August 03, 2022

National Stock Exchange of India Limited
Exchange Plaza,
Plot No. C/1, G Block,
Bandra Kurla Complex, Bandra (E)
Mumbai – 400 051

BSE Limited
Corporate Relationship Department
Phiroze Jeejeebhoy Towers
Dalal Street
Mumbai- 400001

Subject: Financial Results Conference Call Transcript for Q1 FY23

Dear Sir/ Madam,

Pursuant to Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find attached herewith Financial Results Conference Call Transcript of the Company for Q1 FY23.

We request you to please take the same on record.

Thanking You,

Yours Faithfully,

For **Dr. Lal PathLabs Limited**

Rajat Kalra
Company Secretary and Legal Head

Encl.: As above

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Dr. Lal PathLabs Limited

Q1 FY23 Earnings Conference Call
July 28, 2022

Call Duration	• 1 hour 23 minutes
Management Speakers	• (Hony) Brig. Dr. Arvind Lal – Executive Chairman • Dr. Om Prakash Manchanda - Managing Director • Mr. Bharath U - Chief Executive Officer • Mr. Ved Prakash Goel – Group Chief Financial Officer • Mr. Shankha Banerjee – CEO Suburban and other group companies • Mr. Rajat Kalra - Company Secretary and Head of Investor Relations
Participants who asked questions	• Pooja Bhatia – Morgan Stanley • Sriram Rathi – BNP Paribas • Shyam Srinivasan – Goldman Sachs • Prakash Kapadia – Anived Portfolio Managers • Bharat Shah – ASK Investment Managers • Shalini Gupta – East India Securities • Shaleen Kumar – UBS • Saion Mukherjee – Nomura • Sayantan Maji - Credit Suisse • Prakash Agarwal – Axis Capital • Dheeresh Pathak – Whiteoak Capital Management • Nikhil Chaudhary – Kriis PMS

Moderator: Ladies and gentlemen, good day and welcome to the Dr. Lal PathLabs Q1 FY23 Earnings Conference Call. 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 '0' on your touchtone phone. Please note that this conference is being recorded. I now hand the conference, over to Mr. Siddharth Rangnekar of CDR India. Thank you, and over to you, Sir.

Siddharth Rangnekar: Good evening, everyone and welcome to Dr. Lal PathLabs' Q1 FY23 Earnings Conference Call. Today we are joined by senior members of the Management team, including:

- (Hony) Brig. Dr. Arvind Lal – Executive Chairman
- Dr. Om Prakash Manchanda – Managing Director
- Mr. Bharath U – CEO
- Mr. Ved Prakash Goel – Group CFO
- Mr. Shankha Banerjee – CEO Suburban and other group companies
- Mr. Rajat Kalra – Company Secretary and Head of Investor Relations

Standard Disclaimer: Some of the statements made on today's call could be forward-looking in nature, and the actual results could vary from these forward-looking statements. A detailed update in this regard is available in the results presentation, which has been circulated to you and is also available on the stock exchange websites.

I would now like to invite (Hony) Brig. Dr. Arvind Lal to share his perspectives. Thank you.

(Hony) Brig. Dr. Arvind Lal: Thank you. A very good evening and a warm welcome to everyone present on the call. We are here to discuss Dr. Lal PathLabs' Q1 FY23 Earnings.

The industry has more than adequate headroom to grow in FY23, where within effective Vaccination Drive and improved patient care infrastructure, India has successfully met the challenges posed during the pandemic. Meanwhile, the Indian diagnostic industry is undergoing a transformation and is estimated to grow at a CAGR of 14% over the next five years. With very few barriers of entry, it makes a great ground for new entrants that include investors, entrepreneurs, and innovators.

To remind you all, when COVID-19 pandemic hit in 2020, we were amongst the first private labs to be approved by ICMR for COVID-19 RT-PCR testing. And last year, we performed over 32 lakhs COVID-19 RT-PCR tests. We have continued to serve our patients in the best possible manner even with the challenges posed by COVID.

I am happy to share with you all that we were adjudged the 'Best Star SME of the Year', by the prestigious Business Standard Financial Newspaper. For this, I would like to thank the senior Management team, and all the 5,000 odd employees in our organization, which is the oldest diagnostic lab chain in India, having been started in the year 1949 by my late father, Dr. Major S.K. Lal.

We are all equally driven to achieve our larger vision to be the most trusted healthcare partner, enabling healthier lives. Just like COVID-19 pandemic which saw rapid spread across the nation over the past two years, we too faced both challenges and opportunities to improve our infrastructure, systems, and procedures.

The public now has a greater understanding of the importance of keeping a healthy lifestyle, which is more vital. Since then, people have been monitoring their health and wellness better, which from a nation building point of view is a very welcome step.

Dr. Lal PathLabs is committed to control the epidemic of non-communicable diseases or lifestyle diseases that are responsible for nearly 65% deaths in India. For this to take place, we shall further increase our organic network expansion, and to create structural levers for driving volume growth. Our methodical network capacity creation nationally, investments in digital technology, SwasthFit and focus on better service parameters will prepare us comprehensively to lead this space for time to come.

Today, LPL has become one of the most reputed laboratories in the world, with a network of 277 labs, 4,731 collection centers, and 10,599 pickup points, serving across 1,500 plus cities with 5,000 plus tests and panels. We have record number of 33 labs accredited by NABL, and two labs by College of American Pathologists.

As a forward-thinking Company, Dr. Lal PathLabs has been at the forefront of incorporating technology into its business strategy, by doing so, we can cut costs while giving our patients a smoother, more coherent experience. Companies like ours must adapt to stay ahead of the competition given the speed at which the world is changing. India continues to be a grossly untapped market. For a brand like ours, there is a lot of room for expansion. So, we want to take advantage of our position and create a mark for ourselves in the history.

Thank you very much, and I would now like to hand the floor to Dr. Om Manchanda.

Dr. Om P. Manchanda: Thank you. Welcome everyone to Dr. Lal PathLabs Q1 FY23 Earnings Call. I hope you and your loved ones are safe and healthy.

I will talk to you about the current trends as well as strategic focus of Dr. Lal PathLabs. The Indian healthcare sector, particularly the diagnostic phase, holds significant growth potential as was evident by the response of the industry through the pandemic. And organized national brands like ours have met these challenges without raising prices. The industry has seen entry of many new players, I foresee growth of organized sector, both due to overall market growth as well as accelerated shift from unorganized to organized segment. Our customers appreciate the certainty of quality and effectiveness that Dr. Lal PathLabs provides, which the unorganized players will not be able to successfully deliver.

Going forward, we will continue to build and drive growth through the following:

1) Organic expansion of labs and collection centers infrastructure

2) Through inorganic expansion route

3) Use of technology to enhance customer experience and also provide value-added services at one level and drive internal process efficiencies at another level to achieve productivity

On organic front, the initiative of creation of Hub Labs has started yielding good results especially in northern part of India. This will also give us capability to go deeper in Tier-II and Tier-III towns in large states like UP, Bihar, etc.

