you still guiding for the 15 centres addition for the full year or are you revising that?

Suprita Reddy: Yes. So, we would stay with the 15-centre number by the end of the year. Lot of hubs opening up delays and certain things, but we will stay with the 15 centres by the year-end, Q4.

Narasimha Raju K.A: Just to add to that, Rishi, the plan is to open like four hubs in this current year. Out of that, we already opened Kolkata, Mahbubnagar, Gulbarga is just like one or two weeks away from now and then the fourth Hub again in the Tier-2 location in AP, we are expecting some time in the end of Q4 this financial year.

Moderator: We'll take the next question from the line of Bhavesh Gandhi from YES Securities. Please go ahead.

Bhavesh Gandhi: So just continuing on the Kolkata hub discussion, so we understand you have given a timeline of break even, which is longer than some of your other hubs, but stretching this over, say a longer horizon let's say over three years, what sort of margin levers can we bring to the table vis-à-vis say somebody like say Suraksha, which we understand does a certain level of margin, and if indeed we have to cross that number at maturity, then what additional we need to do in Kolkata as in a wider test menu vis-à-vis competition, so just wanted to understand something on that?

Sunil Chandra: Bhavesh, just one question. Firstly, if you compare our profitability versus Suraksha, you will find that we are significantly higher. So, I'm not sure what the question is about. Are you expecting us to lower our margins or……?

Bhavesh Gandhi: I believe in Kolkata in the first year we might be break even, but the expectation that we should set is will Kolkata be similar to your company level margins in say three years' time?

Sivaramaraju: Basically, if you see Kolkata today, right, so the costing there is much higher than what we have in Hyderabad, at the same time, if you see the revenue that we get for each of these except MRI barring MRI, any of the tests you can also check on our website, they are much higher than compared to Hyderabad. And second thing is, I think more than comparing it to peers, the way we operate is a little bit different, the synergies that we get is a little bit different and it's the first hub and the minute we start opening more and more hubs and the spokes, I think operating leverage is going to play out in any of these areas. So, Hyderabad is not different from these markets, its how we operate and the costing structure that we have. So, for Vijaya, if you see the model the uniqueness is, it's all about introducing high end technology, recruiting good doctors and giving the services at affordable price and then thereby building volumes. I think that's the volume that's going to make the difference.

Sunil Chandra: And also, if you look at how we have always generated these high margins, it is through this hub-and-spoke model. So, in Kolkata, we have two hubs now, maybe we will plan one or two more, but we have not fully added spokes yet. So, over the next maybe a year or two as you see, the smaller spoke centres being opened, what will happen as the cluster? The profitability will definitely kind of be similar to what you see with any of our other locations, that's our business model, that's what we have always believed in and that's what will happen even in Kolkata.

Moderator: The next question is from the line of Sashwat Jalan from Purnatha Investment Advisors, Please go ahead.

Sashwat Jalan: I just have one regarding the doctors connect program, Sir, just to know how are we shaping that up in the newer geography, be it Kolkata or any of the Tier-2 towns like are we having any advantages or on the contrary any challenges, would like to know your thoughts on that?

Sivaramaraju: Just like the way that we are doing in Hyderabad, if you basically see Tier-2, like if you see the slide doctors connect, we have also put few pictures relating to Nellore, right, and Vizag. So, I think this is a different way of connecting. So, there are CMEs, where multiple players will conduct, but what differently that we do is if you follow any of our social media handle, it's a continuous program, so every week you'll see some webinars happening and this is across geographies, not just in Hyderabad. Likewise, we also started doing in Kolkata and it's not very challenging to do in Tier-2. I think one way to engage the doctors is to take the technology and collaborate with those doctors and try to publish something in terms of research papers, collaborate with them and do on some research work and publish it in RSMA or EU Congress, etc., like that. So that's been something that we were doing in all the geographies that we are present.

Sashwat Jalan: Does this create some kind of a network that helps in other geographies like our connect program in Hyderabad also helping us?

Suprita Reddy: More than network, what is with our team of more than 200+ doctors, radiology especially specialized in different modalities, so like we mentioned earlier, we have cardiac radiologists, pediatric radiologists and we are connected through Tele across the network. The kind of the work that we would see from 0.3 Tesla to a 3.0 Tesla MRI in a unique case, which is a case study, is the interest for most consultants, whether it is Tier-2 or whether it is city or whether it is Kolkata. That's also a reason because of the kind of cases that data bank that we have is that we are able to retain and keep these 200+ doctors engaged with us. So, this is something that we do to probably share, discuss, impart, present papers, multiple things. So, there is a particular set of doctors that is very keen on academic sessions, so that is where the CMEs and the doctors connect come into play.

