



**VIJAYA
DIAGNOSTIC
CENTRE** ®

February 20, 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 February 14, 2023.

We are enclosing herewith the 'Transcript' of Earnings Conference Call organized on February 14, 2023 post declaration of un-audited financial results of the Company for the third quarter and nine months ended December 31, 2022.

Please take the information on record.

Thanking you,

Yours faithfully,
For Vijaya Diagnostic Centre Limited

HANSRAJ Digitally signed by
HANSRAJ SINGH
J SINGH Date: 2023.02.20
13:12:04 +05'30'

Hansraj Singh
Company Secretary
M.No.F11438

Encl.: As above



Vijaya Diagnostic Centre Limited

Q3 FY 2023 Earnings Conference Call Transcript

February 14, 2023

Moderator Ladies and gentlemen, good day and welcome to the earnings conference call of Vijaya Diagnostic Centre Limited (VDCL). 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 '*' and then '0' on your touchtone telephone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Devrishi Singh from CDR India. Thank you, and over to you, sir.

Devrishi Singh Thank you. Good morning, everyone, and a very warm welcome to Vijaya Diagnostic Centre's Q3 and 9M FY'23 earnings conference call. We have with us, Ms. Suprita Reddy – Chief Executive Officer; Mr. Sunil Chandra – Executive Director; Mr. Narasimha Raju – Chief Financial Officer and Mr. Siva Rama Raju – Head Strategy of the Company.

We would like to begin the call with opening remarks from the management followed by an interactive Q&A session. Before we start, I would like to point out that some statements made in today's call may be forward-looking in nature and a disclaimer to this effect has been included in the earnings presentation shared with you earlier.

I would now like to invite Ms. Suprita Reddy to make her opening remarks. Thank you and over to you, ma'am.

Suprita Reddy Good morning everyone. On behalf of the management team of Vijaya Diagnostic Centre, I welcome you all to this forum. I would like to first share the key highlights for the period, following which Mr. Narasimha Raju will take you through the operational and financial highlights of the quarter and nine months ended 31st December 2022.

We are pleased to report that we witnessed steady performance in a quarter that is usually considered dull for the healthcare sector. October and November saw muted volume trends owing to the festive season. This, however, was made up by a significant surge in volumes in the month of December. The third quarter also experienced healthy growth in demand for non-COVID business and we are confident that this trend will continue into the next quarter. Business from Wellness packages has seen a steady growth and it's contributing significantly to the overall

revenues. The segment recorded its highest ever contribution in the previous quarter and did even better in Q3 FY'23, with the contribution of 12.9% of the overall revenue.

This quarter marked the opening of five new centres with the one of its kind Punjagutta facility starting fully-fledged operations from mid-November. This massive centre spanning all of 16,000 square feet, gained good response from the initial days of operations. The newly operational state-of-the-art facility at Rajahmundry also managed to take off and stabilize well and has been receiving good and positive customer feedback.

As mentioned in the previous earnings call, we have transitioned into a comprehensive ERP system that is more efficient and robust. I would like to mention that the transition was successful and has stabilized throughout our network across all centres.

We are undeterred in our resolve to expand to Tier-II and Tier-III cities, in our co-geographies and into untapped neighboring regions. Both internal and external factors were congenial for positive growth, and we stay as committed to our strategy initiated that will propel us to achieve sustainable growth in times to come.

In conclusion, I would like to say that with the combination of well-planned strategic initiative and robust inherent strength, we are confident that we are equipped to take advantage of the opportunity for growth and the ever-going demand in the diagnostic sector.

I would now like to invite Mr. Narasimha Raju – CFO who will take us through the operational and financial highlights for the period. Thank you.

Narasimha Raju

Good morning and warm welcome to everyone joining us on the call today. I will briefly take you through the Company's operating and financial performance for the quarter and nine months ended 31st, December 2022.

The consolidated revenue for the quarter stood at Rs. 113 crore as against as Rs. 111 crore in Q3 FY'22. This quarter being a low quarter for the industry, the Company saw a decrease in its non-COVID test volumes during the months of October and November. However, a strong recovery was observed in the volumes, in the month of December. For example, the non-COVID test volumes, which stood at 0.8 million in October and November increased to 0.88 million in December 2022.

