

Vimta Labs Limited

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Listing Centre
B S E Limited
P J Towers, Dalal Street
Mumbai: 400001
Scrp Code No.524394

Asst Vice President
National Stock Exchange of India Limited
"Exchange Plaza", Bandra
Kurla Complex, Bandra (E)
Mumbai – 400051
Trading Symbol: VIMTALABS

Dear Sirs,

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

Sub: Transcript of the Q1-2024 earnings/investor call held on 31st July 2023.

Please find enclosed herewith the transcript of the Q1-2024 earnings/investor call held on Monday, 31st July 2023.

Further, pursuant to Regulation 46 of the Listing Regulations, the aforesaid information is available on the website of the Company i.e., <https://vimta.com/investor-earnings-call/>

This is for your information and necessary records.

Thanking you,

Yours faithfully,

for VIMTA LABS LIMITED

Sujani Vasireddi
Company Secretary



Encl: as above.



**“Vimta Labs Limited
Q1 FY '24 Earnings Conference Call”
July 31, 2023**

**MANAGEMENT: MS. HARITA VASIREDDI – MANAGING DIRECTOR –
VIMTA LABS LIMITED
MR. SATYA SREENIVAS NEERUKONDA – EXECUTIVE
DIRECTOR – VIMTA LABS LIMITED
MR. NARAHARI NAIDU – CHIEF FINANCIAL OFFICER –
VIMTA LABS LIMITED
MS. SUJANI VASIREDDI – COMPANY SECRETARY –
VIMTA LABS LIMITED**

**MODERATOR: MR. VISHAL MANCHANDA – SYSTEMATIX
INSTITUTIONAL EQUITIES**

Moderator: Ladies and gentlemen, good day and welcome to Vimta Labs Limited Q1 FY '24 Earnings Conference Call, hosted by Systematics Institutional Equities.

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. Vishal Manchanda from Systematics Institutional Equities. Thank you and over to you, sir.

Vishal Manchanda: Thanks, Aman. Good morning, everyone. On behalf of Systematics Institutional Equities, we welcome you to the Q1 FY '24 earnings call of Vimta Labs Limited. We thank the Vimta Labs Management for giving us an opportunity to host the call. Today, from the Vimta Management team, we have with us Ms. Harita Vasireddi, Managing Director, Mr. Satya Sreenivas Neerukonda, Executive Director, Mr. Narahari Naidu, Chief Financial Officer, and Ms. Sujani Vasireddi, Company Secretary.

I'll now hand over the call to the company management for their opening remarks.

Harita Vasireddi: Thank you, Vishal. Good morning and appreciate all those who have joined us now on the FY '24's first quarter earnings call. We are pleased to share the quarter's update with you. Before we delve into the updates, let me take you through the general economy and industry landscape.

The global economy appears to be stabilizing and turning the corner, yet inflation remains still a pressing concern. While the US economy seems to be moving towards a soft landing, the situation in Europe remains critical, which is impacting the clinical research industry to some extent.

Closer to home, the slower growth of the Chinese economy poses potential implications for the global economy. However, there are some reliefs on the cost side with supply chain hurdles easing. Within the testing, inspection, and certification industry, the trends have been working in our favour, contributing to positive results for the quarter. Stringent government regulations in testing worldwide have driven strong demand in the testing, inspection, and certification market.

In the Indian market, the demand across this segment remains robust. However, during the quarter, the food segment was impacted to some extent due to the cyclone we had in Gujarat, which hit the coastline and disrupted shipping traffic in the Indian Ocean. Operations at ports were also suspended for a little while till the situation improved. So that kind of impacted our revenues in the food testing.

Coming to the quarter updates. Our total income for the quarter stood at INR841 million, which is 5.1% growth on year-on-year basis. We witnessed growth in all our pharma services. The food business, however, was impacted, like I said, by the cyclone. Our electrical and

electronics services also saw an upward slope. Likewise in the environment testing also. Diagnostics remained stable.

