Dr Lal PathLabs

May 23, 2022

National Stock Exchange of India Limited
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Bandra Kurla Complex
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BSE Limited
Corporate Relationship Department
Phiroze Jeejeebhoy Towers
Dalal Street
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Subject: Financial Results Conference Call Transcript for Q4 & FY22

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 Q4 & FY22.

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

Classification: Internal

Dr. Lal PathLabs Limited
Q4 and FY22 Earnings Conference Call
May 17, 2022

Call Duration	• 1 hour 13 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	• Anuj Sehgal – Manas Asian Equities • Chirag Dagli – DSP Mutual Fund • Hussain Kagzi – Ambit Asset Management • Neha Manpuria – Bank of America • Nitin Agarwal – DAM Capital • Pooja Bhatia – Morgan Stanley • Praful Kumar – Dymon Asia • Prakash Kapadia – Anived Portfolio Managers • Praveen Sahay – Edelweiss Financial Services • Rakhi Prasad – Alder Capital • Saion Mukherjee – Nomura Holdings • Sayantan Maji – Credit Suisse • Sonal Gupta – L&T Mutual Fund • Sriram Rathi – BNP Paribas	

Moderator: Ladies and gentlemen, good day and welcome to Dr. Lal PathLabs' Q4 and FY22 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 '*' then '0' on your touch-tone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Nishid Solanki from CDR India. Thank you and over to you, Mr. Solanki.

Nishid Solanki: Thank you. Good evening everyone and welcome to Dr. Lal PathLabs' Q4 & FY22 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, CEO; Mr. Ved Prakash Goel, Group CFO along with Mr. Shankha Banerjee, CEO of Suburban and other Group companies, and Mr. Rajat Kalra, Company Secretary and Head of Investor Relations.

I would like to share our standard disclaimer here. Some of the statements made on today's conference call could be forward-looking in nature, and the actual results could vary from these forward-looking statements. A detailed statement in this regard is available in the results presentation, which has been circulated earlier and also available on stock exchange website.

I would now like to invite Dr. Arvind Lal to share his perspectives. Thank you and over to you, Sir.

Dr. Arvind Lal: Thank you, Mr. Solanki. Very good evening and a warm welcome to everyone present on the call. We are here to discuss Dr. Lal PathLabs' Q4 & FY22 earnings. I would like to take you all through the key developments and updates during the period under review.

Before I begin, I would like to share that this is the first full quarter post the acquisition of Suburban Diagnostics, and the synergies of two brands have made a significant positive impact on our business performance in the Western market. We now aim to penetrate further and responsibly grow in this market to deliver high quality diagnostics with superior patient experience.

In the initial few weeks, we reported some spurt in COVID testing due to Omicron variant, which was rather short lived. As the caseloads declined at a rapid pace, with many opting for home testing due to mild symptoms. On the flip side, non-COVID business gained healthy momentum with strong volume gains as we resumed back to pre-COVID trajectory.

Last two years have been both challenging and exciting for us as we navigated through a contagious spread of COVID-19 across the country, while significantly enhancing our infrastructure systems and processes to tackle such pandemics. More importantly, it has created better awareness among the citizens towards maintaining a healthy lifestyle. Accordingly, diagnostics has been gaining a lot of traction since people have been keeping a check on their health and well-being.

There continues to be a constant shift in the industry landscape as more and more market share is acquired by organized players. The quality and consistency of diagnostic services provided by organized players, which strictly adhere to safety protocols, is trusted by patients a lot more than of the unorganized players, especially in the current scenario. Being the largest Pan India player, Dr. Lal PathLabs is well positioned to benefit from this shift, and the acquisition of Suburban Diagnostics has further strengthened our play within the Western region.

Since the onset of the pandemic, the competitive intensity in this space has been on the rise. However, organized players have been gaining more share due to the inherent advantages with respect to safety and hygiene. This in our opinion is a welcome change as the industry will benefit with the improving quality standards and capabilities of the players in the space. We foresee healthy competition between organized players that will further expand the market and elevate the customer experience.

Overall, India remains a largely underserved market. The scope for growth for companies like ours is huge, and we want to leverage our position to maximize our share of the pie. At Dr. Lal PathLabs, we see ourselves as a progressive brand, and have been at the forefront of integrating technology into our business model. This helps us reduce costs, as well as provide a more seamless and cohesive experience to our patients.

With the pace at which the world is moving, it is imperative for companies like ours to adapt to these changes to maintain the edge over competitors. While we are seeing an overall revival in the non-COVID testing in the country or in the industry, the threat of the next wave remains and we must remain vigilant and take all the necessary steps to keep the pandemic at bay.

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

Dr. Om P. Manchanda: Thank you, Dr. Lal. Welcome everyone to Dr. Lal PathLabs' Q4 & FY22 earnings call. I hope that you and your loved ones are safe and healthy. I'll talk to you about the current trends as well as strategic focus of Dr. Lal PathLabs.

While we observed a short spike in COVID-related testing in January this year, subsequently, there has been a sharp decline in COVID and COVID-related tests since February onwards. We continue to observe similar trends in the current quarter as well. We have now completed eight quarters of pandemic impact on our business, that caused wild fluctuations on quarterly basis. We are now in a better position to analyze broad trends on yearly basis.