Additionally, the shift in the revenue mix from COVID to non-COVID continued in the current quarter. The non-COVID business revenues stood healthy at Rs. 112 crore comprising 99% of our revenue share as against as 92% revenue share in Q3

of the last year. Overall, our non-COVID business registered a healthy growth of 9.8% while COVID revenue registered a decline of 89.2% year-on-year basis.

Our Radiology business stood at 36% in the current quarter. The number of footfalls stood at 0.77 million as compared to 0.85 million in the last year, Q3. The number of tests registered a year-on-year increase of 7.3% from 2.32 million to 2.49 million. The number of test per footfall has increased from 2.73 to 3.22. The revenue per test was 454 and revenue per footfall was 1,464 during the current quarter.

EBITDA for the current quarter was at Rs. 44 crore as against Rs. 48 crore in the corresponding previous period. EBITDA margins stood at 39.1% as against 43.2% in last year Q3. Healthy non-COVID revenue coupled with the operating leverage assisted with margin performance despite cost on account of new centres.

The Profit After Tax for the current quarter stood at Rs. 16.4 crore, being 14.5%. Here I would like to mention one thing - the PAT percentage is lower in the current quarter as compared to the previous quarter mainly because of two reasons. I) The first one being increase in the depreciation, based on the WDV method on account of newly commissioned large hub centres like Punjagutta and Rajahmundry, during the second half of Q2. Full three months depreciation impact was there in the current quarter. II) And the second reason being the notional interest and depreciation as per Ind AS 116 leases on account of new centres added in this year. However, please note that the cash PAT percentage consistently remained healthy at 28% levels.

I will now summarize our performance for the nine-month period ended December 2022. Consolidated revenue stood at Rs. 338 crore as against Rs. 346 crore in nine months FY'22. Non-COVID business increased from Rs. 295 crore to Rs. 331 crore resulting in 12.2% year-on-year non-COVID growth. The non-COVID business comprise 98% of our revenue share as against 85% revenue share in nine months FY'22. Our B2C share stood healthy at 95%. EBITDA stood at Rs. 133 crore as against Rs. 156 crore in the corresponding previous year. EBITDA margin stood at 39.3% and the Profit After Tax was Rs. 57 crore.

In conclusion, I would like to say that overall things are moving in the right direction and the Company remains confident of delivering consistent performance going forward. 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

Thank you very much. Ladies and gentlemen we will now begin the question-and-answer session. The first question is from the line of Rishi Mody from Marcellus Investment Managers. Please go ahead.

- Rishi Mody** So, I have few questions; first one is on the Tirupati hub that you all are putting up, just trying to gauge the market how these opportunity are based, I know you had spoke there, so what sort of metrics you are looking at? And which sort of thresholds did it cross while you all are investing in a hub now? Secondly, how big is the market obviously there, who is the incumbent players that we will be facing and what is our strategy?
- Siva Rama Raju** Yes, Rishi, we got your question but not in full, there was some disturbance in your voice. But coming to Tirupati, this would be our first centre, right.
- Suprita Reddy** It's a new geography, Rishi, we do not have a spoke centre in Tirupati, in fact it's a new district. Tirupati is a new district now, initially it was part of Chittoor district. So, it's a new geography. This will be a flagship centre for that particular area. And again in our model, as this hub stabilizes probably in a year, year and a half, we will look at adding more spokes there. When it comes to the size of the centre, it will be about 15,000 square feet, it has everything from basic pathology to nuclear medicine and a CT and an MRI. The market itself is a huge market, but we will not have an exact number because this district has not being reported, but the unorganized sector is huge. And in terms of organized players, there is no one there, except for the B2B players. And rest of the question we couldn't hear, if you could repeat it, probably I will give you some clarity on that.
- Rishi Mody** Yes so, the rest of the question was basically what metrics do we track before deciding to enter a new geography, like what gives us the confidence of entering a new geography?
- Siva Rama Raju** So, Rishi, basically what we see is, the potential for the medical market when we say potential right, the availability of doctors, because for a diagnostic player to go into any market first of all you should have a treating doctor right. So, today if you see Tirupati, you have many players and you also have Oncologists practicing in that market. And that players will not only cater to Tirupati, but it will also cater to nearby districts like Chittoor and I think roughly the population size putting all these two to three district it should be somewhere around 30 lakhs to 40 lakhs. Apart from that, Rishi what's also happening is you see a drain out from Tirupati to Chennai, but if you have a high-end diagnostic facility, because now you also have treating doctors available, I think we can stop the leakage and we can capture that market.
- Suprita Reddy** So, Rishi, the go-to market strategy has always been the population, the affordability, the number of medical colleges, the primary healthcare centres. So, if you look at this district, there are two large medical colleges that have been old Sri Venkateswara Institute of Medical Sciences goes back a very long time. And there is also Tata Medical there. So, we look at those and mainly the affordability and the kind of clientele, so this is what drives us to select a geography and this is something