It is worth noting that Q1 is typically a slightly weaker quarter for us and especially for food as well, but the impact got compounded because of the cyclone, which contributed to further slower growth in food testing than we initially anticipated. I will let our CFO discuss the financials in detail in his commentary.

On a positive note, our capex plan for the Life Sciences facility is progressing swiftly and we are confident of completing the same by end of this year. Once operational, this facility will enhance our capacities in the pharma division, which is currently constrained. This in turn will drive growth in the upcoming years. Our estimated capex for the year is around INR90 crores, part of which will be allocated towards the building construction, while the rest we will utilize for equipment replacement, upgradation, and any new technology investment. To summarize, the demand environment remains strong and I'm confident that we will see good sequential as well as year-on-year growth in the coming quarters.

With this, I would like to conclude here my opening comments and invite our CFO, Narahari, to discuss the financial highlights for the quarter. Over to you.

Narahari Naidu:

Thank you, Ms. Harita. Very good morning to all. Thank you all for joining us for our Q1 FY '24 earnings conference call. I would like to walk you through the consolidated financial performance of Vimta Labs for the quarter ended 30, June 2023, after which we can open the floor for questions-and-answers.

I'll start with the consolidated financial highlights for the quarter. Total income for Q1 FY '24 stood at INR841 million as compared to INR800 million in Q1 FY '23, up 5.1% Y-o-Y basis. EBITDA remained strong with an EBITDA of INR252 million in Q1 FY '24, as compared to INR248 million in Q1 FY '23, growth of close to 2% on a Y-o-Y basis. Lower EBITDA growth was on account of higher employee costs to a certain extent, which was a result of yearly increment cycle. EBITDA margins for the quarter stood at 30%. Profit after tax in Q1 FY '24 stood at INR122 million as compared to INR120 million in Q1 FY '23, a growth of 1.3% on a Y-o-Y basis. The lower PAT growth was owing to higher depreciation expense during the quarter, which was out of capex which we made during Q4 and Q1. PAT margin for the quarter stood at 14.5%.

On the balance sheet side, we continue to have net debt free balance sheet with cash and cash equivalents, including other bank deposits of INR285 million. Our total debt stands at INR137 million as of 30 June 2023. Working capital during the quarter remained stable. We incurred capex of INR218 million during the quarter, while our capex projection for the full year would be around INR900 million, which includes our project capex of close to INR600 million.

Before I conclude I would like to highlight that we continue to repay debt and our total debt as of 30 June 2023 is at INR137 million resulting in a very healthy debt to equity ratio of 0.05x.

With that we can now open the floor for Q&A. Thank you.

- Moderator:** Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Dhwanil Desai from Turtle Capital. Please go ahead.
- Dhwanil Desai:** You talked about disruption on the food side because of the cyclone. Any way you can quantify that number, either in terms of revenue or number of days of disruption or number of tests, whichever way?
- Harita Vasireddi:** Unfortunately, I won't be able to do that. Although, we have that information because of the confidentiality in this kind of information. That's an understanding we have with our partners.
- Dhwanil Desai:** Okay. So, but is it safe to say that had it not been there, we would have grown by 12% to 15% Y-o-Y basis?
- Harita Vasireddi:** The slight step that we see would have been much better for sure.
- Dhwanil Desai:** In the AGM, we reaffirmed our guidance of doing INR500 crores-plus in FY '25-'26 and also with some improved margins. So, if we want to achieve those numbers, we need to grow at 15%- 18%. So, for the rest of the year, we need to grow at a substantially higher rate, maybe INR90 crores kind of a quarter. Are we positioned for that?
- Harita Vasireddi:** Our efforts are definitely going on for that. Coming to the INR500 crores target that we have, we are very confident that we are on the mark. So typically, like I said, Q1 is slightly challenging but then Q2 onwards, it gets better. Q3 & Q4 are much better, that's how it is.
- Dhwanil Desai:** Any updates on the NFL scale-up, how it is progressing quarter-on-quarter, do you see any uptick with respect to your own projections, as to where you are, some colour on that?
- Harita Vasireddi:** We are pursuing continuously with the government body. So, efforts are on, but we are yet to see a very good outcome out of those efforts. So, we will continue.
- Dhwanil Desai:** So even without that scale of the required level, we are confident of doing INR500 crores?
- Harita Vasireddi:** Yes.
- Dhwanil Desai:** Essentially then the push is coming from the pharma side, right? That is what will be driving the growth for us to take to INR500 crores.
- Harita Vasireddi:** Food also, because we are not entirely dependent only on the NFL revenues. We have our other core food testing business, which is growing healthily year-on-year.
- Moderator:** Thank you. The next question is from the line of Aman, from Aman Investments. Please go ahead.
- Aman:** Regarding our testing business, as you have mentioned in the last investor call, we are getting good traction from TIC sectors. So, are we associated with any standard boards in India for these testing of automotives, energy segments, liquids, oil and gas pharmaceuticals?