The key trends that I observed are number one, there is a significant shift towards direct-to-home business. Home collections now contribute nearly 12% that used to be in the range of 5% to 6% during pre-COVID days. Second, there is a significant shift of patient flow from company-owned infrastructure to franchise infrastructure. Third, contribution from bundle packages continues to rise. Fourth, non-COVID business growth rates are now coming back to pre-COVID levels.

There were two parts to the Suburban transaction, one which we had done at the time of signing and second was linked to FY22 performance. We have now completed the remaining part of the transaction as well, as FY22 comes to a close. The expansion work in Mumbai has started. We shall soon be launching our Reference Lab in Mumbai.

Our business will continue to build on the following pillars of growth. One, widened geographical footprint, both through organic and inorganic means. Two, disproportionate focus on franchisee management as the contribution from franchisee network grows. Three, continuous improvement in consumer convenience with the help of digital technologies. Four, a widened test menu in the regional labs to meet the market requirements on turnaround time. Five, drive cost effectiveness programs to stay competitive on pricing. Six, continue to launch newer high-end tests. Seven, bring in sharp organizational focus on ESG.

Our intention remains to expand accessibility to quality diagnostics. And towards that we continue to partner with even online aggregators and platforms to build our reach further. Today, Dr. Lal PathLabs is a well-known brand in India. It has become synonymous with quality, affordability, and convenience. On the back of this trust, we will continue to grow our business and market share as we expand into every nook and corner of India. The serviceable market has only increased since 2020, and we are determined to make a mark and stay as the biggest player in the diagnostic industry in times to come.

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

Bharath Uppiliappan: Thank you, Om. I warmly welcome you all to this call today. I will take you through the business highlights including Suburban Diagnostics. In Q4 FY22, we served 6.7 million patients, generating revenue of INR 486 crore, with a growth of 12.7%. For the completed FY22, we served 27.3 million patients with a revenue of INR 2,087 crore and a growth rate of 32% over FY21.

In Q4, COVID and Allied tests contributed to INR 66 crore, that is 14% of the overall revenue and INR 396 crore for the full financial year FY22, which is 19% of the overall revenue for the full year. In Q4 FY22, our non-COVID revenue of INR 419.7 crore registered a growth of 12.2% over Q4 last year. This growth in non-COVID revenue is led by patient volumes which registered a growth of 10.4%. In the full FY22, we clocked a non-COVID revenue of INR 1,691 crore, registering a growth of 34.5%. This growth is on account of patient volume growth of 31.3%.

Q4 FY22 was affected by Omicron wave of COVID-19, which had an adverse impact on the non-COVID business in the month of January and February. However, given our consistent emphasis on the restoration of momentum in the non-COVID business, we were able to come back to normalcy in the month of March '22.

We are pleased to share with you that our Hub lab expansion program continues to do well with a contribution of near 40% of the total processing volume of the company. Our growth plan in South is progressing well with the test menu expansion of Bangalore Reference Lab, opening up new satellite labs in South and high contribution from specialty of super-specialty test portfolio.

We have made significant progress on enabling our partners to leverage digital tools and technologies to serve our patients. During the quarter, we rolled out a new portal for our 4,500 plus franchisee partner network. This will set the stage for further digital play in the times to come. We've also made investments towards capturing customer feedback at nearly all touch points we operate on.

During the quarter, we have invested in strong market activation and partner engagement activities through physical and digital platforms. Our investments in digital, coupled with our geographical expansion, augurs well for the company and we believe that we will realize the benefits of these investments in times to come. As we look forward to FY23, we will continue to remain focused on driving growth through better patient and partner experience, leveraging digital technologies and improving our geographical reach and test portfolio.

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

Ved P. Goel: Thank you, Bharath. Good evening, everyone, and thanks for joining this call today. Please note, that the results for Q4 and full year FY22 includes Suburban with effect from 12th November 2021, and are not strictly comparable with previous year.

I'm now sharing some of the financial highlights for the Q4 and full-year FY22. Revenue for Q4 FY22 is INR 486 crore as compared to INR 431 crore in last year same quarter, a growth of 12.7%. Non-COVID revenue increased by 12.2% in Q4 FY22. Revenue for full year FY22 is INR 2,087 crore as compared to INR 1,581 crore in the last year, a growth of 32%. Non-COVID revenue for full year increased by 34.5%.

Revenue from COVID and Allied tests in Q4 FY22 is INR 66 crore, which contributes to 14% of total revenue. Full year COVID and Allied tests revenue is INR 396 crore which contributes to 19% of total revenue. Revenue realization per patient for Q4 FY22 is INR 728 as against INR732 for Q4 last year, and for full year revenue realization is INR 765 as against INR 781 for FY21. Non-COVID realization per patient for Q4 is INR 693 and for full year it is INR 685.

Normalized EBITDA after eliminating the impact of RSU and CSR charge in Q4 FY22 is INR 131 crore as compared to INR 129 crore reported in Q4 last year. And for full year, it is INR 600 crore as compared to INR 463 crore in FY21. Normalized EBITDA margin for Q4 FY22 is 26.9% and for full year is 28.8%.

Normalized PBT after eliminating the impact of notional depreciation on consolidation of Suburban for Q4 FY22 is INR 94 crore and for FY22 is INR 494 crore. Normalized PBT margin for Q4 FY22 is 19.4% and for full year is 23.7%. Normalized PAT after eliminating the impact of notional depreciation is INR 73 crore. Normalized PAT margin for Q4 is 15%. Normalized PAT for full year is INR 369 crore as against INR 297 crore last year, FY21. Normalized PAT margin for the full year FY22 is 17.7%.