that we have been looking for quite some time. And usually to find the right place in the right district is a challenge and we did, so we immediately grabbed that and the centre is almost ready. In fact, we would probably see it start off in the early next month.

Rishi Mody

So, coming on to our importance of doctor's right, so one proposition where we attract doctors is our capability of having super specialist radiologist on our book. So, in the last one year what are new specialties have we entered into and what hiring's have we done in this super specialist, radiologist based on, how have we gone and marketed that to our connections?

Suprita Reddy

So, Rishi, the talent pool that we have in fact are all there, so if you look at the radiologist today of more than a 120 of them, both part-time and full-time consultants, each one would be specialized in certain fields. In fact, recently one of our radiologist was appointed as the President of the Head and Neck for all over India, because she is a Head and Neck Radiologist. Same way we also have Pediatric Cardiology, Pediatric Radiology. So, wherever we do, because of the tele network that we have, these radiologists pick up the pool of cases irrespective of the geography, these are the consultants who report those cases. That itself is marketing because they are actually specializing in that field and reporting that case irrespective of the geography which has actually made the business grow in radiology. And we have multiple doctors like this who sub-specialize in different fields.

Siva Rama Raju

And Rishi, I think the strategy going forward is anyways we would be adding some test year-on-year, but more than that we are introducing the same expertise that we were giving to Hyderabad market to newer markets now, like for example Rajahmundry now, Tirupati and next is Gulbarga and few areas of Kolkata. So, it's really the same of what we are doing now to a newer geography.

Moderator

Thank you. We will take our next question from the line of Prakash Kapadia from Anived Portfolio Managers. Please go ahead.

Prakash Kapadia

could you share the three-year non-COVID CAGR for the quarter or year-to-date basis, do you have that handy?

Siva Rama Raju

Yes, Prakash. So, see at a quarter level if you take 3 year CAGR on non-COVID revenue, we are roughly around 8.5%, but the encouraging thing is that if you actually see December to December, right that is December 2019 to 2022, so the growth was around roughly 11.5%. I think that is something encouraging, and we are seeing the traction after December also.

Prakash Kapadia

And what do you think will drive higher growth, because as you have said the December quarter is 8.5 and year-to-date if you take the three-year view it is 11.5%.

So, from our perspective it's going to be illness segment, wellness segment, cross-selling to existing customers, going more deeper in our core markets or East being larger, so what actually will get us to that 12% to 14% kind of revenue growth on a steady state basis or on a sustainable basis.

Siva Rama Raju

So, I think Prakash, it's a mix of multiple things, so if you actually see, in the last three financial years from FY'21, FY'22 and FY'23, due to COVID the Centre addition didn't happen as per our plan because of COVID. And in our business the addition of centres is also important for the revenue growth. So, if you see the maximum CAPEX that we deployed happened during some Q3 of FY'22 to FY'23 that is like last one year.

So, I think with this, this also add for our revenue growth in the coming year apart from that the focus on wellness, and the focus on the newer geographies and also addition of tests and modalities. For example, we used to have only one PET-CT in Hyderabad, where there was a long wait time, but now we added the second PET-CT and it is doing well. I think the addition of these modalities with new geographies and with whatever Centre addition that we are doing, I think will help us grow.