- Harita Vasireddi:** No, we are not associated with any boards.
- Aman:** Just a follow-up, how is the traction being seen in this quarter compared to the previous quarter?
- Harita Vasireddi:** We are seeing better traction. Pharma also, we envisage better traction. Food may continue to have that counter effect because there is still a lot of rains in the country and that does impact some food testing business.
- Aman:** Just to follow-up, I think it may not affect our business, but just wanted to know your view on it. As government is also reducing the subsidies on the fertilizer segments and the prices are also normalizing as compared to the last year, and also the government is planning to lift the embargo of the fertilizer, do we see any downfall in the testing samples that are being affected in our business volumes or profitability going forward?
- Harita Vasireddi:** I don't envisage that impacting us directly. The inflation aspect could have some impact in general, but not on us directly.
- Aman:** Are our costs also normalizing as the bank rates are? I think bank rates have come to a level where they are going to be gradually reduced. Are our costs, like employee costs, where we have seen an increment, will it normalize going forward to achieve this INR500 crores turnover and 30% EBITDA margins?
- Harita Vasireddi:** Employee costs have gone up significantly after COVID, but I'm hoping that they will stabilize around this level. Coming to bank rates, we in fact enjoy pretty good rates from the bankers.
- Aman:** What is the average interest rate now?
- Narahari Naidu:** Our average interest rate is around 9 percentage currently, but we are still working to optimize.
- Aman:** What is the incremental employee cost that we have seen? Because you said it's a yearly cycle or the cycle is going on. What was the percentage of increment of those cost?
- Harita Vasireddi:** Percentage of increment, we are on par with the industry. The industry has seen around 7% to 8% and ours is also around that same level.
- Aman:** In our last investor call you had mentioned, we are seeing the HLM/LOM, diagnostic business, we are planning to reach out to other cities as well. But still, it's in the maturing stage, as mentioned rightly by you. What traction do you see going forward? Are we seeing the diagnostics to be in every part of the Indian cities, like branching out, except Hyderabad and Telangana?
- Harita Vasireddi:** We are pushing forward on our strategy to have more HLMs and LOMs, and so that continues for us but our direct presence as Vimta, that's something that we are not pursuing.

- Aman:** Any range, because it might not be exact figure you would be able to give me but any range of revenue pool are we targeting going forward in these diagnostic businesses because it's a 25% to 30% of our total profitability.
- Harita Vasireddi:** No, I won't be able to share that because we don't give out segmentalized revenues.
- Aman:** I just wanted to understand, your part on this business, like you had said, large molecules which are turning out to be a good one. Are you seeing a separate business or are you seeing some businesses revolving around these large molecules which are particularly interested in? Can you comment on it, little elaborately so we can understand, what type of business model will be built around it?
- Harita Vasireddi:** The business model will be similar to what we have around the small molecules, wherein we cater right from preclinical services to clinical research services. And of course, the entire analytical component end to end, that is what we support on. So, for large molecules also, it will be the same services, from preclinical to clinical research.
- Aman:** Is it directly related to pharma, or will it be into research and development kind of thing?
- Harita Vasireddi:** It's pharma only.
- Aman:** Have we tied up with someone from the research? If you cannot name them, can you just tell me the overall revenue pool and the profitability going forward in those sectors?
- Harita Vasireddi:** Our profitability is much better for the large molecules. But I won't be able to give specific numbers there.
- Aman:** Any range, which you are targeting because INR500 crores requires us to do INR120 crores to INR125 crores quarterly. So, any numbers which you can quantify say with EBITDA margins, will we be able to reach those numbers?
- Harita Vasireddi:** EBITDA margins, as I had explained before, with the scale-up in economy we want to try and better them by at least 200 basis points while as we reach towards our INR500 crores mark.
- Moderator:** Thank you. The next question is from the line of Omkar Kamtekar from Bonanza Portfolio. Please go ahead.
- Omkar Kamtekar:** What is the cash flow from operations, the number for the cash flow from operations, if it can be shared?
- Narahari Naidu:** During the quarter, our cash generation was close to INR17 crores arising out of operations.
- Omkar Kamtekar:** From the INR90 crores capex that we are going to incur during the year, the amount of the capex incurred during Q1 was INR21.8 crores, so is this a part of the INR90 crores, or the INR90 crores is going to be over and above INR 21.8 crores for the new plant?