Net Cash and cash equivalent after adjustment of borrowings at the end of March 31, 2022, is INR 344 crore. Lastly, we are pleased to share that the Board of Directors of the company have approved a final dividend of INR 6 per share. With this final dividend, the total dividend for the year FY22 is INR 12 per share. The final dividend is subject to approval of shareholders in AGM.

This brings me to the conclusion of my opening remarks, and I would now request the moderator to open the forum for Q&A. Thank you.

Moderator: Thank you very much. The first question is from Prakash Kapadia with Anived Portfolio Managers. Please go ahead.

Prakash Kapadia: Yes. Thanks for the opportunity. A couple of questions from my end. So, if I look at the organic non-COVID revenues for Dr. Lal, they are up 4% this quarter on a year-on-year basis. So, if you could highlight why is this lower than what we've seen for the last few quarters?

Dr. Om P. Manchanda: How did you get this 4%?

Prakash Kapadia: I derived that, I will just tell you. If I exclude the Suburban revenues of non-COVID and take the total non-COVID revenues year-on-year basis.

Dr. Om P. Manchanda: Right. That's 30%. So last year, our non-COVID revenue for full year was INR 1,257 crore. So, you're talking about Q4?

Prakash Kapadia: Yes, Q4.

Dr. Om P. Manchanda: Oh, I was looking at full year. Yes. Okay, what's the question?

Prakash Kapadia: This 4% year-on-year growth is lower than what we've seen over the last few quarters for Dr. Lal specifically.

Dr. Om P. Manchanda: So, I think our response to this question is, which Bharath also mentioned in his opening comments is, the month of January non-COVID was fairly low, mainly because of Omicron wave. And I think it was a little bit of a self-imposed lockdown and restriction on movements, where we saw a sharp dip in our non-COVID revenue, which continued till first half of February. I think, second half of Feb onwards, we saw some improvement.

So, I think we saw a fairly good improvement in the month of March, while we are not sharing month on month figures, but we are fairly confident that we exited on a good note as far as the quarter is concerned. But I agree with you that overall quarter was slightly muted on non-COVID, mainly because of Omicron in the month of January.

Prakash Kapadia: Okay. What I was trying to understand, there's no change in competitive intensity or one-off or some noise level, which has affected this performance. This is what I was trying to understand.

Dr. Om P. Manchanda: Yes, I think there's so much noise around the competitive intensity, I think there's no doubt about that. The intensity is definitely there. But my sense is also this intensity has gone up primarily because of these two years of very high operating leverage both small and large players have seen in their P&L. Some of the regional players' contribution of COVID has been as high as 50%, -- they continue to think that this will stay on, but definitely COVID is down now. And let's see how it pans out going forward. Competitive intensity I would say is much more visible. It has always been there in this industry. It's not that we always used to face some unorganized players. Now, there are a few more organized players. So, I won't discount that, but I would say that it is primarily more because of Omicron rather than anything else.

Prakash Kapadia: Understood. And post the Omicron wave any behavioral change from the consumer side in terms of preventive test or frequency because COVID obviously India seems to be doing fairly well and that seems to be under control. Why I'm trying to understand this is, as we step forward in Q1 FY23, I think last year you had a very big phase of RT-PCR, D-Dimer, IL-6, and because of that variants, non-COVID revenues have to grow at a rapid pace for us to ensure we grow in the coming quarter. So, what's the game plan to grow our non-COVID revenue because that seems to be more structural for our -- that seems to be an area, which we keep focusing on.

And also, Dr. Om, if you could highlight, within that approach to grow non-COVID, how should we look at it in the medium-term? Will it be Dr. Lal's organic business? Will we acquire inorganic assets, or the omni-channel approach, which we've been working in Tier-2, Tier-3 cities? So, if you could give some color on medium term?

Dr. Om P. Manchanda: Yes. Thanks. So, I think we have few approaches to deal with as we go forward. Number one is, we believe that Tier-2, Tier-3 towns will grow faster and we are very well placed in these markets, like Northern India and Eastern India. And towards that, we are building Hub labs in many of these places like Varanasi, Meerut, or Lucknow, which will help us to offer competitive sort of value proposition in terms of turnaround time for even higher end tests in these markets. So that's one approach we have, which means in our strong markets, we go deeper, and increase our presence in Tier-2 and Tier-3 towns. So especially, UP is very large market and we believe that's a strength for us.

The second is, South and West region, which I have been repeatedly saying, it's important for us to actually be present in these markets. With Suburban coming in, now we have presence in West region and I think Maharashtra is looking much stronger. So hopefully, as you asked the question medium-term, I do believe in two to three years' timeframe, we should really be well placed in West region. I think the only area which probably we need to answer is South. Right now, our efforts are more driven organically. But as we go along, if there is some inorganic assets that come our way, we'll definitely look at that.

I think the third area is which you mentioned about digital approach. There is a consumer behavior shift towards home collections, and they want to book online, they want to reduce the length of stay when they come to any healthcare institution, not only for diagnosis, but even in hospital space, as well. So, I think the overall behavior of consumer has been using both physical as well as digital channel and we will continue to invest in that area.