Sunil Chandra

So, if you look at where we started, at the time of IPO we were at probably about 86 to 87 centres and very rapidly we have now got to a number of about 117 centres, we have 27 hubs, 90 spokes as of now. Obviously this was done during a period of COVID transition so some of these centres have been setup in the last 12 months. So, really what is happening right now is, we are seeing this completion of non-COVID kind of phasing out, non-COVID is coming back to normal. Same time you are seeing a lot of these new centres that are still in the initial ramp up phase, they have been opened in the last six, eight, nine months. And some of the large hubs obviously have been opened in less than three, four months ago, Punjagutta and Rajahmundry also opened, again less than six months. So, I think maybe Q4 will give you a better idea, but I think going forward next financial year we are quite confident that growth coming from new centres as well as even the normalization of existing centres. So, I think growth will get back to more traditional growth rates, which are higher.

Prakash Kapadia

Higher than what we have seen in the quarter.

Prakash Kapadia

And you know any change in consumer behavior post-COVID, we have seen in terms of fatigue coming in because I would guess consumers who would be more aware, post-COVID, but that doesn't seem to be translating for not only us but across players in the diagnostic business. So, what is actually hitting revenue growth?

Sunil Chandra

So, we have seen a little increase in wellness, as I think Suprita mentioned that's directly a function of more people staying a little more health conscious. Now beyond that of course again, our business model, we have integrated our test menu

goes both pathology, radiology we do high-end imaging. So, we are not so dependent only on wellness, but I would say, yes as of now we have also seen a slight increase in wellness which is a function of maybe post-COVID.

Prakash Kapadia And you see changes in competitive landscape or pricing which we have seen, is it gone worse, is it better, is it same from a competitive landscape perspective, any thoughts of any price changes at our end? And what has been the technology spends in the last 12 months for us?

Sunil Chandra Okay, two questions, on competition obviously there has been some amount of competition, lot of players coming in, in the unorganized sector also, maybe due to COVID related, they saw an opportunity there. However, they are not really having significant impact, I think some of them may not be able to sustain longer term, but in the shorter term yes there is some, little bit of competitive intensity and that is across the country, I mean it's not just in our markets.

Prakash Kapadia But shouldn't that you know, it's like counterintuitive, that should stop with growth rates slowing down, that should start hitting them right, because if they have come in a period where growth was super normal and now that super normal growth has gone up, so they should feel the pressure, right.

Suprita Reddy It is showing Prakash, but probably it will take some time for that to come to light, right, it's only been a year since probably COVID is done and you saw mushrooming of hundreds of unorganized players putting in CT scans, in fact some of the houses became CT centres. But we are gradually seeing in fact, especially from the equipment companies, when we see the number of refurb machines up for sale, it basically signals that that many number of centres are also not doing well. But it is probably not just going to happen in one year, but over a period of say a couple of years. And this is both right in terms of both pathology and radiology, so we will just have to probably wait it out and see. And to answer your second question in terms of IT costs, I think Raju will answer that.

Narasimha Raju Prakash, as you know in the current year, we implemented the new ERP billing software. And also, in the next few weeks we will be rolling out the mobile app also. With this type of initiatives approximately like a Rs. 2 crore CAPEX was incurred on these type of initiatives, on the IT initiative.

Sunil Chandra And just to add, we did not change our pricing, so.....

Prakash Kapadia I was saying on the pricing point, we have not changed the pricing, but have we seen an increase in competitive intensity or the noise levels remaining same or increasing or decreasing by new age players or competition?