- Narahari Naidu:** This INR90 crores would be inclusive of our project capex which we had earlier mentioned, with a budget of INR60 crores. So, the INR90 crores include INR50 crores that we are estimating to be incurred for the project building and INR40-45 crores would be for general capex funding.
- Omkar Kamtekar:** With respect to the debt reduction, we reduced the debt by approximately INR1.3 crores. Although debt-equity and everything is very much under control, why have we not accelerated the debt reduction, when we have substantial amount of cash? Just want to understand the reason behind that.
- Narahari Naidu:** So, our plan is to fund the capex out of our internal accruals. So, the existing cash balance would be largely used to fund our project capex. Also, we are estimating a good amount of cash accruals over the period of next nine months. So, whatever the cash surplus, which you have, the majority would go into project funding.
- Omkar Kamtekar:** What portion of the total revenue for domestic mix comes from India and from exports? So, I just want to understand if that revenue break-up can be given geographically. So how much export revenue or domestic revenue are we generating?
- Narahari Naidu:** Our mix typically is in the range of 25% to 30%, so that is continued during quarter 1 as well.
- Omkar Kamtekar:** So, is 25% exports?
- Narahari Naidu:** Yes, exports of 25% to 30%. That has been the trend over the past few financial years, and we have seen it continue in Q1 as well.
- Omkar Kamtekar:** Are we planning to increase that share or are we satisfied at the moment with the current situation here?
- Harita Vasireddi:** We want to definitely grow exports, that's our endeavour.
- Omkar Kamtekar:** The margin profile in the export business, how are they? I mean, are they better than the domestic businesses?
- Harita Vasireddi:** Better.
- Moderator:** Thank you. The next question is from the line of Vp Rajesh from Banyan Capital.
- Vp Rajesh:** In terms of the vertical split for the revenue this quarter, if you can give some colour as to how much came from pharma/life sciences versus foods versus diagnostics and any other?
- Harita Vasireddi:** We don't provide a split of the revenues. It's treated as one segment.
- Vp Rajesh:** Any commentary on the electronics business, how is that coming along?
- Harita Vasireddi:** As I mentioned in my opening remarks, we see a nice upward slope in electronics testing, especially the EMI/EMC testing.