As the markets get competitive, I foresee segmentation and differentiation will play a greater role in either maintaining or growing market share. For example, first thing is seeing a good momentum and patients find greater utility in the offering. And we believe that it will further build up credibility of our brand.

Similarly, I do see in super-specialty business, we plan to focus on segments like Oncology, Autoimmune Disorders, etc. On channel front, network of collection centers is going to play a very important role. We expect CC network to service all types of customers like home collections, walk-ins, hospital pickups, etc.

Last year, COVID-19 contributed nearly Rs. 400 crore to the Company top-line. That was roughly about 19% of the Company turnover of which nearly 55% that is Rs. 221 crore came from 1st Quarter of FY22. From the current quarter that is Q2 onwards, this overhang of large COVID-19 base, to a large extent is going to be behind us. And we hope to stay focused on more stable part of the business that is non-COVID business going forward from here.

With that now I would like to invite our CEO, Bharath, to continue this conversation.

Bharath Uppiliappan: Thank you. I warmly welcome you all to this call today.

I will now take you through all the business highlights.

In Q1 FY23, we served 6.9 million patients generating revenue of Rs. 503 crore. As you are all aware that the COVID-19 wave has abetted significantly and as a consequence, revenue from COVID-19 and allied test is Rs. 21 crore for Q1 with a contribution of 4% to overall revenue. This is in contrast to 36% contribution in last year, same quarter and also the lowest in last two years.

Our non-COVID revenue of Rs. 482 crore registered a robust growth of 25% over Q1 last year. This growth in non-COVID revenue is led by patient volumes which registered a growth of 15%. The tests of patient for the quarter was 2.6, the highest ever for the Company.

This quarter was marked by strong market activation program across our B2B and B2C channels. Our product and activation innovation has led to a robust growth on our SwasthFit bundled test program contributing to a strong patient and RPP growth.

As leaders in the diagnostic industry, we have taken upon the task of establishing India's first Center of Excellence for Autoimmune Diseases. And this has shown very encouraging results in Q1 itself. This initiative combines the focus on super specialized test including genomics has contributed to our growth in this quarter.

Our digital marketing initiatives and efforts on growing this hub business organically, is also progressing well. We remain focused on our strategic agenda and execution focus.

With that, I would like to invite, Ved to take you all through the financial performance. Over to you, Ved.

Ved Prakash Goel: Hello everyone and thank you for joining this call. I trust each of you and your families are safe and healthy.

Please note that Q1 FY23 includes Suburban results, hence not strictly comparable with previous year, same quarter. We clocked highest quarterly non-COVID revenue of Rs. 482 crore, a growth of 25%.

Our dependence on COVID-19 revenue has significantly reduced due to COVID-19 revenue declining by 91% from Rs. 221 crore to Rs. 21 crore in this current quarter. Though our non-COVID revenue increased by 25%, reduction in COVID business by Rs. 200 crore as compared to last year resulted in overall decline of 17%. Total revenue came in at Rs. 503 crore versus Rs. 607 crore last year same quarter.

As Dr. Om mentioned that out of total COVID-19 business of Rs. 396 crore in FY22, almost 55% business was in Q1 only.

Revenue realization per patient for Q1 FY23 is Rs. 727 as against Rs. 860 last year same quarter. The lower realization is due to sharp reduction in COVID-19 and allied testing. Non-COVID revenue realization per patient for Q1 FY23 is Rs. 707 as against Rs. 653 for Q1 FY22.

Normalized EBITDA after eliminating the impact of RSU and CSR for Q1 FY23 is Rs. 126 crore as compared to Rs. 199 crore reported in Q1 FY22. Normalized EBITDA margins for Q1 FY23 is at 25%.

Q1 FY23 margins are inclusive of Suburban, which is relatively a low margin business.

Normalized PBT after eliminating the impact of notional depreciation of Rs. 12.3 crore on consolidation of Suburban for Q1 FY23 is Rs. 94 crore. Normalized PBT margin is 19% for this quarter.

Normalized PAT for Q1 FY23 is Rs. 71 crore. Normalized PAT margin is at 14%.

Net cash and cash equivalents after adjustment of borrowing at the end of Q1 is Rs. 436 crore.

We are pleased to share that the Board of Directors of the Company have approved an interim dividend of 60% that is Rs. 6 per equity share.

At last a quick update on Suburban performance, Suburban revenue for Q1 FY23 is Rs. 39 crore of which non-COVID revenue is Rs. 36 crore. Please note this revenue is recorded on net basis, due to transition to Ind AS from IGAAP. This is equivalent to Rs. 52 crore as far as erstwhile accounting practices as concerned. EBITDA margin for Q1 FY23 came at 12%.

With that, I request the moderator to open the forum for questions. Thank you.

Moderator: We take the first question from the line of Pooja Bhatia from Morgan Stanley. Please go ahead.

Pooja Bhatia: Just wanted to know, if you hold on to this year's guidance of mid-teen revenue growth, which was given last quarter. And how would this be, if you had to split the growth, how much would be volume and value, if you could give a little color on this?

Dr. Om P. Manchanda: We probably have not, in so many terms given the guidance, because one doesn't know the trajectory of COVID business. Now it's becoming a little clearer so we are not focused on COVID at all, because we still don't know how it's going to pan out for the year.

The focus for our teams has been on non-COVID part of the business. And as the current quarter indicates, we have done 15% ex-Suburban and including Suburban, we have done 25%. But one must keep in mind that last year, there are many months which are softer, many months which are very high, because of uneven trajectory of non-COVID. So, if I go by month-by-month, April, May of last year were a softer but then July, August was a little higher. After that, again, it goes down from I think November onward till at least February.

So, our best estimate is we will still try to maintain that. It's very difficult currently to put a number. But we are still very confident that we should fall in non-COVID growth rate that we used to have before COVID times, which was I think around 13%, 14%, 15%. But I would say that it's very important to wait it out for another quarter to see as to how it pans out.

Pooja Bhatia: On the acquisition front M&A, what are the assets that would potentially interest you? Has there been any moderation in valuations that you are seeing? And is there anything in consideration at this moment?

Dr. Om P. Manchanda: So, there is nothing right now that I can share. But definitely I think teams are focused on making the Suburban asset integrate and work well. But right now, I think industry is in a bit of a state of flux. So, I think we will probably have wait and watch our strategy.

Pooja Bhatia: And what is the roadmap to improve margins in Suburban from currently 12% to say Company level 30%, what priorities are there to leverage this asset?

Dr. Om P. Manchanda: So, if you study last two-year data, it clearly showed that if you have a high top-line, there is an operating leverage in this business, which suddenly fell because COVID disappeared overnight. And we believe that if we focus on top-line aggressively in this asset, we should really be able to improve our margins, because the business is quite concentrated in city of Mumbai. And the potential is quite high. So, we just want to aggressively drive top-line that's our first priority.