- Suprita Reddy** Prakash, I have answered this even in the previous call, so there is a certain clientele especially in all geographies that's completely price sensitive. Now if you ask me was that our clientele, I will probably say they would have never been our clientele, because we were all of about 15% market share, even in our geography where we are in Andhra, Telangana, and that's a long way for us to go and that price sensitive clientele is always going to be price sensitive. So, there is a different segment so we have not seen big noise in terms of price per se, because of the quality and the service and the entire experience that we give. But like I told you, there is a lot of unorganized sector competition there and we will have to wait it out and see, but we have not changed our strategy or pricing. And we will continue to do the same for the next few quarters.
- Moderator** Thank you. Our next question is from the line of Cyndrella Carvalho from JM Financials. Please go ahead.
- Cyndrella Carvalho** So, ma'am just wanted to understand if we look at last 24 months growth, excluding the new centres versus mature centres and a three-year CAGR if we have that available with us.
- Siva Rama Raju** So, I think Cyndrella the best way to see is three years CAGR which I have just told, so it's close to about 8.5% on a quarter level versus almost 11.5% from December to December. Because, with the centres that have opened in last 24 months because of COVID, non-COVID mix multiple times, you know the entire revenue at the Centre change. So, hence it would not be correct to compare at this point in time.
- Cyndrella Carvalho** So, excluding the last 24 months, new centres which we have opened, if we exclude that then what is the mature or the earlier centre growth, I mean if we have...
- Siva Rama Raju** So, Cyndrella, so if I just take on non-COVID to non-COVID, so roughly about 5% to 6% of revenue, when I say same store sales growth we have to only consider centres that have opened like one year, before December 31st, 2021, right. So, these centres gave us a growth of 7%, and the remaining 3% growth that we got was from the centres that we have opened in last one year.
- Cyndrella Carvalho** And coming to the non-Hyderabad market, how are we seeing this, is there any update in terms of demand, are we seeing the same kind of footfall in terms of our newer centres and extended market, can you help us provide some color on the same?
- Siva Rama Raju** So, Cyndrella, we are currently at the same levels, because Rajahmundry like centre that we opened just three months back and investments that we are making into Vizag, Tirupati, all this is going to come up now. I think we will be seeing improvement from the next financial year onwards, but currently the centres in

Hyderabad and also outside Hyderabad, they are growing at the same pace. So, hence we are not seeing any big change in a mix because like previously also 83% of revenue was coming from Hyderabad, even now we are getting 83% of revenue from Hyderabad. Maybe in the years...

Suprita Reddy

You know that's the percentage, Cyndrella in 2022 vs. a year till now in fact has been a little like a rollercoaster, it's not normal. So, probably the COVID, non-COVID, quarter-to-quarter, so we are waiting for some amount of normalization, post-COVID. And like Siva said, Rajahmundry is the only hub centre that we started, it's about four or five months old. And it's behaving in a way it should and we are seeing growth happen, but I will probably be able to give you a better picture in the next call that we will be meeting, in terms of trend.

Cyndrella Carvalho

And any color in terms of the all these new additions where should we see a full ramp-up, the ideal timeline should be 18 to 24 months is the correct way to look at, in terms of full ramp-up of these newer centres coming up?

Narasimha Raju

So, Cyndrella, as we mentioned, for the spokes you need entry like one to one and a half year, to look at the full ramp-up revenue. And for the hub centres typically you need at least like a two year, but for hub specifically like Punjagutta and Rajahmundry, it will take slightly more time like at least like a three years to three and a half years' time. And if you look at the performance of the centre that we opened in the Q1, whatever centres that we opened, it's like six months old right now, so all of them achieved the P&L, EBITDA breakeven as per our expectation. And coming to the centres....

Cyndrella Carvalho

We are tracking well...

Narasimha Raju

Yes, so the Q1 centres whatever we opened they are six months old now. So, as per our expectation, the P&L positive EBITDA is achieved already. And even for the second quarter whatever we opened, right, so the bigger centres like Rajahmundry and Punjagutta, those are also going as per the expectation, like Rajahmundry, it will take one more quarter for achieving the positive EBITDA, and also for Punjagutta, I think it will take two more quarters, to achieve the positive EBITDA. Other than that, even the spokes and the mini spokes, what we opened in the Q2, already we are seeing a positive EBITDA.

Moderator

Thank you. The next question is from the line of Rishi Mody from Marcellus Investments. Please go ahead.

Rishi Mody

So, I will just continue on my question that I asked, so I just wanted to know what sort of new test additions that we have done, right, basically, any new field that we have entered into in the last one year?