- Vp Rajesh:** In the semiconductor talks that are going on about India getting a fab. How do you think about that opportunity? Is it going to increase our business on the electronic side or it's too early to talk about that?
- Harita Vasireddi:** Definitely they would be one of our customers.
- Vp Rajesh:** So, electronic manufacturing segment, those kind of businesses are coming up now quite a bit, at least a few of them got public in the last 12 months. So, I was just curious, are those type of companies also our customer or potential customers?
- Harita Vasireddi:** Yes, all the electronic goods let it be a home appliance or an industrial appliance or a telecom product or a Wi-Fi product or a defence component. All these products would need EMI/EMC testing.
- Vp Rajesh:** For this year, what kind of growth expectations you have over the last year?
- Harita Vasireddi:** For the whole company, you mean?
- Vp Rajesh:** Yes, for the whole company. I'm just trying to get a sense that given you talked about how the Q1 was expected by one off's, I'm just curious if that metric has changed for us or are you still thinking of the growth as you were before this Q1?
- Harita Vasireddi:** We are firm on our intent to maintain the growth rate given the small capacity constraints that we have. I wouldn't say actually small, that's significant. This year, we may not be able to push much more but next year onwards, where we have more capacities, we are thinking the growth will be at a much higher pace.
- Vp Rajesh:** Is it fair to conclude from your comments that the post food business that you said could be perhaps a little weak in Q2 as well, will pick up in Q3 and Q4 or how should one think about the uptake on that business?
- Harita Vasireddi:** Yes, Q2 so far, we have crossed the month of July. July has not seen any upturn in food. That was the reason, I made that comment.
- Vp Rajesh:** Right. But is it seasonally weak as well or this is also an aberration? That's what I'm trying to understand.
- Harita Vasireddi:** Yes, seasonally also it is a little weak, but we see it more weaker this time and we think it's largely because of the disruptions that have been caused by rains in many parts of India.
- Moderator:** Thank you. The next question is on the line of Pratik Kothari from Unique Portfolio Managers. Please go ahead.
- Pratik Kothari:** Question on food again. So, is it that because of this disruption, the samples which were picked out to test have reduced or let go of in the timing?

- Harita Vasireddi:** We don't know exactly, what the reasons could be but the inflow of samples into NFL and even from our other routine customers is typically low in Q1 because they are still new in their budget. So, samples come out only maybe around Q2 but in Q2 also we are yet to see all that firing up from different customers. So hopefully things will change in the next couple of months.
- Pratik Kothari:** So, you're seeing a slowdown in samples or shipments at the port level itself or just to us?
- Harita Vasireddi:** Both, we see this in both places.
- Pratik Kothari:** If you can just talk about broadly the demand environment that we are seeing currently in our pharma and diagnostic business?
- Harita Vasireddi:** Demand is very strong in pharma, diagnostics also, it's growing quite nicely. Quite disrupted at the moment, a lot of players. So, in both segments, there are ample opportunities. Pharma, we are more upbeat about the opportunities that we have because they're a very good match for our capabilities. And our expansions are also pharma focused. And we see good opportunities coming for clinical research as well as preclinical, and a lot of analytical work also coming our way. Of course, there is a good number of competitions also.
- So, there is a counter effect from competition as well. But overall, we enjoy a very good position in the market. We are well-known, reputed, respected in the pharma industry. And we are the preferred choice of CRO for many companies. We enjoy strong partnerships in this industry. So, the demand is good, and we are also upbeat about our own ability to take advantage of such a demand in pharma.
- Pratik Kothari:** So, the short-term capacity would be a constraint on this demand upbeat that we are seeing, but I believe from next year onwards that should play out well?
- Harita Vasireddi:** Yes, the constraints are not 360 degrees. There are some avenues, where we are still able to have ample capacities, but there are some important segments, where the capacities are quite constrained. Both situations exist for us.
- Pratik Kothari:** So, except food, our growth still was double digit on yoy basis?
- Harita Vasireddi:** Yes. The growth definitely has been in double digits.
- Moderator:** Thank you. The next question is in line with Dhwanil Desai from Turtle Capital. Please go ahead.
- Dhwanil Desai:** You talked about some capacity constraints, but a very strong demand environment. So, is it one of the likely scenarios that we may not be able to get the business, when the demand is strong, and the next year when capacity comes back with us, the demand environment might have changed. Or is it, that the project we are kind of bidding for or talking about with customers are of the nature where actual fructification of that into revenue will happen next year and we'll be able to utilize the capacity. Can you give some colour on that?