Pooja Bhatia: So, we have spoken about the competitive outlook in every call for the past 24 months now. Like this month, there has been a new pharma player who has announced their plan to join the business as we speak, there are now three pharma players along with many others. Are we really undermining the new players that have entered into the market in terms of how we are looking at the industry growing? What is the outlook on this?

Dr. Om P. Manchanda: So, we are definitely not undermining any player who enters in the market. So, I think there is definitely a higher competitive intensity that we have seen especially in the last 24 months or 12 months. I think the important thing is to know what are the long-term implications of what's really happening, it's my personal judgment and I think India is highly underpenetrated from the diagnostic standpoint though there is no public data but my sense is beyond metros and mini metros diagnostics is very little right now.

And more players entering into the market they are going to drive two factors:

I) One is of course acceleration of unorganized to organized shift which is going to be very rapid. That's going to be I think number one effect, I see a very high level of competition

II) Second is penetration levels will go up, so we will see a lot of growth coming from Tier-II, Tier-III towns

So, I personally believe that this competition is good for two things, one is it will accelerate probably the market growth, even more for organized player. The second thing is the penetration levels in Tier-II, Tier-III towns will actually go up, which means that accessibility and affordability of Quality Diagnostics will improve in this country. Now, obviously, for a Company to do well, Management teams will have really figure out a way on how do we maintain or increase our market share.

Moderator: Thank you. Next question is from the line of Sriram Rathi from BNP Paribas. Please go ahead.

Sriram Rathi: Firstly, if you can provide some details in terms of how much of our revenue is coming from franchisees as such, because it seems that the fees to collection centers as a percentage of sales has increased this quarter. So, just to get an idea.

Bharath Uppiliappan: So, maybe 40% plus is franchisee business for us. And I don't think there has been a sharp increase on the fees to collection center, it has been as for the normal trends.

Dr. Om P. Manchanda: I thought it has slightly come down this quarter.

Ved Prakash Goel: we have not increased the revenue share for any franchisee, fees to collection centers have come down, but the business contribution is increasing in that share. but in this quarter fees to franchisee is reduced as compared to last year

Sriram Rathi: Yes, Y-o-Y it has reduced because of COVID I think, yes.

Dr. Om P. Manchanda: The contribution of a franchisee business to our total business is on the rise. It went up, now, I think as the COVID is receding and we are seeing a slight dip in that which essentially means the patients are coming back to a bit of walk-in format. Now, obviously, we still will not go back to where we were before COVID, but I think it's going to settle down at a slightly higher level.

Sriram Rathi: So, my second question was on that only, I mean, are we seeing the trend again reversing towards walk-in patients now versus what we would have seen in the last few quarters?

Dr. Om P. Manchanda: I think there is a comeback to that.

Sriram Rathi: And secondly, on the other expenses, I think that amount is higher this quarter on sequential basis when Suburban was there in Q4. So, should we assume this Rs. 105 crore kind of run rate to continue or it could be fluctuating quarter-on-quarter?

Ved Prakash Goel: if you are comparing last quarter to this quarter, I think there are a few investments we have made, especially in this quarter. One is on digital side in IT. And second is, spend on marketing, which is A&P, which is also high in this quarter as compared to last year. I think these are the two broad heads where we have spent a little more in this quarter. And that's where you are looking that there is a difference between other expenses.

Sriram Rathi: So, I mean that kind of high amount may not continue in the coming quarter. Is that fair understanding?

Ved Prakash Goel: So, there are expenses, which we are continuously spending, especially on this digital side and obviously on A&P, it's quarter-on-quarter. But this is not something exception, which we have spent in this quarter. These are normal expenses, maybe IT on a special case we are seeing in this quarter, but not otherwise.

Dr. Om P. Manchanda: I think certainly you should keep in mind that margins that we had seen during COVID times were not sustainable. So, we are definitely going to settle down at what we used to do earlier, which was in the range of I think 25% to 26%, that's the way it is.

Sriram Rathi: So, for the full year, it should be in that range more or less.

Dr. Om P. Manchanda: We still don't know as to how it is going to pan out, but I think, right now the way P&L's shape is looking like, it's definitely sharply down from what it used to be during COVID times.

Sriram Rathi: And lastly, just going back to the competition part, I mean, during this quarter in the last three, four months, what part of our business would have seen higher competitive intensity and might have some impact on the business or not that much, so far?

Dr. Om P. Manchanda: I think the intensity is the brand awareness in general, so many brands have gone up. So, you don't want to lose out on top-of-mind awareness. I think that is where probably the heat is being felt right now and that's where probably what Ved mentioned that we had to spend this extra marketing money to stay top of mind. I think one should know that for any brand to remain on top of mind and especially in the healthcare because this is a need-based business. It is, if you just drop on top-of-mind awareness, then you may tend to lose out. I think that's one area, which I find this marketing spend will continue to stay up till the time this intensity dies down. That's the way I look at it. But from a business standpoint, I am not sure because many of these companies are coming in a very routine business, because we have a test menu of 4,000 tests, and not all these players have that kind of portfolio.

Moderator: Thank you. We take the next question from the line of Shyam Srinivasan from Goldman Sachs. Please go ahead, sir.

Shyam Srinivasan: I am looking at Dr. Lal's own non-COVID sales, excluding Suburban non-COVID. I think you said it grew 15% Y-o-Y. So, just want to disaggregate that into price and volume, because I don't know whether we got the volume numbers for Dr. Lal, non-COVID.

Bharath Uppiliappan: So, our volume growth is about 12.5%, 13% give or take. And rest is mixed impact on pricing. So, you see a price impact of 2% odd. It is not a price increase, it's a purely mix impact because of a higher contribution of SwasthFit. Our SwasthFit program actually did very well this quarter, and also our super specialized test portfolio did extremely well this quarter. And both these two contribute to a mix impact because of it, the RPP went up.

Shyam Srinivasan: This reminds us of like older days, where it used to be largely volume growth driven. And like some contribution from mix maybe some prices, you are denying the price, which is fine so largely volume growth 14%, 15%. So, if you could then disaggregate that into geography, because the worry was that. And again, competition links point, there is some of our core markets like NCR, how would the trend be in volume growth in our core market?

Bharath Uppiliappan: So, we are seeing robust growth as per the past trends across geographies in this quarter. And like I mentioned in my opening comments our South business has also done extremely well this quarter. So, it has been all around performance, North, South, East, West, no specific trend vis-à-vis the past trends, all of them have contributed to a good volume growth this quarter.

Dr. Om P. Manchanda: I think just thinking of the question that you were asking about Delhi NCR versus rest of India right. So, I think we have always said that Delhi NCR will definitely be below our overall company growth. In our scheme of things, we always looked that Delhi NCR should grow at least in high single digits, and that is what we have registered this quarter. And our rest of India is compensating for that. So, the blended average is where the 15%is, and overall contribution of Delhi NCR is steadily declining, which is basically our dependence on Delhi NCR over a period of time has sharply come down. I don't know what is this number this quarter but I think it had come down to 35%. So, the contribution from Delhi NCR is now 35%, so two-thirds of our business actually is coming from the rest of India.