Moderator: The next question is from the line of Tanmay Gandhi from Investec. Please go ahead.

Tanmay Gandhi: My first question is on the Wellness contribution. So again, given our integrated presence of what kind of numbers is more realistic in the medium term, do you have any target?

Sivaramaraju: So, I think with the digital initiatives that we started doing with the app and also the digital marketing that we just recently started somewhere, I think in the medium say maybe one to two years of time… so I would say that something we're expecting in the range of 15%, currently we are 12.7% to 13%, 15% is something that we're expecting. Just to add, these are purely, purely wellness packages and not the bundled test.

Tanmay Gandhi: What would be the average realizations for the wellness test if you can share them?

Sivaramaraju: As of now, it's in the range of ₹2,400 to ₹2,500. So, we have a package right starting from ₹1,000 till ₹12,000, ₹13,000. So, the average realization across the markets put together is about ₹2,400 to ₹2,500.

Tanmay Gandhi: How many of those tests which are done would have an element of radiology?

Sivaramaraju: All of them, there is no package in which has only a pathology test.

Tanmay Gandhi: Again, just a clarity on the Non-COVID performance. So, if you have to break up that 18% growth, so how much of that would have been driven by realizations and how much would have been driven by a patient growth?

Sivaramaraju: Again, there are two things here. So, first thing is because the quarters that we're comparing last year to current year, there's some amount of COVID element because almost close to 50,000 footfalls last year was just because of the single test COVID. So, in terms of tests you're seeing that the revenue was largely driven by test volume, very little bit of the realization going up. But if you remove the COVID effect and see the patients footfall, roughly around 13.5% to 14% is basically because of the patient growth and the rest is because of your case mix and also the change of the radiology and pathology mix.

Tanmay Gandhi: Going forward, do you think that this 4%, 5% kind of realization growth can continue, or you believe that it will be largely be driven by a patient growth?

Sivaramaraju: It would be largely delivered by patient growth. If you see quarter-on-quarter, right, from Q1 to Q2, when we delivered 15% growth, if you see the patient's volume, it's purely backed up by patient volume of 15% growth.

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

Bhavesh Gandhi: Coming back to your opening remarks, you had mentioned about M&A where valuations may have become palatable this year. So, just wanted to know what sort of the acquisition that we might do -- does it have to have radiology/pathology both and it has to operate in similar way that we do company-owned centres and hub and spoke model or you're open to assessing other business models also in diagnostics?

Sunil Chandra: When we talked about M&A also and this has been something consistently that we have said, we are not insisting that a centre do everything integrated, but as a B2C player, we are looking at assets where they are also B2C, they are focused on walk-in patients and there is some kind of a brand recall that they have built. If they have not built much radiology, we can always add radiology or add pathology that is not an issue. But what we are against looking at is the kind of maybe B2B kind of model which doesn't fit with what we do. So, the model has to be aligned with our model. Beyond that…..

Suprita Reddy: It can be either pathology or radiology. I think what we're looking at is the quality of the asset, quality of the promoters and the strong brand recall in that particular geography. So, if that fits in, then I think definitely we'll be able to evaluate.

Sunil Chandra: Valuation is a separate issue that you know better than us, you're all investors So, end of the day, valuation has to be something which has to reflect the reasonableness of the business itself and also in terms of profitability, we had a situation two years ago where very small assets were coming and asking for a valuation of the top player in the country. And that was not going to make sense… it's not going to help the company or the shareholders of our company. Today, we are seeing a little bit moderation. We are talking to many different options. So, let's see what happens. Maybe we'll have some news for you.

Moderator: The next question is from the line of Aditya from Securities Investment Management Company. Please go ahead.

Aditya: So, I just wanted to understand how do the mature centres behave, so see a centre which is five to six years old, our volume growth wouldn't be that much in that centre, while our cost would grow at normal inflation levels, so what helps us maintain our margins in these centres? So, one lever which we could think of is price hikes, but in this industry, peers generally don't take any price hikes, so, if you just help us understand what helps us maintain margins in these centres?

Sivaramaraju: It differs from centre-to-centre. For example, if you take a centre, a spoke which has hit about 130-140 footfall per day, it depends on multiple scenarios because if you see the recent spokes that we have put, we sometimes try to convert even the rooms that are not being used properly for some other modality into a modality which is generating a business to us. To a certain extent, even if the centre hits the maturity, depending on that mix change within the centre, we can try to build that revenue to a certain extent. But, at some point in time, if it hits the peak, we'll have to add one smaller mini spoke like we've done in the last year near to the centre. But this is a business in any retail business I think, Aditya, one thing is there is a certain amount of growth that would be coming from the existing centre In that again if you take different brackets, the high-end mature centres may only grow at 1% or 2% whatever is the price hike that we take, right, and some growth coming from the new centre I think the scenario is going to continue. But if today if you see in Vijaya's network, I would say at least 70%, 75% of the centres still have the capacity to build the revenue.