- Harita Vasireddi:** Demand I don't think will go up and down. It is continuously growing. We have a temporary constraint, which we will be addressing. So, by Q4 of this year, we will have those additional capacities. And I want to reiterate that, there is not a constraint everywhere. There are constraints in some services, but then there are also services, which we have ample capacities to push. So, we will be just fine-tuning the way we work on our pipelines.
- Dhwanil Desai:** Can you give some idea about the status of the capex? It was to be operationalized in Q4, right by end of Q3 and Q4. So, after you operationalize, do you need any certification or any kind of regulatory clearances and how long it will take for us to actually start utilizing that facility?
- Harita Vasireddi:** It's in the same campus where we have our current pharma infrastructure, so we won't be needing any additional approvals from anyone, but there will be a lot of validation activity that will go on for the infrastructure as well as the equipment that we will be shifting from one building to another. So, there will be a lot of time that goes into validations. That could take two months to three months.
- Dhwanil Desai:** So actual utilization will come in FY '25?
- Harita Vasireddi:** Yes, we want to see a little bit of it coming in Q1 itself, hopefully, but definitely by next year.
- Moderator:** Thank you. The next question is from Alisha Mahawla from Envision Capital. Please go ahead.
- Alisha Mahawla:** I just wanted to understand this on the capacity that you are doing for the pharma segment. Are we expecting it to come on stream in Q3 or Q4 and then the validation of two months, three months? So, when is the capacity coming and then the validation?
- Harita Vasireddi:** The capacity for us is three-dimensional. One is the space itself, the second is the equipment and third is the people. So, what we are doing now is adding more space because today we are completely maxed out on space. Now this space that we are building is almost double of what we have right now. It's not that we are going to use the whole space right away. So, we will be increasing the space as and when there is a demand for more work. So that's when we'll add more people and more equipment. So, it's not something that's like a switch that we will switch on once the building is available. It will be gradual like before, but so far, the constraint has been space and this constraint will be removed once we have that new facility.
- Alisha Mahawla:** This space will be available from Q2?
- Harita Vasireddi:** The space will be available from Q4.
- Alisha Mahawla:** And then we'll get in the equipment and the validation, so that should take another two months, three months after that?
- Harita Vasireddi:** Yes, not everything will take two months, three months because we will be doing it in a phased manner.

- Alisha Mahawla:** So, then growth for the current year on the pharma side, like you mentioned earlier in the call also, there is a slight capacity constraint. Food in Q1 was impacted, Q2 also because of excessive rains currently is looking kind of same. So, on a fuller basis, how confident are we of achieving a double-digit growth, which will be critical for achieving the revenue target of INR500 crores?
- Harita Vasireddi:** We are very confident.
- Alisha Mahawla:** Will it be possible for you to give some colour on what segments will it come from, because you even have a slide in your presentation where you are given industry growth rates and none of the segments seem to have a higher than 10-11% growth rate, but we're talking of significantly higher growth rates. So, any colour on where are we expecting the growth to come from?
- Harita Vasireddi:** See industry is very large. The numbers are massive. And even a small percentage there means a lot more opportunities for companies of our size. And pharma is going to drive the growth in addition to food. Food we see, this has a temporary aberration. So, late Q2 onwards it should start doing better. So, pharma and food will continue to drive the growth.
- We also have environment and our electronics business, although they are not a big portion of our revenue pie, they'll also add to the growth. So, we are at the moment not concerned with the growth rate for this year. I'm very confident we can maintain what we saw in the previous years.
- Alisha Mahawla:** Can we get a revenue breakup of how much comes from each segment?
- Harita Vasireddi:** Unfortunately, I won't be able to share that because we present all our numbers under one segment only.
- Alisha Mahawla:** Even something directionally, a ballpark, just to get some sense?
- Harita Vasireddi:** Ballpark is around 60% from pharma and 40% from non-pharma.
- Moderator:** Thank you. The next question is from the line of Mk Reddy, as an Individual Investor. Please go ahead.
- Mk Reddy:** Regarding these investments of JNPT of INR10 crores and the investment in EMI EMC of INR40 crores and we also have a set up for the clinical diagnostics, just want to understand what is the ramp up in this because we have a special target of INR500 crores for FY'26?
- Harita Vasireddi:** So, coming first to the NFL, which is in JNPT, the return on investment is quite healthy, despite the lower volumes that we are seeing currently. Even at this level, the lab is making a decent profit. Now, EMI-EMC is a new baby. It will take some time to mature, and we expect to see a good ramp up this year itself and next year onwards we might even have to add a little bit on the capacity side with respect to the chambers.