Shyam Srinivasan: My second question, I think I missed it, realization per patient. I think Ved called it out as Rs. 707, is it, is that the number. And can you also explain why it declined, sorry, I couldn't get those two bits?

Ved Prakash Goel: Non-COVID, is Rs. 707 against Rs. 653.

Shyam Srinivasan: Yes, so you are saying non-COVID realization at Rs. 707 versus Rs. 653 last year, right?

Ved Prakash Goel: Yes.

Dr. Om P. Manchanda: So, I think that's on year-on-year basis. But I think on a full year basis, this number might look very different. I think the overall sense that I get, I don't have full year data with me, is that as the contribution of bundled test is going up, which is probably the likely trend because customers are seeing greater value for money in that format. Maybe a little bit of increase on revenue per patient may happen.

Ved Prakash Goel: Just to give an immediate update, last quarter Q4, it was Rs. 693.

Dr. Om P. Manchanda: So, Rs. 653 is not a representative over here, right. So, don't go by Rs. 653 versus Rs. 707, go by sequential which is last quarter to a Rs. 693 and now it's Rs. 707. I think as Swasthfit contribution goes up; this number may inch a little bit upwards as we go along.

Shyam Srinivasan: And my last one you also called out that 2.6 tests per patient.

Dr. Om P. Manchanda: That is also because of SwasthFit, as a package has much more test per patient.

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

Prakash Kapadia: Post COVID, we are witnessing increased collection from home contribution. So, if you could highlight, what are the kinds of initiatives we have taken to ensure a more seamless journey using technology or manpower related training or other things?

Bharath Uppiliappan: Prakash, you know our home collection contribution, pre-COVID used to be about 5% to 6%, that has settled around 10%, 11%, 12%, give or take in this range depending on the quarter, on the non-COVID side of the business. So, three, four things have happened now on the home collection side, one is that geographic expansion, number of cities we cover.

The second one is that the technology engine which we used has gone up significantly in sophistication. So, slot allotment or ability to look at delayed visits, reallocate visits, and all has gone up tremendously, because we have now perfected this art of how do you manage technology and people together.

The third angle is we introduced new features like Digital ID cards. So, before today, when a home collection memo comes to your house, we send in advance, his ID card to you. So, that it's an added measure of security and safety that he is the guy who is coming to you. So, lot of such initiatives on building confidence amongst people who are users of service.

And secondly, which people are now using technology is upselling or cross-selling while at the point of patient's care, which is the home. So, they are able to now add on tests for their spouses, so that we get more from the same visit. So, lot many more initiatives in the pipeline as well. But we are happy with the progress we are making on the home collection front, leveraging technology.

Prakash Kapadia: And as a consumer, I see a lot of proactiveness at least in the Mumbai market where there are now calls for new tests or a last test done, due date. So, coming to the question, which you were hinting at of cross-selling and upselling, what is this approach we have taken, is it across newer geographies, or is just Mumbai, if you can highlight some clusters where we are trying to follow this approach, because I see a lot of activity at least in Mumbai. I am talking about Lal PathLabs.

Bharath Uppiliappan: We have an approach on MarkTech, how do you leverage data for marketing programs, but we just have to be cautious on that side as well, because there are privacy related issues and so on. So, it's a fine balance, but yes, we are getting like I had mentioned in opening comments we had a very aggressive, what I call activation program around both B2B and B2C in this quarter, which we will continue. And some of these are part of that effort.

Prakash Kapadia: And that is specific clusters of cities which you have identified?

Bharath Uppiliappan: Yes, we do have strong points where we want to push the levers, yes.

Prakash Kapadia: And lastly, how are we managing attrition if any due to increased competition and any inflationary pressure or input cost increases, we are witnessing which could be a worry, given the general inflationary environment?

Bharath Uppiliappan: So, inflation is yes, visible in our system because fuel costs have gone up and so on. We have been looking at internal efficiencies and getting those efficiencies into picture. And there is one of the reasons why we were able to keep that P&L healthy without taking a price increase.

Attrition in particular nothing substantial, I would say at this stage. Frontline attrition continues at the previous rate, no significant change. And because we are now more a systems driven company and technology driven company, dependent on people per se specific individuals is far lesser than what may have been many years in the past.

Dr. Om P. Manchanda: We are also seeing another trend because the COVID business is down 90%, it's not only for us, it's for the entire industry. So, a lot of reverse is also true.

Moderator: Thank you. We take the next question from the line of Bharat Shah from ASK Investment Managers. Please go ahead.

Bharat Shah: I think there was a mention of growth drivers. One of the major ones that was highlighted was inorganic. But when we look at kind of recent acquisition, Suburban, the price paid is a multiple of revenue margins are rather very low, not just compared to Dr. Lal business per se, but rather inferior margins. Therefore, is this a kind of insecurity race that we are running, because growth for the sake of growth is a philosophy of cancer, it doesn't add to the value.

Dr. Om P. Manchanda: So, I think you are making a very good point. And I value that. I think we have never looked at revenue, any organic sort of option to increase our revenue. We have always looked at any inorganic assets from the point of view of entering into that market. I think in our judgment, we felt that Mumbai is a highly competitive market. On our own, we have tried in the past. And we believe that on our own, we couldn't have really gained that kind of scale in that city without any inorganic sort of an option. That was the reason why we looked at Suburban.

Now, coming to your question of, yes, we realized that Suburban has lower margins. Unfortunately, in our judgment, maybe COVID fell much sharply than what we had anticipated, because last two years COVID was very high in Mumbai, especially for Suburban. And I think probably we didn't anticipate that within three months, this decline of 90% would happen. So, that means with that, fall in margins have gone back to what historical margins for this company was.

But having said that, what it has told us is that if we are able to at least double the sale of this business, from here on, margins should actually go up to, if not to our parent company level, but at least definitely close to 20%. So, all we need to do is just grow the top-line, and we feel we should be able to do that in next two to three years.

But having said that, if we had not taken this option, on our own, we could have done that, I think in my personal view, it would have been very tough for Dr. Lal PathLabs. And we can't ignore not only Mumbai, but I think State of Maharashtra not being present. That's been the reason but otherwise, there are a lot of assets which come for to be acquired, we just don't take them at all because unless it makes sense for us, we don't go to those markets. For example, there were a couple of assets available in the eastern part of India, this would have been asset for us, maybe 6, 7 years back, but now our east business is much more stable. So, we are not looking at anything in the East.

There are lots of businesses that come to us from northern part of India, we don't look at any asset at all. I think today if I look at any wide space which is, left is southern part of India, we are seriously evaluating if you want to drive that now organically if not then inorganic, but yes, you are right. But one priority that we have is that in order to tap the overall growth of the diagnostic market in India, we need to have a wider footprint compared to what we have today. And I think the whole objective of Suburban was to how do we establish ourselves in West especially from a presence perspective. But let's see how it goes, but we are still very hopeful that in three to five years' time, we should be able to do something with this asset.

Bharat Shah: So, have I to interpret that Suburban was a bit of a one-off acquisition, and was a strategic imperative, which will eventually after you have worked through would also make financial sense compared to the price that you paid for it?