- Suprita Reddy** Yes, Rishi, so in terms of new test addition, we have added a lot of immunohistochemistry markers and flow cytometry is something that we are concentrating on. And also in the Department of Nuclear Medicine and PET-CT we have started high-dose therapy, and we have also added PSMA in a variety of scans now. So, again, it's something that just started about a month, month and a half back, and we have seen good numbers coming in from there too. So, these are some of the super specialized tests that we have added, other than normal specialized test, about 15 to 20 test gets added in the entire test menu, almost every quarter.
- Rishi Mody** And what sort of hiring have we done on the radiologist front to support these new test menus or is our current base capable of providing that specialized...
- Suprita Reddy** No, the current base is capable of doing that, but also we do keep hiring the pool of radiologists because like we said more centres have ultra sound in it, so as and when we find good talent we add them to the pool so that there is extended hours of service in these smaller spokes.
- Rishi Mody** Understood. And I saw that we closed one centre in this quarter. So, which centre was this and what was the reason like?
- Suprita Reddy** This centre was Somajiguda and the decision to do that was because Panjagutta opened and this is just 100 meters from there. So, it did not make sense in having one very large 16,000 square feet flagship centre and a smaller centre like Somajiguda. So, we closed that centre and the equipment from that centre was shifted to one of the existing centre.
- Rishi Mody** And that centre was I am guessing not, below par performance, right.
- Suprita Reddy** Yes, moderately well, but it's pretty close to the centre.
- Rishi Mody** Yes, last on the mobile app right, we have been hearing for the past few quarters and it's still not out. So, what's leading to these hiccups and getting delayed, because I think we are the last ones in the incumbent players to come out with a customer centric app.
- Suprita Reddy** Rishi now there are two ways of looking at it, we could just roll out any app and say we do have an app, we are in terms of perfectionist when it comes to certain things that we do. And look at all the other players probably we are the highest B2C Company with 95%. So, the moment we are going to release that app and I am going to say you can view your reports, you are looking at suddenly 10,000 people downloading and trying to use it. So, the first thing was the backend ERP stabilizing which happened probably in the last 15 to 20 days. And then we have been testing this app extensively. Like I told you, for us, just the existing customer base downloading it itself is a huge number. And radiology is something that we will have

to integrate. So, the others will only have a pure pathology, they can view it. Now there is a concern of showing a DICOM image to a customer, I cannot say I will only showcase the pathology reports to them. So, we said let's go all out 100% when we are very confident. So, probably 2 weeks from now, we will see that.

Moderator Thank you. Our next question is from the line of Aashita Jain from Nuvama Group. Please go ahead.

Aashita Jain My first question is, how are the trends looking in January right now? And are you still maintaining your revenue guidance of 14% to 15%?

Narasimha Raju So, Aashita if you look at the 9 month's growth on the non-COVID, it is in the range of like 12.2%. And the current month, last month performance was good as we explained, even though October and November was low; the December uptick was there, like 0.8 million to 0.88 million we have seen the growth in the non-COVID volume. We expect the similar trend will continue in the Q4, but since this is the last quarter, I don't think it will be right to comment on the exact guidance for the Q4, being this financial year closure. But we expect the growth momentum that's happening in the December will continue till March. And also, we expect in the month of March a good volume from the health and wellness segment also generally that's what we have seen during the fag end of March.

Aashita Jain Secondly when I look at your centre addition, so we are already tracking way ahead from what we had guided earlier. So, how are you looking at your expansion plan say for the next 2 years?

Narasimha Raju So, for the coming year Aashita, as we gave the guidance, we are targeting for the 4 hubs and 11 spokes. Again, out of these 4 hubs, as we mentioned already, the work is progressing at the Kolkata, Gulbarga. And Tirupati anyhow we are opening it in the current financial year itself, in fact in this month itself which is planned for the next financial year. One more hub need to be finalized and then we will be opening 10 to 11 spokes. So, for the next two financial years, we should be targeting in the same way 15 centres each year. Again, when I am opening the spokes, depending upon the requirement we might open like the mini spokes that we opened in the current financial year which will in fact in a span of like 1 to 2 years, depending upon the requirement, we will upgrade them with the entire basic radiology equipment like with ultra sound so that they will work as a full-fledged spoke centre.

Aashita Jain And what is your geographical focus area, it will be AP, Telangana mostly or you are going to go deeper in West Bengal?

Suprita Reddy So, Andhra is going to be the core focus, in fact you have seen all these hubs coming up also Rajahmundry is Andhra, Tirupati, so even the rest of the lineup is in adjacent

geographies Gulbarga comes under Karnataka. So, the focus is going to be on adjacent geographies and Andhra. And like we have mentioned earlier Kolkata is getting ready once that flagship is ready we would be adding a lot more spokes in and around that centre. So, the focus is basically Andhra and East India and adjacent geographies and of course Hyderabad our core markets wherever we see opportunity we will be adding incremental centres in this geography also.