And I think one question, which is often being asked to me is that there are lot of e-pharmacy players coming in, would you partner with them? I think answer is clear, yes. We will definitely look at some kind of partnership with them because we don't plan to go into e-pharmacy ourselves. And they want to actually offer the full sort of a stack model. And we will look at how do we increase our reach by partnering with them as we go along.

Prakash Kapadia: And lastly, from my side, anything on Suburban in terms of the milestone payout. When do we get a sense of what has been achieved? There were certain milestone-based payments are pending there not spending anything on Suburban if you can share?

Dr. Om P. Manchanda: I think, , that piece is already closed now. It was linked to FY22 performance. And we are not paying anything over and above what we had paid in the first tranche, primarily because there were certain numbers which were not achieved. And I must say that Suburban as a company had a very high contribution of COVID. And with the sudden fall of COVID, this is also adversely impacted, which impacted the second part of the payout as well. So that piece is now closed. So, there's nothing due from our side to Suburban right now.

So now we are fully active in this company and we have also pointed Shankha as our CEO for Suburban, as well as he'll also look after our other group companies. So we are providing a very sharp focus to drive Suburban. Let's see how it goes. Yes, we are up against very high COVID base which of course will see a decline in this year. But we are very hopeful that non-COVID will grow better in this market, in this company and we are looking at Suburban not as a quarterly basis or a yearly basis but more on a long-term basis.

Moderator: The next question is from the line of Chirag Dagli from DSP Mutual Fund. Please go ahead.

Chirag Dagli: Yes, sir. Thank you for the opportunity. Sir, can you comment on the profitability of the COVID business versus the rest of the business for the full year of FY22?

Dr. Om P. Manchanda: Actually, it's very difficult to segregate COVID profitability. All I can say that COVID business gave a huge sort of operating leverage because COVID as a test is much more centralized tests than any other routine tests. Most of other tests like lipid profiles, or thyroid, etc., they are all done routine, they are done in a distributed format in 200 labs. But RT-PCR is one test with the early part of this COVID wave was actually done in maybe few labs, maybe four or five. Later, we expanded to about 16, 17. But fact of the matter is that whatever gross margins you actually make on COVID was flowing into EBITDA.

And secondly, you saw the dynamic pricing, virtually every month the prices were coming down. So, it's very difficult for us to actually put out a number. But clearly INR 396 crore of COVID business that we have in FY22, definitely has contributed to the bottom line, which is very, very difficult for us to put a finger on saying how much it is, but as this slides down, yes, it will have impact on the overall number as well in FY23 and we must keep that in mind.

Chirag Dagli: It is not dramatically higher than the rest of the business, sir. That is the clear understanding?

Dr. Om P. Manchanda: I would definitely say in the second half of the year, definitely yes, because the prices virtually fell down to, I think now the average realization on this test is even lower than the overall portfolio realization. So, I think to my mind, we are exiting on a lower margin on COVID business than what we have as a company. Maybe in the early part of the year, margins may have been slightly higher.

Chirag Dagli: Understood. Okay sir, that is helpful. And the second question I had sir, you talked about higher proportion of volume incrementally coming from the franchisee channel, what does it mean for our profitability?

Dr. Om P. Manchanda: Yes, I think two things, what it means is that firstly, the way we run our business, because if you trace the history, go back 15-20 years back, a lot of walk-in business used to happen in our own infra. So as a company we were more used to providing the service ourselves. But now we have to provide the same experience through a franchisee. Of course, we have a huge experience in managing franchisee network. It somehow augurs well, because we are able to provide accessibility to the brand, which earlier through 200 labs was not possible, but now through 5,000 collection centers, it is doable, it's possible. It is reaching to the hinterland of India.

So, I think that's one advantage. Second is, because the revenue share involved, and so we need to -- I think a lot of the revenue booking would happen at different sort of -- may not happen at gross level, depending on how we account it. That's another change which is going to happen. Third, I think cost structure has become more variable in nature than fixed because our own infra is more fixed. So, our overheads easily in fact it's visible also in our numbers where rental cost is sharply going down, primarily because now we have franchisee infra. So overall, there's a shift of costs that we were seeing earlier, now to franchisee, which is much more variable in nature.

Chirag Dagli: But this doesn't necessarily mean substantially lower profits from this channel.

Dr. Om P. Manchanda: Not really, not really because sometimes our own infrastructure is more expensive than franchisee infra. Because we end up taking space at high street locations and where rentals are very, very high and franchisee network is much more neighborhood in nature. The rental cost for them is not very high. So, when you shift there, sometimes they actually have much higher profitability than the same customer being served in our own setup. So, I really don't see that issue. Right Bharath?

Bharath Uppiliappan: Yes. Of course.

Dr. Om P. Manchanda: Yes.

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

Sriram Rathi: Yes. Thanks for the opportunity. Sir, firstly, this Suburban was around INR 30 crore revenue this quarter, I think pre-COVID, it used to do around INR 40 crore plus. So, how should we look at this run rate going forward for FY23 and onwards? Should we be back to let's say INR 160 crore to INR 170 crore annual revenue or INR 30 crore is more of the new way?

Dr. Om P. Manchanda: So your voice is not that clear, but I think I got a sense of it, what you're asking. You're basically saying that non-COVID business of whatever that number INR 160 crore, INR 170 crore, should we look at the same number as going forward? Is that what you're asking?

Sriram Rathi: Yes, sir. Right.