Dr. Om P. Manchanda: Yes, it's a very strategic one. Whatever we have paid here does not stand good for any other acquisition that come, so I don't think we will look at any other assets in the way we have looked at Mumbai.

Bharat Shah: And eventually, it will make financial sense as well?

Dr. Om P. Manchanda: I think so because last year, I think this company did close to Rs. 300 crore of course not in net terms or maybe even FY21, it was nearly touching Rs. 300 crore and the EBITDA was in the range of 20% odd. So, of course, half of that was COVID. And now COVID has disappeared.

I think it's fairly well placed infra; we also know where are all the levers for cost cutting in this asset, I think we should be able to do that. It may not happen within three, four months or one-year time. But I think over a longer period of time, this asset I am very sure it will turn out to be good for us.

Bharat Shah: My second question was, in the opening remarks Dr. Lal alluded to 14%, 15% growth rate, you also referred to it in your address. And we talked about the huge untapped opportunity apart from conversion highway available from unorganized to organized, but in all of these, I also kind of sense that there is a pressure on the margin. And of course, we are talking of reverting back to the pre-COVID margin, which is understandable that COVID might have just improved the journey for a temporary period. But eventually growth is unlikely to mean only growth of revenue, but also better profits, because growth of top-line is an affirmation of relevance of the business to society, and growth of profits and the cash flows is the affirmation for the value creation.

So, my fear is the growth of top-line, will it come at inferior performance on the profits and cash flows, compared to reasonably modest 14%, 15% top-line growth or have I understood it wrong.

Dr. Om P. Manchanda: See you all study businesses much more than I do; I look at this one. At the end of the day, pricing and profitability, a lot of it is external market forces driven. I think currently, as I speak to a lot of these consultants, they actually tell me that diagnostics margins are pretty visible. And there are many companies who look at offsetting of what is happening on the other side of business. This could be a noise, which will remain for next 12 to 14 months. But I think we do not want to get ourselves in a situation when our turnover; it starts coming under a bit of pressure.

So, I think two, three things we need to do:

I) One is make sure that our presence is across the country, keep widening our footprint. So, that's number one priority

II) The second priority is that run the business so efficiently that if at all we are competing with somebody like to like, our inefficiency should not be loaded on the price. So, that's productivity which is very important

II) And I think third is right now this mix of competition that we have. Some of them are very similar cost structure, we don't have much problem with that. I think some of them are resorting to cash burn model. I am hoping that in the next two to three quarters that noise should settle down

But as far as the margin sustainability is concerned that probably market forces will decide but we are very hopeful that it won't crash to any much lower level, but I think at least the mid-20s it should remain for overall industry is the sense that I get for at least next 3 to 5 years. Because market is also opening up in Tier-II, Tier-III towns. I think a lot of people are jostling for space in metros, especially Delhi, Mumbai etc. But as you go deeper in down the pop strata there is a lot of growth coming up there as well.

Bharat Shah: Let me just reword my question, if I did not put it appropriately. Earlier I talked about inorganic acquisition, whether that makes, apart from strategic necessity whether it makes value creating financial change. This one I am asking whether in our organic business is the desire or pressure to grow, will it come at the expense of profitable growth? In other words, we may end up chasing shadows without achieving concrete value creation, in a sense that even if we grow the top-line at 15% or 18%. But if profits don't grow meaningfully in-sync with it, then it may end up kind of wrong definition of the growth. And I would say both are important, the top-line as well as the cash flow growth.

Dr. Om P. Manchanda: So, I agree with you, I think you are making a very good point. Revenue for the sake of revenue is not good in sense of bottom line, right, when we are running a commodity business. So, it's a fine balance that we will have to maintain. I think this question also got asked in the last quarterly call. Somebody asked me, will you actually chase these lowest price points that are happening in the market? I think clearly answer is no. We will have to really, very carefully maneuver this current market situation, and find a bit of fine balance between revenue and bottom line. And I think the point that you are making is absolutely correct.

Moderator: Thank you. We take the next question from the line of Shalini Gupta from East India Securities. Please go ahead.

Shalini Gupta: You are facing so much price competition and so many strong players are entering the industry, I was just wondering if you would consider setting up a diagnostic center in collaboration with hospitals, say Lilavati, I mean Lilavati is what comes to mind, but I mean, so many others are there, so many hospitals in Mumbai. I mean, you would get a captive set of patients. And what is the downside in setting up such centers? And how easy is it to setup such centers?

Dr. Om P. Manchanda: It's a great idea. Thank you for giving us the input. We call it a Hospital Lab Management segment. And we continue to look for these opportunities. We will probably refine this further and see how we gain a revenue line from this side of segment, this side of business.

Shalini Gupta: I just wanted to check how difficult is it to setup such centers?

Dr. Om P. Manchanda: Yes, so now let's put things in the other side's shoes. Now if the margins on this business is very high, they are reluctant to give it to you because they want to capture everything with them. Second is, pathology is not a very asset heavy business, so barrier to entry is low, they actually want you to run their CT/MR business not pathology business. Other thing is even if they decide to give it to you, you also run a risk of receivables because three, four months down the line he won't pay you the money. So, it's not a very easy business but having said that, I think this is definitely a large size, close to 37% of the industry is lying inside the hospital. So, we can't ignore this segment so we will definitely keep looking at it, but we will have to do probably a lot of hygiene check before we sign up any contract with the hospital.

Shalini Gupta: Okay, but you are open to this.

Dr. Om P. Manchanda: No, we do that, it is part of our research, because we have close to 40. We have 40 such centers inside the hospitals.

Shalini Gupta: Okay.

Dr. Om P. Manchanda: This is integral part of our business strategy.

(Hony) Brig. Dr. Arvind Lal: But Shalini, if you know somebody in Lilavati Hospital, you can introduce them to us.

Shalini Gupta: No, I don't know anybody. I was just wondering because I happen to visit a competitive lab in a hospital. This is a public hospital so obviously it was not very clean and all, not the kind of thing you would expect when you go to say Suburban, but the number of patients there is amazing. And also, I believe you don't have to pay any referral fees to the doctor, and you don't have to pay for space. So, I was just wondering why is not everybody doing this more aggressively?

Dr. Om P. Manchanda: Because some of these guys don't pay for almost six months

Moderator: Thank you. We take the next question from the line of Mr. Shaleen Kumar from UBS. Please go ahead.

Shaleen Kumar: So, we have noticed one thing in our analysis that the competition from the digital platforms is largely on discount, basically, deep discounting in five tests, and then other five it drops and then substantially it drops after that. So, largely in Top 10 or maximum 15 tests. So, want to understand, what kind of revenue proportion if any, not for you, even if your industry or organized pay rather, you can give us right. What kind of revenue proportion does this test account for you, Top 10-15? Is it possible to get?