Aditya: Sir, in our presentation we used to give one slide regarding the number of flagship centres, hubs and spokes. So, if you just let us know the centres of around 123, what is the bifurcation between all these three?

Sivaramaraju: Currently, the flagship is one centre in Himayatnagar and then we have 29 other hubs, so the total hubs including flagship is about 30 and the rest are all spokes.

Aditya: Any large lab?

Sivaramaraju: Yes, so we've added one lab in Kolkata in the last quarter, 18 labs.

Moderator: We'll take the next question from the line of Bhavesh Gandhi from YES Securities. Please go ahead.

Bhavesh Gandhi: So, one question on your Q2 revenue kind of break up. So, how would that be between let's say hubs opened two years ago and the newly opened hubs, so, in a way I'm trying to get the same-store sales growth? Also, secondly, the split how would that be between say, Hyderabad, your core market and the neighboring hubs, say Tirupati and so on, I believe Kolkata is still, but how would that split be?

Sivaramaraju: So, the way we see is that any centre that was opened last one year we separate that, but we don't have the number handy for the two years old hubs. So, basically, if you see the growth of 18%, roughly around 7.5% of the growth has come from the centres that were opened in last one year and the rest 10.5% to 11% from the existing centres and if you basically see the mix between Hyderabad and other areas, last year, I think in Q2 Hyderabad was generating about 83% of the total revenue versus this Q2 it's roughly around 80% of the total revenue. But, at the same time, if you see the growth between the markets, Hyderabad grew at 15% Non-COVID or COVID front, whereas obviously rest of Hyderabad because of the investments we made like Rajahmundry and Tripathi grew at a much faster pace something like 40%. So, that's the reason you're seeing that 18% growth. But one thing to note is Hyderabad is still growing at a 15% rate.

Bhavesh Gandhi: Competition has kind of indeed taken a step back at least from the aggregators and some of the incumbent’s perspective. But we do keep hearing at least one of your peers trying to get into radiology, one of large Mumbai-based chain kind of trying to get into radiology and they also have presence in Chennai. So, how do you read this situation and does new competition in radiology affect the vertical in the same way we have seen in pathology, in the sense, routine tests get commoditized, and then will a similar road map can unfold in radiology if we see rising competition in that segment?

Sunil Chandra: We can't comment about our competitors, what we can assure you is that our business plan, we are very confident about continuing to grow, and also if you look at this integrated model, our founder Dr. Surendranath Reddy started in 1981, we were integrated radiology, pathology from the last 42-years, and we have today so many centres in these two locations where over the last few years maybe people like you would question saying if you go to a new geography, what is going to happen to you. And we have opened these hubs, we have opened these spokes, and these centres are performing, and the margins are being maintained and the growth is being maintained. So, if somebody wants to compete, I think the market is very large… the opportunity is very large. As you know, unorganized diagnostic segment in India is about almost 80%. So, anybody can go and open new centres and I'm sure there's opportunity. We can't comment on how they will do, but we are very sure about our growth plans.

Sivaramaraju: And just to add what Sunil sir mentioned, I think Vijaya being in this business for 40-years, at least what we have realized unlike many other sectors this is a sector where you need not to act on every change that a competitor or a new player gets into the market. Because unlike other sectors, it's not the product or something that you are selling here, it's more about trust, the trust that you're going to create with the patient and also with the clinician. I think what's more important is that to build this business for Vijaya at least, the main pillars were like introducing new technology, we were always on the forefront to introduce new technology, we were always on the forefront to get the best medical talent and non-medical talent and also you see the centres, the kind of infrastructure we have, and we churn out the quality reports at a much faster TAT. I think this is something which has made us have the dominant position in Hyderabad and that's a good spot to be in. I think as long as we maintain that……

Suprita Reddy: In any geography that we go to, I think, we would be very confident on whatever we've guided on our growth plan.

Bhavesh Gandhi: One follow up to that. You have always highlighted technology on the radiology side in terms of 3.0 Tesla machine and so on. So, wanted to know on the pathology side on the specialized test, what additions can we expect say on the oncology side over the next one year or so, because I believe this specific segment has seen a lot of action in recent times in terms of new kind of tests being offered, so anything on the specialized test front we are looking to add over next one year or so to broaden our test menu?