Moderator

Thank you. Our next question is from the line of Aditya Khandelwal from Securities Investment Management. Please go ahead.

Aditya Khandelwal

So, if you could just help us understand about the customer cycle of the people in a base market in Hyderabad or South of India. So, are the people over there more brand conscious and will continue to visit Vijaya or any other south based player which are known here? Or they are more price conscious and will look at try out new players who might provide test at a cheaper rate?

Siva Rama Raju

So, I think Aditya every market will have customers with different choices, there will be price conscious customers at the same time, there will be brand conscious customers right. For example, when we are going into new geographies something like Rajahmundry that we have gone, so the initial ramp up was very good, maybe for an unorganized player if they go into that geography the ramp up would be something different, right, it's because not only the patients but also doctors are sometimes quality conscious. The brand in healthcare is nothing but quality, right. So, I think not only South anywhere I think in India, you have multiple clientele who are both price and then quality conscious. And the second thing is in healthcare today even in India 90% of the healthcare testing happens on need based. I think when a person is in need, quality plays over the price.

Suprita Reddy

Quality and also trust, Aditya because when probably you are lined up for a surgery, the time when I don't think that person would be looking at discounted players on who would give you test, rather than go to the best, because anyway your focus is on getting operated. So, it's both trust and quality, I think that will be sustainable and grow the business in the long run. In fact, if you look at Vijaya going into these Tier-II towns, the strategy has always been to have a standardized report, whether it is in pathology or radiology. So, irrespective of a customer getting an MRI done or a CBP done in Rajahmundry versus getting it done in Hyderabad, it could be one and the same. So, it does not mean that we would offer different services or standardization or quality of report is varying in different geographies. And that has been the strongest factor for growth of Vijaya.

Aditya Khandelwal

No, the main reason for asking the question was are the people in South since their literacy rate or the income level will be different from North, so is there any pattern that we have witnessed that they are more brand conscious, the people in South are more brand conscious than people in the North?

- Sunil Chandra** Not really Aditya, I don't think there is any data to suggest anything of that sort. And if you look at of course, business model we are integrated, but if you take other chains, the pathology chains, everybody is from a different region. But usually, this business has always seen that the organized players have certain markets where they are quite strongly, you know the brand is recognized more strongly and you kind of look at that as their home market. So, the diagnostic sector itself has seen that different chains have their own home markets.
- Suprita Reddy** And strengths there.
- Sunil Chandra** And these are not just South, there are people from the South, North, West, East so I don't think there is any such difference in how people behave.
- Aditya Khandelwal** Secondly, if I look at the growth rate in your total number of centres, they have grown over a 31% year-on-year, but when I look at your non-COVID revenue growth the same has been lower at around 10% to 11%. So, I know this new centre take time to ramp up, but just wanted to know from you, revenue growth in the new centre as per our expectations or do you think that the competition or some other factors, the growth has been slower.
- Siva Rama Raju** So, the growth in new centres is as per our expectation Aditya, but the thing is like majority of these centres were opened in last one year, means I would say majority of the CAPEX, because in the numbers you may see some number coming in the last year also, but if you see considerable centres had opened in the current financial year and mostly in the last two quarters. So, this will take some time to add up. We hope all these centres would add up to the business in the coming years.
- Aditya Khandelwal** Last question, there has been a decrease in the revenue per test QoQ, even though our share of radiology has increased. So, any particular reason for the same?
- Siva Rama Raju** So, it's basically because of the increase in the wellness, if you see the wellness revenue from Q2 to Q3, in Q2 it was roughly around 12.2% or 12.3% versus 12.9% now. So, it's because of the increase in wellness, the average realization per test decreased by Rs. 6 quarter-on-quarter.
- Moderator** Thank you. Our next question is from the line of Anubhav Sahu from MC Research. Please go ahead.
- Anubhav Sahu** I am just trying to delve in a little more in the pricing front. So, just want to understand that the new centres typically in the Tier-II cities and all could be discount say compared to what we offer in Hyderabad.
- Siva Rama Raju** Yes, there will be a discount of say 10% to 15% depending upon the geography.