Dr. Om P. Manchanda: Right, right. I think I will ask Ved to answer this question.

Ved P. Goel: Yes. So, Sriram, first I want to mention here that because of transition from IGAP to Ind AS, being part of our parent company. Now, we are changing the recording of revenue from gross to net, which essentially it will not be strictly comparable with INR 171 crore, INR 180 crore, whatever figure we used to have pre-COVID. So, that is where one change you will find going forward. But having said that, like to like, if we see those trends, I think we are trending much higher than what we used to do in the past.

Sriram Rathi: Okay. Okay. So, this INR 30 crore non-COVID revenue for Q4 that would have been impacted to some extent by Omicron as well.

Ved P. Goel: INR 30 crore plus the net revenue because this is not gross. There is a 20%, 25% kind of gross up you can do it.

Sriram Rathi: Okay, got it. Sure, sir. And, secondly, I mean, generally in the past, we used to guide for, let's say 14%, 15% kind of base business growth. Going forward, assuming that COVID waves are behind us, should we be back to 14%, 15% gross from FY23 I mean specifically for Dr. Lal's organic business?

Dr. Om P. Manchanda: I think it's a great question. We are also searching for this answer. I just did a quick back of the envelope calculation. We did about INR 1,330 crore in FY20, when there was no COVID. I think the last week of March was impacted due to COVID. This year, we have done INR 1,691 non-COVID, right?

Ved P. Goel: Yes.

Dr. Om P. Manchanda: So, if I just look at some math, it just tells me that 12.5% CAGR. Now, yes, there is an advantage in the base in FY20, but there's also a disadvantage in the current year because I know that Omicron has impacted and even Q1 of this financial year, which is April, May last year same time, we had wave two that also depressed non-COVID business. So, I think if I factor all that, so I clearly feel that we are in that mid-teens range going forward. But that's the way you and I can do the same math. So, I think it should be in place.

Sriram Rathi: Okay, got it. That's helpful, sir. And sir, related question, I mean generally like Q3 is seasonally the weakest quarter for Dr. Lal and this time Q4 looks like to be the weakest, maybe because of Omicron. But at the same time margins have also been lowest in Q4, I mean even versus Q3 it is lower. Is it just Omicron or there is something more to it?

Ved P. Goel: So, Sriram, there are two things. One, obviously, the impact of Suburban as we know, Suburban is always lower margin. So, largely the impact, which is, if you are looking at those margins for Q4 is diluted due to Suburban consolidation. And second, obviously, the impact of Omicron on non-COVID business. So, both put together, there is a margin impact.

Sriram Rathi: Okay. Okay, got it. And one last question, considering this, the competition intensity, which is increasing and that too with a price curve. I mean, there may not be any immediate impact, but how do you see this thing happening on a longer-term perspective and at the same time.

Dr. Om P. Manchanda: Yes, I know, I think since yesterday, there's been a lot of coverage around this whole pricing of some of the new age players versus old players. See, my way of looking at it is like this. Some of this price competition is much more visible these days, what it used to be earlier because we were up against a lot of local competition, unorganized players. So that's one point I want to make. Now, I think price competition is against some of these large players.

Second is, a lot of noises around a lot of promotion that happens when you launch a lab in a city. Now these price points are not at national level. Even when we also launch in some small towns, etc., we run a lot of promotions. Technically, in a business like this, you just don't create awareness, you also push for a call for action. Just saying that Dr. Lal has come with this lab, it really doesn't mean anything because it's not a want, right? Nobody wants to go for a test just because it's cheaper. It's only when the person needs it, right. So, all of us end up using some of these price promotions to drive for call for action, because it leads to some kind of health checkup.

So, I think these are all isolated cases in some one or two cities, but they are not at national level. But having said that, let's keep that aside for a minute. But I just want to highlight in terms of consumer behavior. And I have worked for consumer products. Now I have been in healthcare for so many years, I think healthcare is a bit more complex than any other brand building.

General perception is that lowest priced guy will be a dominant player, but I haven't seen that happening in this space. We end up making this choice, mainly because we trust the brand, it's a very, very high credence value. And nobody wants to take chances with health, and diagnostics is just about 5% of total healthcare costs. And I just got some numbers from my team. Average frequency of purchase in our business is less than one visit a year. And hardly about 30% people actually come more than once in a year. I personally believe that nobody would take chances to go to a place which they don't trust. And I think lower price point at times can also harm the brand to position as not a great quality brands.

So I think, this does not mean that you are the lowest doesn't mean that you will have a high market share. We have tried that in the past in many cities, but we have not been successful. So, I think the point is to be affordable, point is to be not to get out priced. So, my response to manage this business would be that we need to be very, very efficient, cost effective. Yes, there may be a pressure on the business if some players actually use cash burn model and continue to hammer us. But I'm not sure whether that's a sustainable idea over a long-term. That's the way I would respond to this new-age competition.

Moderator: Thank you. The next question is from line of Neha Manpuria from Bank of America. Please go ahead.

Neha Manpuria: Thank you for taking my question. The first question is on realization. So, if I look at the non-COVID realization, it seems like it's down low single-digit on a year-on-year basis. I just wanted to understand, is the trend similar if I were to look at it, Dr. Lal ex-Suburban and including Suburban?

Ved P. Goel: Yes.. So, if you see like-to-like revenue per patient is almost flat. There is slight impact due to Suburban because those are high contribution from COVID-related test. But if you see, non-COVID realization is almost same. And this is same, which we used to have pre-COVID. If you remember, INR 685, INR 686 is the revenue, which we always have.