Sunil Chandra: We are integrated, but at the same time if you look at our pathology business, we have a very deep test menu. So, we do a lot of specialized tests, and we keep adding every Year. I'm assuming you're referring to things like oncogenomics or sequencing like that. There are somewhere we are investing already in launching those tests and some we already offer.

Suprita Reddy: It's also that histopathology basically was also part of our test menu from the early 90s itself. So, we do a constructive large amount of histopathology work, just not in the flagship centre, but also in two other centres where a centre of excellence for skin biopsies and renal biopsies, we have specialized talent for that. I wouldn't know an exact number, but a lot of IHC markers as of today like Sunil mentioned, sequence is something that we are actually getting in probably the next two quarters, there will be a new lab setup for that particular department. And in terms of numbers, every quarter there's almost about a 2% to 5% increase across the test menu, across all of the departments, just not in histo, onco, but also in terms of your molecular pathology, your serology, microbiology, across all of them. So, I think probably the test menu that we do offer today is deep enough to cater to all the requirements that we are getting as of today.

Bhavesh Gandhi: One question on wellness part. So, do we have any specific kind of numbers in mind about wellness being so much of our business or we think that it can continue on its own because there are some nuances involved here, I mean, the number of tests might go up, but from our business premise perspective of being more focused on sickness and kind of relying on patients who have acute need for testing vis-à-vis wellness, which at least ourselves is more discretionary in nature and which is more prone to competition. So, is there any specific thought process on wellness as part of your business -- you want to cap it or how should we look at it?

Sunil Chandra: I should congratulate you that you've realized. If you look at wellness and if you look at any of our listed peers also, I don't think anybody will have more than maybe 12%, 13% contribution coming from wellness. And when I say wellness, I'm talking about the packages, whatever health tests. Now, do we not do this? No, we also do it. Everybody does it. It's one part of our business. We obviously offer a lot more than just wellness. Wellness is the one segment where, yes, there is some pressure on pricing because you have these aggregators; you have third parties trying to focus on this. But, as a percentage of the total revenue, it is not so huge for any of the large players including us. We are not going to stop doing it. We are going to keep growing that business. But if your question was wellness profitability margins are more under pressure than actually doing something more advanced or doing some other individual tests, then, yes, that is true.

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

Bhavesh Gandhi: In terms of hub additions over the next 12 months, how should we look at it? I know we are coming off from a large CAPEX program last year and we are kind of more focused on monetizing it. But if I have to kind of focus on what next apart from the one which you opened in October '23 in Mahbubnagar, which are the geographies can we look up?

Sivaramaraju: So, there is one centre that's coming in Karnataka which is Gulbarga in the next one to two weeks, right? Apart from that like we said in FY24 and '25 put together we will be opening eight hubs, out of which it will be a mix of Kolkata and rest of Andhra and Telangana in our core geographies.

Moderator: We'll take the next question from the line of Rishi Modi from Marcellus Investment Managers, Please go ahead.

Rishi Modi: Siva, you mentioned that we are expanding in Karnataka, opening up a hub in Gulbarga. If I remember correctly, we had tried a foray in Karnataka in the past as well. So just wanted to understand what have been our learnings from that experience, what are we doing differently this time around?

Suprita Reddy: Like you said, there was a small foray into Karnataka a few years back. Like we've been mentioning, there's a lot of inflow of patients who come in from our adjacent geography. Gulbarga may be in Karnataka, but it's bordering the Telangana state border. So that was the reason why we chose Gulbarga because most of the Gulbarga work does come into Hyderabad as of today. So, the centre that you would be seeing in Gulbarga again would be a larger hub around 8,000 to 10,000 square feet with a fully automated lab and a very high-end MRI, but a low-end CT. So, we did see a requirement for that. So that is an adjacent geography that happens to be in the state of Karnataka.

Rishi Modi: Our medical talent will go from Telangana to Karnataka, or we are going to hire local talent?

Suprita Reddy: In any new geography it's partly both. Some of our core team members do go there for a certain time and stay and some of them are local and most of the advanced radiology is anyway done through the entire network through the teleradiology. So, it will be the same model that we have taken up in both Tirupati, Rajahmundry and Kolkata kind of centre.

Moderator: Ladies and gentlemen, that was the last question for today. I would now like to hand the conference over to the management for closing comments. Over to you.

Suprita Reddy: I'd like to thank all of you for your interest in Vijaya and for taking time out to attend this call. I'd also like to thank YES securities for hosting the call.

Should you need any further clarifications or seek to know more about the company, please feel free to reach out to us.

Moderator: Thank you, members of the management. Ladies and gentlemen, on behalf of YES Securities, that concludes this conference. We thank you for joining us and you may now disconnect your lines.

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