Dr. Om P. Manchanda: Yes, I think your observation is right, I have gone through your report it's very nicely written. And it's basically just making the news like we go to a shop, 50% off when you walk inside, you suddenly find those 50% of few items lying in the corner. So, it's the same thing happening here as well there all kinds of prices, but overall portfolio of diagnostic if we look at that's much wider. Offhand, I probably may not have that number with me, but I think your report suggested 30%, right, of these 10, 15 tests.

Shaleen Kumar: So, basically after checking with various participants?

Dr. Om P. Manchanda: I probably may not give exact answer on that, but my input here is there are lot of tests which are hematology driven. And there is a manual component in those tests. A lot of tests which are machine driven, especially Biochemistry, that's where the prices are lower. But wherever the human component is high, in any test, you can't drop prices, just like that. And they are not sustainable at all.

And for any of these companies to provide a complete portfolio, to increase the scope of testing, they will have to start incurring those costs, which actually is a full-blown company like us or any other similar competition to do that. And at some point of time, at the end of the day, diagnostics is not about 10 tests diagnosis is about diagnosing a disease, so you need to have entire repertoire of testing, rather than just about 10 to 15 tests. While this will definitely grow screening side of testing, this will also grow the overall market, but we believe that if you screen 100 normal people, and 20 of them or 10 of them actually may fall into the funnel of medical testing, which essentially means the market is likely to go faster.

Shaleen Kumar: Also, intuitively, is it right way to think that prescription driven tests are unlikely to go to the platform. And because of multiple reasons you may not get the booking now or customer is not sure about or patient is not sure about buying the test online, etc., that's one bit, so your views on that.

And second, again, do you track like how much of your testing is prescription driven and how much is non-prescription driven?

Dr. Om P. Manchanda: I think it will be unfair to say that medical things will not go there and if some of them actually widen their test menu, of course they have, they can participate in the segment as well. But I think one thing I want to highlight is that this is not a business where like a daily use item, it's not even monthly use item, last time I mentioned that average visit for patient in our portfolio, combined together is not even one per year. So, so you might just see a lot of trial generation, you do lot of these camps and promotion driven sale, you would say, but suddenly you will find that next month nobody is there. So, it's not a very high frequent purchase item. And for any company to show results, it is definitely two to three years of journey before they actually say yes, as we have arrived. So, I think it will take a lot of time to build healthcare brand, they don't get built overnight in my views. And plus, somebody has to sustain the flow of funds as well to sustain those kind of funds as well.

Shaleen Kumar: Just, on the other expenses you made a comment that there has been an investment in IT, technology, and marketing. Can we get some sense of what kind of investment you are making on tech side?

Bharath Uppiliappan: So, marketing we did in this quarter, like I mentioned, we promoted SwasthFit very aggressively. So, we were around press, radio etc., I think 6 to 8 weeks of the quarter. Second is, there was sort of what you call market activation plan. On IT and digital, lot of stuff around digital marketing, building in data lakes, investing behind data science, putting up the control tower and running that for better service delivery on the front end. So, some of those initiatives have obviously taken some bit of money. But I think they are also helping us get the top-line in place.

Shaleen Kumar: Just last question, in presentation Rs. 12 crore of notional depreciation towards Suburban, so if I can understand what does it mean by notional depreciation and it's not one-off right, it will continue.

Ved Prakash Goel: So, this is on intangibles where we have capitalized intangibles for Suburban. And that intangible apart from goodwill, we are writing over a period of 8 to 10 years. So, roughly, this is Rs. 12 crore in a quarter, will continue for some time.

Moderator: Thank you. We take the next question from the line of Saion Mukherjee from Nomura. Please go ahead.

Saion Mukherjee: On the organic growth path, can you throw some light, how should we think about, say if you have been increasing your lab or patient service centers at a particular rate, will we see a step up there. And if yes, any geography you have in mind, you want to sort of go deeper in north and east and sort of look for acquisition in south. If you can just throw some light on your organic growth strategy that you are thinking for the next three years?

Dr. Om P. Manchanda: I think our organic strategy has to be two-fold that we improve our service level, at the same time also don't increase our overhead structure. In the past, we have been opening a lot of the satellite labs, but each lab brings in close to crore, crore and a half operating costs as well. So, we will look at judiciously the model of Hub Labs, I think we talked about this in earlier calls, where we increased the test menu in the region now. And that does two things to us. One is it gives us the ability to go Tier-II, Tier-III towns, because otherwise to service Tier-II, Tier-III towns you have to bring those sample load to Delhi. And that will affect the service. So, we want to go closer to the markets by opening more Hub Labs and maybe reducing the number of satellite lab but opening more wider test menu labs, which we call it Hub Labs. And then improve our logistics network so that we are able to service the market. So, that's our strategy.

I think your second question was priority in terms of markets. Clearly, I think the rest of north which is UP, Bihar, Jharkhand, Orissa, even eastern part are definitely growth markets for us. So, we want to really make sure that we aggressively increase our presence. Southern markets are giving good response to our organic strategy, we will have to probably wait and watch whether it's sustainable. If that works, then we will go south as well. But right now, that is still open to start with north, rest of north will be number one priority for us.

Saion Mukherjee: My second question is around competition, basically you know, we have seen the new entrants in the sector. So, at one end, you have the online players who may not have that sort of equity on the healthcare side, but then you have the pharma companies, which are well-known, they have the doctor connect, and they are trying to drive the business through that route and then they have the brand and they also sort of have the funding available from their domestic business. So, in a sense what is the bigger threat to the industry for a player like Dr. Lal in your view?

Dr. Om P. Manchanda: So, I look at both, opportunity as well as threat. I think, opportunity, I talked about, I think some of these organized competition coming into the market, is good for the industry. It's good for the industry because it creates a level playing field. So, far, we were up against a lot of these small-time players, where they have virtually no overhead. And many of these companies that you mentioned will have to have overhead structure which is similar to ours. So, it's to my mind, now we are going to play in a field which is level playing, so that I think is a big upside to this.

Second big upside is that a higher level of competition is technically there, I look at all these money which is being spent in the market is all marketing dollars. I think on a standalone basis, I wouldn't have been able to spend that kind of money. So, the more activity that happens it will grow the market. So, that's another big positive.

I think the only challenge is now as you said, do we stand to lose to these guys? There may be a bit of market share shifts, that will happen depending on who has got strength in which market. I think that's where our team really will have to be smart enough. a) To run the business efficiently so we are able to compete with them, in terms of our efficiency.

Second is carefully pick and choose our battles in terms of geography. And we believe we are very well placed in northern, eastern part of market on the organic front. And that to my mind is roughly half of the country.

And also remember, we have a network of 5,000 + collection centers and 270+ labs and 10,000+ pickup points. That was not built in just overnight one day. It has taken so much of time. And from my personal experience, I can tell you that this is not a frequently purchased item where people keep coming month after month or week after week. So, to sustain one year business, I think all the new customers have to be acquired. So, it's operationally going to be very challenging. So, to me, that actually is a bit of an insurance to us, because operational excellence requirements in this business is huge.