Neha Manpuria: Okay, understood. And second is, I know you're not talking about month-on-month trend, but if I were to look at the growth rate in March, would that growth rate number be double digit? And is the revenue that we see in March a sustainable number?

Dr. Om P. Manchanda: You mean to say about growth rates?

Neha Manpuria: So, I'm asking if the growth rate was double-digit, and if I were to look at the absolute revenue, is that number sustainable what we saw in March, when there was no Omicron impact?

Dr. Om P. Manchanda: Yes. So, there's a word of caution here. I think the March sales should not be seen as only March sales. It should also be seen as a backlog of Feb as well, or Jan as well, right? So, I rather hesitate to look at weekly or monthly numbers in this business. I would rather look at more a quarterly number. There are all pointers that definitely March figures are healthier than Jan, Feb, but they may not be completely indicative for what we're going to do in FY23. Since you are asking is this double-digit, the answer is yes, it's in double-digit. It's definitely not 4% that we are talking about for the quarter.

Moderator: Thank you. The next question is from the line of Pooja Bhatia from Morgan Stanley. Please go ahead.

Pooja Bhatia: Hi. Good evening, everyone. Thanks for taking my question. Dr. Om in your opening remarks, you mentioned that you would be focusing on becoming more cost effective. So, what are the measures undertaken and what's the plan going forward?

Dr. Om P. Manchanda: Right. So, I think there is an evolving construct on the supply side of this business. If you look at in the past, we used to have one big central lab and lot of peripheral or we call them satellite labs. But that also consumed a lot of overheads, right. So having more and more satellite lab is not a cost friendly idea. So, we are now looking at Hub labs as a concept where we probably go for fewer labs but build wider test menu in the region and invest behind logistics to provide a turnaround time. I think, fundamentally, that is the one big change we are seeing in our cost structure.

Second is, something which is naturally happening to us is collection is moving more towards franchisee, which provides a variable cost structure than fixed cost structure when we do our own collection. So, I think these are two big sort of trigger items in terms of making it more efficient than being mushy.

Pooja Bhatia: Okay. Over the next say, two, three years if we take a mid-term outlook, where do you think margins could settle given that there are a lot of changes taking place in the business model with higher franchisees, so that will bring about a lot of variable costs, like you mentioned? And test mix changing towards more semi-specialized, specialized, more wellness, more of home testing. So, is there a scope for margins to improve from these levels, given that we are already at elevated margins?

Dr. Om P. Manchanda: No, no, I don't think there's any scope to improve margins. I would say that margins actually would probably mimic what we used to have pre-COVID times. As I see the last two years, we've had sort of higher margins, mainly because of operating leverage flowing through higher throughput of COVID sales. As I sit now, FY23 and I look into the P&L, I see there's a big tailwind on reagent costs because COVID reagent cost is higher than the overall portfolio costs. So, I do believe that couple of percentage benefit, we should get on lower reagent costs as we go out of FY22 into FY23.

There are headwinds, also. We will lose operating leverage that we had. Second is, as a portfolio, as one P&L, because Suburban has a lower margin profile, I think that also should impact our margins. And I think on balance, I would say that our margins would be more in line with what we used to do pre-COVID days rather than any improvement from here. Right?

Ved P. Goel: Yes.

Pooja Bhatia: Currently Suburban caters to a few micro-markets in Mumbai. So that leaves a lot of scope for you to densify your presence. Is there any calibrated plan to enter new markets in rest of Maharashtra?

Dr. Om P. Manchanda: So, Suburban has three focus markets right now, Mumbai, Pune, and Goa. I think the first is to really build our presence in Mumbai and Pune, within Maharashtra and I think that's a short-term focus for next six to nine months. I think as we exit out of this year, then we'll see what we can do in rest of Maharashtra. But I would say in FY23, laser sharp focus on these two cities, Mumbai, and Pune. I mentioned about Reference Lab, that earlier plan was LPL same lab now we'll cater to Suburban as well.

Pooja Bhatia: Okay. And have you made any changes to the processes in Suburban?

Dr. Om P. Manchanda: I think it is bit early right now. I think disproportionate focus is on the demand side, on building franchisee network. That's where the real focus is.

Moderator: Thank you. The next question is from the line of Praful Kumar from Dymon Asia. Please go ahead.

Praful Kumar: Hi. Good evening. Just a couple of questions, first in terms of say one year, three years, five-year goals in terms of integration, Dr. Om and team, what are you looking at from Suburban in terms of say scale? How do you change and update the margins that the business report today to higher level, maybe a medium-term path towards higher profitability? Is it throughput, is it more of your home pickup? In terms of model and your medium-term goals, can you elaborate on the profitability part and scaling up?

Dr. Om P. Manchanda: So, I think at the front end, we want to retain both the brands, Dr. Lal PathLabs and Suburban. At the back end, initially, we had thought that we will try and see that supply side also remains different, the kind of cost pressure and margin pressure, we probably would look at synergies much faster than what we would have done. We are looking at how do we leverage Dr. Lal PathLabs network, as well as Suburban together in Mumbai and state of Maharashtra. And I find that if we combine both the infra, we probably are well placed to really grow the market. I think immediately that will be our priority on Suburban.