- Anubhav Sahu** And if we look at a mature centre, let's talk about Hyderabad are there any categories in which we are able to increase price, either in radiology or pathology or is it the case that we are waiting pricing to stabilize and focus more on volumes.
- Siva Rama Raju** So, first thing, Anubhav, so it's basically like the policy of Vijaya basically is that we want to, if you see our vision and mission statement itself, is that we want to get the healthcare at affordable price at the same time we don't compromise on the quality. So, if you see not now, even in the last 5 to 6 years I think the pricing increase we did was whenever there were some increase in the reagent cost or other input cost is when we increase the prices. Generally, we don't take a price increase year-on-year across the test menu, but there were times in the last one or two years also whenever some input price, for example, if you take MRI, so 3 years back MRI was at Rs. 7,000 now we are charging Rs. 7,500. So, whenever we see the input price rising, we will not do a larger increase, it will be something like in the range of 3% to 5% on that particular test. But at a Company it would be around say 1% to 2% is what we have seen in the last 3 to 4 years.
- Anubhav Sahu** I got it, I think largely it compensates for the input cost pressure. And will it be possible for you to get a breakup for the wellness packages in terms of both pricing and volume, the growth which we are having in this category.
- Siva Rama Raju** See basically if you see our Wellness, none of our packages have only pathology, it's a mix of both pathology and radiology that's the reason even our ticket size is large. So, roughly we get about Rs. 2,700 per package. So, we have packages starting from say Rs. 1,200 to Rs. 1,300 till Rs. 11,000 to Rs. 12,000 so on an average we get about Rs. 2,700.
- Anubhav Sahu** Secondly on the CAPEX front, I think we have CAPEX outlay for Rs. 115 crore. Is that outlay for fiscal '23 been revised upward because the Tirupati hub centre is coming up. How are we on that part?
- Narasimha Raju** So, Anubhav, we have mentioned earlier that Rs. 115 crore CAPEX is required for 4 hubs and the 11 spokes and also considering the mini spokes. And that to, this year we opened Punjagutta and Rajahmundry. So, the guidance for this type of network addition is Rs. 115 crore. So, apart from that Anubhav what we have done at few select locations wherever there is a good demand for the radiology business, either like a basic radiology like an ultrasound, x-ray or in one location, one MRI or a CT, we add it at a few select locations, okay, depending upon the business requirement so that estimate is approximately like a Rs. 14 to Rs. 15 crore. So, apart from the Rs. 115 crore CAPEX estimate for the new centres that are planned, another Rs. 15 crore for the radiology equipment that we have been buying for the existing network. So, this is the CAPEX for the current financial year. And out of the CAPEX for the next financial year, out of the Rs. 80 crore expected CAPEX for the next financial year, Tirupati centre, fortunately it is getting launched in this current

month. So, that CAPEX would be, that should be considered as part of the next year CAPEX. And also, one more point to just add, this entire CAPEX is getting funded through the internal cash accruals. And if you look at overall the cash balance that is healthy at Rs. 240 crore plus levels in spite of this Rs. 115 crore CAPEX estimate for the current network expansion.

Anubhav Sahu

And can you just remind me, how much of our CAPEX accrued for the equipment, I think a bulk of it is for equipment, but what is the total percentage?

Narasimha Raju

Significant amount will be towards the radiology equipment. Say for example, if we are doing like a Rs. 15 crore CAPEX for a centre, almost close to like Rs. 12 crore to Rs. 12.5 crore is towards the equipment.

Moderator

Thank you. As there are no further questions from the participants, I now hand the conference back to the management for closing comments.

Suprita Reddy

I would like to thank everyone for attending this call and for showing interest in Vijaya Diagnostic Centre Limited. I hope we have been able to answer all your questions. Should you need any further clarification or would you like to know more about the Company, please feel free to reach out to us or to CDR India. Thank you once again for taking time to join the call and see you all next quarter.

Moderator

Thank you. On behalf of Vijaya Diagnostic Centre Limited that concludes this conference. Thank you for joining us. You may now disconnect your lines.

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