So, the industry is also very upbeat especially in Telangana we see a lot of investments in this area. So, that's actually a very good kind of environment for our services. Coming to the third one on diagnostics, it's not at all a capex related investment. It's more on leasing some space and putting some people and rental equipment there. So, the investments are not significant.

Mk Reddy: With respect to our subsidiary, EMTAC Laboratories which in the annual reports has reported a turnover of INR86 crores, and we have been talking about this as a subsidiary since past three years. So, just want to give your view on this?

Harita Vasireddi: Yes, EMTAC is doing well. We wanted to first bring the company to a stable state in terms of its customer base, and which it enjoys as of now. We haven't really pressed the company much in terms of revenues by infusing a lot of capital there. So, that we will do now. Gradually, I think we will start significantly in this year and then ramp up because so far when we took over the company, we took over with some minimum assets and we have been trying to ramp up the sale with the same assets. Now we have a little more grip on the operations and the market and stronger relationships within the market. So, we will be investing there and also pushing that organization for higher revenues.

Mk Reddy: Can I assume that this INR50 crores, INR10 crores from JNPT and this phase one capex investment for EMI/EMC, may not be ramped up as per our expectations?

Harita Vasireddi: Now EMTAC and EMC are both new businesses for us. We think that they will take a few years to mature. The market is just building around us, and it will take a few years. So, whenever Vimta has invested, it has invested with the foresight, it has been ahead of the curve. So, we go in ahead of others, we try to establish our leadership position before a lot of competition enters the market and that's our strategy even for EMI/EMC. So, we got to have some patience with the return here, but we think this can easily be scaled up to another INR100 crores services, just like food and pharma.

Mk Reddy: In our annual report, there are some amounts of advances we are receiving from customers to the tune of INR4 crores. Just want to understand what is the nature of these advances and was it related to pharma projects or non-pharma projects?

Narahari Naidu: So, for few of the pharma projects, we work on an advance basis. So, the advances received are largely pertaining to pharma. And this is part of our cash generation during the quarter which is part of the operating cash flow. We'll be using it to fund our project capex. And if there is any surplus left over, then we'll be investing in other capex.

Mk Reddy: Another question is regarding the pricing for pharma projects, is it fixed price projects or fee for services, and the number of scientific persons employed, and time taken on those projects?

Narahari Naidu: So, the pricing is not fixed for us. It is very subjective. The pricing model differs for each project for us.

- Mk Reddy:** Regarding food labs, which has seen some hyper- growth phase in past few years, we have done this major capex prior 2018. Just want to know, if there is any intention of setting up any food labs for the scaling of this business?
- Harita Vasireddi:** We don't intend to set up any more food labs, at least not in this year.
- Moderator:** Thank you. The next question is from the line of Omkar Kamtekar from Bonanza Portfolio. Please go ahead.
- Omkar Kamtekar:** A small update with respect to the capacity utilization, can you just give us a ballpark figure of the overall capacity utilization blended levels?
- Harita Vasireddi:** I won't be able to give a specific answer on that honestly.
- Omkar Kamtekar:** Can you just give us a small elaboration on the China issue that you had mentioned in the opening remarks with respect to, specifically the food and agricultural services, because even a few of the fertilizer companies whose results were declared in the recent quarter, have had some impact of the dumping from the China products in the agricultural space. So, with respect to that, can you please give some understanding of how China can create an issue in that specific area or in general?
- Harita Vasireddi:** Our exports have remained quite stable, and they are stable I'm assuming because of a stable demand from outside our country. So, our fee is the testing fee. So, it depends on what is going out of the country in terms of the quantity of exports. So, our fees won't get impacted, if the demand for the export remains stable.
- Omkar Kamtekar:** With respect to the capex, so generally what I have seen, it would take approximately three years to four years for the entire capex of the new plant to mature and we are looking at approximately a fixed asset turnover in the range of 1.7 to 2 times. So, when the entire project becomes completely online and it is working at full capacity, the new capex plant would somewhere generate on its own INR180 crores and the overall total revenue say three years, four years down the line might exceed INR600 crores to INR700 crores, would that be a fair assumption?
- Harita Vasireddi:** Mathematically your numbers seem to be good, but we have to actually implement our strategies and see how that goes. Once we touch our INR500 crores, our next step will be INR1,000 crores. So, we will be stepping up our efforts.
- Omkar Kamtekar:** On the margin front, you had said that we look at 200 basis point increase in the margin over the next few years. So, that will be a best-case scenario or a base case scenario?
- Harita Vasireddi:** I think given what we see now, that could be a possible case scenario with high possibility.
- Narahari Naidu:** I would like to clarify one thing here. So, our capex-to-sales ratio is typically in the range of 1 to 1.1 times. Because you mentioned 1.7 to 2 times which is on a higher side, just wanted to correct on that.