And overall, if I have to really put my thumb on something, which essentially would be Suburban, we need to drive growth. It's an under sort of a leverage brand. It's a very strong consumer facing brand in the city of Mumbai. If we can crack this model of driving growth much faster than what this company has been doing in the past, I think we'll be home in about three years' time.

Praful Kumar: So yes. That's why I wanted to understand sir. Let's take a three-year, five-year outlook because when you did the call for the merger, when you did call out this acquisition, you clearly said that we have done this keeping in mind a medium-term view, in the very medium term, obviously, it's target of one year and three-year goal as well. So what are the key metrics for tracking for what we did last year for the success? Is it more? Is it -- how do you increase the throughput, because what are you changing at the margin

Moderator: Praful, I will request you to repeat the second question for the management once again.

Praful Kumar: Yes. Hi. I'll repeat my question. I wanted to understand more because, initially when you did this acquisition, and now you have a lot of data, you have a lot more grip on the way the system and processes run. So, going with your thesis of a medium-term turnaround and scaling up, can give us granularity more on how just the throughput goes up, it's getting more competitive, you're talking about pricing pressures in an inflationary environment. And I want to understand more from you, as investor, that how do you then scale up the franchise? How does it happen? So, in terms of one-year, three-year, five-year goals say throughput per outlet, how is it shaping up now? What are you doing to increase it?

Dr. Om P. Manchanda: Right, right. So, I think let me just give you a broad sort of a picture for this company Suburban. This company actually was operating, if I remember about 10% EBITDA margin, right, pre-COVID, but had a very strong sort of a consumer franchise, very strong brand in the city of Mumbai and some other parts of Maharashtra. Then comes COVID, this company business becomes 2x, because 50% of the contribution was coming from COVID. Now this company then experienced very high sort of EBITDA margin, I think it went up to nearly 20 odd percent. So, the first lesson that we learn is, if we are able to double the turnover of this company from city of Mumbai itself, this business has a potential to improve EBITDA margins.

To our surprise, I think we never expected COVID to fall so sharply, which is welcome thing from one perspective. That actually has pushed us back to the same EBITDA trajectory what it used to have before, because suddenly you lost, or we are staring at a loss of nearly half of turnover, because that used to come from COVID. I think the immediate now priority would be to drive non-COVID growth. Clearly, it has demonstrated that if I can take the turnover 2x, I should go back to 20% EBITDA margin. I think the first message to my team is that make sure that we grow COVID, at least the next two to three years, we go back to what our numbers were with COVID.

Praful Kumar: Non-COVID.

Dr. Om P. Manchanda: Non-COVID. We grow non-COVID, we go back to what our numbers were with both together. Second is, bring efficiency and leverage our network of LPL as well. I don't have exact numbers of collection centers in state of Maharashtra and the labs, but my sense is that if we combine the two, our network would be amongst the top two or three players. So, we are clearly well placed on investment at the back end. All we have to do now is turbo charge the front end and see how we grow the non-COVID business as we go forward. I think that's the way I would look at it.

And then probably segment the market because there are consumers at various price segments. There are customers who are looking for great quality service, home collection, willing to pay higher price, then there is the mass market segment, which probably the Dr. Lal PathLabs is used to. Let's see how we actually able to drive growth in these places.

Moderator: Thank you. The next question is from the line of Hussain from Ambit Asset Management. Please go ahead.

Hussain Kagzi: Hi, good evening. So, sir, my question was with regards to the competitive intensity, which you yourself mentioned is backed to most extent by the immense cash burn what these companies seem to be doing. Now here, suppose, I believe that this will not wane off in a quarter or two, and probably it will be there in the near-term. So, if it starts impacting our volume, would we be comfortable in taking some price cuts to save volume? Or would we look to maintain our margins, like if it's in the tune of 2% to 5% impact? So, I just wanted to understand our positioning over there, should the intensity increase in terms of competitive pricing? Thank you.

Dr. Om P. Manchanda: So, I think I'll probably watch as we go along. But my take on some of these things that are happening is, India is highly underserved, under penetrated market. And some of this competitive intensity actually might be a good news also, because they will expand the market. And the market would expand at the upper end of the funnel, where lots of the screening and health checkups etc. would happen, where the downside, the perception from a patient is not that high, and they may actually fall for a lower price test. And if the numbers increase at that end of the funnel, so I presume some percentage would fall into medical driven brand, which is where we are, and hopefully it should actually benefit us, this intensity that you're talking about.

And I look back examples of insurance companies and the private insurance came and the biggest brand, which is trusted brand benefited out of that. So, I do believe that we are synonymous with pathology, people trust our name. And hopefully as the market grows, we also should benefit.

Now coming back to would we chase them on pricing, I think time will tell, but my current sense is I don't want to chase building the brand on pricing. But I definitely don't want to --we want to run our company efficiently so that our cost structure is efficient. And at some point in time, eventually they also have to do the same thing, what we do. Like they have to test, they have to collect, they have to transport samples to provide the same turnaround time. So, just we need to make sure that we are efficiently run company rather than get into a cash burn model. I probably won't do that.

Moderator: Thank you. Next question is from the line of Praveen Sahay from Edelweiss Financial Services. Please go ahead.

Praveen Sahay: Thank you for taking my question. My first question is related to the franchisee management, what you're talking about. So, what kind of revenue contribution you are expecting the way forward from the franchisees? And is there any challenge related to the quality also you are foreseeing?