And also, remember while we may be at heart, we maybe a medical company, but inside we are a huge logistics company. And while you may have doctor connected one end, but to run this operation, those skills are very different than at least running a manufacturing setup. But having said that, overall market I believe will definitely grow.

Moderator: Thank you. We take the next question from the line of Sayantan Maji from Credit Suisse. Please go ahead.

Sayantan Maji: So, my question is that how much of the total revenues do we get from routine tests, especially in the metro market cities? And I am asking if the impact of competition would be more on routine tests and maybe the wellness packages, so how much do these comprise as percentage of our revenue.

Dr. Om P. Manchanda: I don't think we have readily this data available, and it's also very loosely defined. I would actually say 21% of our SwasthFit contribution maybe you add another 8%, to 9%, close to 30% odd would be the figure.

Sayantan Maji: And second question is that as per the last disclosure, north India, total I think constitutes around say 65% of the total revenues whereas Delhi NCR is 35%, the remaining 30%. So, do we expect a double-digit growth over there? So, Delhi NCR I understand we already have a higher market share. So, it will be high single digit, but for the rest of north India, do we expect maybe teens growth?

Dr. Om P. Manchanda: Yes absolutely. So, if we are 13% to 15% growth for the company, and Delhi NCR is single digit, so obviously, the balance has to be close to 18% to 19% from rest of India.

Sayantan Maji: And these includes the rest of north India, as well, right?

Dr. Om P. Manchanda: Yes you are right, I probably would tend to agree with you Yes, rest of north India, right.

Sayantan Maji: And a couple of data related question. So, first is, what is the Ind-AS benefit that is there in reported EBITDA? And second is what is the ESOP run rate that will be there going forward? So, I understand we give ESOP and CSR but if we exclude CSR, what is the ESOP run rate that we will have?

Ved Prakash Goel: So, in the past say, it used to be Rs. 24 crore to Rs. 25 crore per annum. I think immediately last year, it was a little high because the large grant was given at a higher price. And that's where the charge was higher. But if you see the last couple of years, it was in the range of Rs. 24 crore to Rs. 25 crore.

Yes, Ind-AS impact it was started 3- 4 years back. So, pre-Ind-AS we used to have 25% to 26% kind of margin, after Ind-AS it revised to 26% to 27%, so, about a percent or so has impact of Ind-AS so that is all due to Ind-AS.

Sayantan Maji: And for the ESOP, so we expect the run rate to be like Rs. 25 crore per year going ahead as well? Or would it be at a higher rate as we have right now?

Dr. Om P. Manchanda: See this changes year-on-year because depending on price on the day of grant, I think historically, what we have seen is that it has gone as high as Rs. 32 crore, last year, it was also one of the years which I remember was even Rs. 6 crore. I think the number that Ved is quoting is, I should look at it as sort of where is the settled down number average for the year, is our estimate is close to about Rs. 23 crore to Rs. 25 crore. But year-on-year basis this might just change up and down. It is also a bit of a reversal that happens when somebody resigns and comes back to the pool. So, it's a very dynamic number. But I think it's fair to assume that currently at Rs. 2,000 crore give and take here and there top line, you have close to 1% to 1.2% of ESOP charge.

Sayantan Maji: And this is going to be sustainable for like foreseeable, say next 2, 3 years, right, this ESOP scheme will continue to, it's part of our regular business now.

Dr. Om P. Manchanda: Yes, this is the kind of competition, it is to stay there.

Moderator: Thank you. We take the next question from the line of Prakash Agarwal from Axis Capital. Please go ahead.

Prakash Agarwal: A couple of questions and clarifications, so what I understood was 13% to 15%, base business growth, ex acquisition is what you are guiding for, would that be correct?

Dr. Om P. Manchanda: Yes, I think that's the way it looks like as of now.

Prakash Agarwal: And this quarter 25% margin is with 12% of Suburban. So, this is despite higher costs on IT and some expansion and advertisement that you talked about. So, how do you think your margins will move, I mean, this is clearly the base level margins, would you agree to that? And how do you think, over the year, Financial '23, this margin should settle?

Ved Prakash Goel: We were growing, our margins at pre-COVID level was in this similar range of 25% to 26%, or around 26%. As far as I think if we are able to grow mid-teens, I think we are able to maintain these margins.

Dr. Om P. Manchanda: I think the sweet spot for this business is, I think if you are able to grow between 10% and 12%, my senses remain there, assuming there is no pricing pressure, we should be able to maintain, but since the dynamics of the industry keep changing every now and then. But I think if any business is able to deliver 10% to 12% growth on organic basis, we should be able to maintain these margins as my PAT currently suggests.

Prakash Agarwal: So, what I understand is IT related as well as this advertisement related expenses are here to stay on a quarterly basis.

Dr. Om P. Manchanda: Yes, absolutely, we can't let the pressure down on brand awareness in this kind of intensity, so I think they are here to stay for some quarters.

Prakash Agarwal: And with some improvement in Suburban which you are guiding for next couple of years, you are saying the sales to double. I think next year you are expecting sales to double.

Dr. Om P. Manchanda: See right now the challenges are of different nature because Suburban is a fairly routine company by design, we want to invest behind back end, and increase our test menu, hopefully we will have some news to talk about launch of our lab in Mumbai next quarter. I think Suburban needs more company owned, company operated infra, it has to move towards the franchisee driven infra. So, that also will take time. I think next, at least three to four quarters, I want to make sure that we get the fundamentals right. And hopefully if we get the process right, the outcome has to be right. So, that's the way we are looking at it.

Prakash Agarwal: And is there any progress on the online alliances, I think last quarter, you said that you might evaluate something for online alliances, so anything to talk about at the moment.

Dr. Om P. Manchanda: I think online alliances probably we will do that. But I think they are also figuring it out, whether they want to do completely on their own or they want to partner with a lot of players. I think there's a bit of a, whether they are following aggregator model or they are doing their own sort of business. I think I really won't say that the entire model has fallen in place. My personal view is to scale this business, you need partnerships. I think to scale on your own multi-city model will actually be challenging. Let's see what happens this quarter, maybe next quarter because the COVID dependency is virtually come down by 90%I think we would throw up new dynamics in the industry which we will have to wait for another three to four months.

Prakash Agarwal: Lastly, on the pricing side, there are some ads coming with 80% to 90% discounts. And these are, I would say routine tests. But on a general basis, though, you mentioned you are not reacting or your prices have not raised or reduced prices. Your action is on the advertisement and expanding the hub and spoke model. I mean, is there anything else that we are doing to keep the volume intact or grow the volumes?

Dr. Om P. Manchanda: Yes, I think one more thing that is probably likely to happen is that within the portfolio of routine tests versus specialized tests, one may look at price rationalization. Some of our high-end tests maybe underpriced and some of our routine tests will be overpriced. We will do it in a manner that it doesn't jeopardize our overall margins for the business. But we will look at case by case basis those kinds of things as well. I think directionally in some ways it has already started happening because the contribution of SwasthFit is going up. In a way, realization per test on the routine tests is coming down. So, some bit of it will have to be adjusted for specialized tests. I think those things will fall in place.