- Omkar Kamtekar:** I was looking at it from a net block perspective, your net block currently the INR168 crores, so on a gross block level this will be on the lower side.
- Narahari Naidu:** You might be computing the same on the capex additions as well.
- Omkar Kamtekar:** So, 1 is to 1.1x on a gross level that makes more sense.
- Moderator:** Thank you. The next question is in line of Aman from Aman Investments. Please go ahead.
- Aman:** As you pointed out in the last conference call, you had developed a new patient chamber where you'll be analysing patients, taking surveys, taking other details, and just using those data on certain things, but just wanted to understand what is the vision of that development?
- Harita Vasireddi:** No, I don't really understand. Maybe I'm not able to correlate what you're asking.
- Aman:** Last year in the conference call you mentioned like one of our competitors does CDMO business as well. Do we have any plans, any projections or possibility of it to be our vertical as well?
- Harita Vasireddi:** As of now, no.
- Aman:** I will also mention that we are doubling our capacity. Do we see any or have we got any letter of interest or long-term contracts to just make these figures sustainable in future?
- Harita Vasireddi:** We don't need anything like that. No, we were never dependent on those things so far.
- Aman:** In pharma, are we depending on certain few companies or is it diversified into government, private sector?
- Harita Vasireddi:** It's mostly private sector in pharma. There is no government sector.
- Aman:** Are we planning to bring governments on board, central or state?
- Harita Vasireddi:** No, no.
- Aman:** I just wanted to understand the capex which we have planned for this year because there is a huge debate going around what will be the capex done on the building land and has the land already been purchased for doubling the capacity or it's going to be purchased?
- Harita Vasireddi:** It's in the existing land where we have our existing facility.
- Aman:** And the building will be constructed for INR30 odd crores on that?
- Harita Vasireddi:** INR60 crores.
- Aman:** Ma'am, also just one request to make, if possible, with the moderator also for the time and secondly with the management for their exclusive judgments, can we have an open forum for investors, where we have at least two days or three days where investors can actually come

physically and see the complexities of the missionaries, at least understand the business model, understand the opportunity which Vimta has.

Vimta is building its brand, which is more important nowadays, where brand has its own value, so that we can get to know, the legacy which SP sir has also built. Can we consider that as a request from all the investors at least they can have an open forum where one day or two days investors can physically come, and the management will also willingly participate in the investor discussions?

Harita Vasireddi: Yes, I'll actually make it better than that for you. You can come anytime.

Aman: Thank you.

Harita Vasireddi: Welcome.

Moderator: Thank you. Ladies and gentlemen, that would be our last question for today. I now hand the conference back to the management for their closing remarks. Thank you and over to you.

Harita Vasireddi: Thank you all for participating in the call today. I appreciate all the good questions that you've had. I also wish to place on record my thanks to Systematix and Vishal to you and also our partner E&Y. Thank you.

Narahari Naidu: Thank you everyone.

Moderator: Thank you very much. Ladies and gentlemen, on behalf of Systematix Institutional Equities that concludes today's call. Thank you all for joining us and you may now disconnect your lines.

(This document was edited for readability purpose)