Prakash Agarwal: One clarification SwasthFit would be wellness, right. So, those would be mostly routine?

Dr. Om P. Manchanda: I actually won't call it wellness; I think it's probably a wrong term to use because wellness sounds as if the patient is not completely healthy. I think it's upgrading of those two or three tests to a bundled test portfolio. So, I think it's a mix of illness and wellness together rather than only wellness.

Prakash Agarwal: So, you are saying prices there, you could rationalize a bit and increase one with some of the specialized ones?

Dr. Om P. Manchanda: No, I don't mean rationalize, I am just saying realizations per test, because SwasthFit has a lot more number of tests in the package. See what you and I look at normally the revenue per patient, right. But what is also important to look at revenue per test. That, to me when you look at SwasthFit revenue per test directionally it is lower than if you order individual tests.

Prakash Agarwal: And how about looking at EBITDA per test, or EBITDA per patient?

Dr. Om P. Manchanda: EBITDA per patient, maybe higher but EBITDA per test maybe it's lower because your overall realisation per test is going down.

Moderator: Thank you very much. We take the next question from the line of the Dheeresh Pathak from Whiteoak Capital Management. Please go ahead.

Dheeresh Pathak: Just trying to understand the non-COVID, ex-Suburban patient growth. So, you said revenue growth was 15% like to like non-COVID, ex-Suburban and then you gave some numbers on realization Rs. 652 and Rs. 707. So, that is like an 8% growth utilization per patient. So, that 15% revenue growth and 8% realization that leaves like a 6% to 7% like-to-like patient growth, but you also talked about 12% growth like-to-like so can you just help me reconcile?

Ved Prakash Goel: So, it has an impact, because in Suburban we have a little higher realization as compared to our own company. So, these patients include Suburban as well, which was not there in last year same quarter. Apart from that, Bharath was mentioning about the mix and all.

Dheeresh Pathak: This Rs. 652 is obviously, last year base is a keen realization number, right, 15% of the keen revenue growth like to like. So, Rs. 707, which is the realization this quarter, you are saying this is blended realization with Suburban. So, can you help us with like a clean realization ex-Suburban per patient?

Dr. Om P. Manchanda: Understood, so I think that's about 2% growth, right.

Bharath Uppiliappan: RPP growth is 2.5%, revenue per patient, I don't have a number exactly, right now.

Ved Prakash Goel: So, RPP ex-Suburban; we can come back separately.

Dr. Om P. Manchanda: Okay, I will talk to you. But I think, basically the Rs. 707 figure is including Suburban business also.

Dheeresh Pathak: But this would not be a whole lot different, right, because you said last year we were closer to Rs. 690 or something. So, even if this is let's say instead of Rs. 707 this was Rs. 690, then also it's like a 6% realization growth. So, patient growth on the like-for-like this thing is only 9%?

Dr. Om P. Manchanda: So, I think we will come back. Sorry, I couldn't get your name?

Dheeresh Pathak: Dheeresh from Whiteoak. I again touch base.

Dr. Om P. Manchanda: Yes, we will touch base, thank you.

Dheeresh Pathak: The other question I had was on this Suburban, you are saying, so realization per patient is good in Suburban. Gross profit is increasing with Suburban. So, I am assuming the gross margin is not an issue. So, the issue is you are saying the network is company-operated instead of franchisee operated and that is not properly utilized. And that you are going to transition to a franchisee owned, is my understanding correct?

Dr. Om P. Manchanda: We will do both because in any case Labs are even, Dr. Lal PathLabs is also company owned, company operated. So, we will probably make the assets sweat more as the existing ones. And the network business which comes through franchisee that's where our focus would be because I think Suburban traditionally has been focused on walk-in into the lab. And they have been investing more in the lab infra, compared to Dr. Lal PathLabs, there is a scope to improve productivity there.

Dheeresh Pathak: Okay, but this will take time there's no option to right size it like properly because you can always add franchisee centers later right? And they were quite concentrated in a few cities, right?

Dr. Om P. Manchanda: I don't want to have the pressure of quickly making this margin look very similar to industry margins and Dr. Lal PathLabs margin. I want to make sure that our top line grows in these places. And then only automatically our output-input ratio will improve if we increase our top line, which we are currently hopeful that we should be able to do that.

Dheeresh Pathak: Last question, what percentage of revenue is from aggregators, it shall be very small, but just to get a sense.

Dr. Om P. Manchanda: Single digit .

Moderator: Thank you. We take the next question from the line of Nikhil Chaudhary from Kriis PMS. Please go ahead.

Nikhil Chaudhary: Wanted to understand on the lab sharing arrangement that we may have with Suburban, so is it something that we are actually doing it or is it in plans that we will be using our network, meaning our lab network, and taking the samples from the Suburban because I saw an ad of Suburban, expanding in Indore also. So, wanting to understand instead of setting up Suburban lab will we be utilizing our own labs for the Suburban patients also.

Dr. Om P. Manchanda: Yes, it makes sense. It's one company right. We will definitely look at backend infra synergies. I don't think it makes sense to put another lab for Suburban, we are not competing with each other. So, we will figure a way out where one lab is able to service both the brand.

Nikhil Chaudhary: Any thoughts on probably like a question to the earlier participant where probably due to the rising competition, ESOPs probably can help in retaining even mid-level guys. So, because the competitive intensity is increasing, and they may want to take some employees from us, because we have been there in industry for a long time. Any thoughts around that like have you been evaluating or any other strategies that you are employing to probably retain the employees?

Dr. Om P. Manchanda: I think employees are smart enough to evaluate such opportunities. I have seen many of them don't fall for short term raise in their salary. They also know the sustainability of the whole idea. So, as many of them who have actually gone from us have been wanting to come back as well. So, I think some of them are really smart to figure out, they know the careers are 30 or 40 years long, they are just not 2 to 3 quarters.

Nikhil Chaudhary: So, last question probably, I asked it in earlier concall also, ads in newspapers, have you been evaluating because something probably has created noise has been the ads. So, why can't we spend because we have cash on the balance sheet, spend some money on ad on the front page and get some traction for Dr. Lal also, just asking you guys probably can have a thought around it. On the participation even in the T20 or IPL matches, which actually are good probably areas of getting customer attention, so just probably wanting your thoughts around that.

Dr. Om P. Manchanda: Maybe we can sit separately and discuss this. I mean, I think as all of us have worked for FMCG company as well. So, this business is by the way, still a medical business. It very hyper local city based. IPL is going all over the place your presence is mainly in two or three or five cities, you will sending it to the whole country. I think we can sit and discuss that. And this business is not about you see a hoarding and you go and get your pricked next day; it doesn't work like that. So, I think, ultimately you are trying to solve a problem, which is a medical problem. It's a very need based. And it's a three-way process. You still have to engage with the medical fraternity.

And by the way, you also should know that in medicine, soliciting business this way is actually not a very appreciated format

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

Ved Prakash Goel: Thank you everyone for being with us on this call today. I wish you and your families remain safe and healthy.