Bharath Uppiliappan: Yes, it's a great question. We declare our franchisee contribution in the annual report which we will do for a significant portion of the business today. The exact numbers will come in the annual reports. The second thing I would like to say is that on the quality part, we have come a very, very long way now across all parameters. Since we have built a digitally linked up system, our quality on the franchisee network is as good as what we would do in our own infrastructure today. Yes, obviously, there is scope for improvement and there are various things we're doing to fix this gap. But I'm very happy to say that our franchisees have come a long, long way. And with the use of digital technologies, we have been able to scale up this whole operation seamlessly without any difference to the patients.

Praveen Sahay: Okay. Helpful. Second question is related to, as you had also mentioned that bundle business has also increased. So, where you want to see this business to contribute in the coming year? How much contribution?

Bharath Uppiliappan: So, there's no specific target we have to say we have to reach X percentage of revenue and so on. The idea of this bundle test is fundamentally to offer value for money for the patients on one side, and that value comes from efficient operations of the bundling which we do. So, it's our endeavor to provide the best possible service, we cannot dictate, you have to take this package and we are not an aggressive tele-sales company. So, there is no specific target. But given the popularity of what we have seen of bundle test over the last three, four years, and the market trends, in general, we think that it will continue to grow as a significant contribution to our business.

Praveen Sahay: So, it's similar, like what the current quarter we are seeing, first it is 18%. So, is it like that?

Bharath Uppiliappan: Yes, so it'll continue in this direction. It used to be 16%, 17% some time back, 15% couple of years back. So, it's been inching steadily and our business has also been growing.

Moderator: The next question is from line of Rakhi Prasad from Alder Capital. Please go ahead.

Rakhi Prasad: Hi, good evening. Thanks for taking my question. I wanted to understand the INR 345 odd crore of borrowing that we have taken on our books and what is the repayment plan going forward since we have sitting cash on books? That is my first question.

Ved P. Goel: So, Rakhi, yes, we have taken about INR 250 crore term loan and rest is OD against FDs. Anyway, we have net-net INR 344 crore of cash balance as on 31st March. So, obviously, we are now getting these borrowings much cheaper than what we have in FDs. So our plan maybe going forward, it should be over by maybe next one year.

Rakhi Prasad: Okay. And also, on the stock option charge to P&L, we saw this bump up happening this year about INR 30.5 crore versus INR 20 crore of last year. Can you give us some idea of how this would look going forward or how do we think of this charge to P&L going forward? Would it be at this level or would it be at a different level?

Ved P. Goel: So Rakhi, this charge is a little higher because of two things. One is, of course, the last grant was done or at a higher price, because that time price was higher. And second, charge was coming -- or came in this year for multiple grants. Going forward, I think the charge will be in the range of what we have earlier, like between INR 20 crore, INR 25 crore kind of charge.

Dr. Om P. Manchanda: Yes, I think it got peaked mainly because of two reasons. One, the price was very high that time.

Ved P. Goel: Yes.

Dr. Om P. Manchanda: And I think multiple gants just got clubbed. This is probably the peak.

Moderator: Thank you. The next question is from line of Anuj Sehgal from Manas Asian Equities. Please go ahead.

Anuj Sehgal: Hi. Good evening, Om. I just have one simple question, Om. So when I look at FY20, and now FY22, your number of patients has grown by almost 41%, from 19.4 million to 27.3 million. That's an increase of 8 million patients. Have you done any analysis to see how many of these 8 million patients came to you for COVID testing? And that's, almost sort of getting customers for zero customer acquisition cost. And how can you sort of data mine and serve these incremental customers that you've got because of COVID and sell them more value-added tests and other offerings that you guys have?

Dr. Om P. Manchanda: Yes, I think you're right. I don't have that sheet in front of me. But large number of these patients also came because of COVID testing. And COVID has two parts. One is RT-PCR and then Allied tests. So Allied tests, a little bit overlapping between non-COVID and COVID Allied. We're just trying to pick that out. I think the other thing is I take your suggestion that what we can do with this customer base to upsell something. I probably may not have immediate answers to give you, but I think it's a great point. And we should consider this and maybe come back to you, what we will do.

Dr. Arvind Lal: Yes,. Maybe this figure is helpful to you. We have done more than 3.2 million RT-PCR tests, but that is from the beginning. So, you can imagine the numbers have really gone up. And, of course, now we welcome the transit way of the COVID testing, so that life comes back to normal. And don't forget, there is a very, very major segment which was not tested during COVID days. And that was the NCDs, the non-communicable diseases or the chronic disease segment, or the lifestyle disease segment. So, they are slowly coming back. And don't forget that those are very, very serious patients. Patients, who have renal failure, who had kidney transplants, who had heart disease, who had been sent in, and so many liver, etc., etc. So those patients were not looked after. And I think we are seeing this trend now that our NCD businesses almost or probably back to normal now. Thank you.

Dr. Om P. Manchanda: So, I just got this data. 3.35 million patients are on account of RT-PCR testing.

Dr. Arvind Lal: Correct. That's from the beginning. It can't be year wise, but from the beginning.

Dr. Om P. Manchanda: For the year.

Dr. Arvind Lal: For the full year?

Dr. Om P. Manchanda: For one year.

Dr Arvind Lal: Sorry, I stand corrected.

Dr. Om P. Manchanda: For one year.

Anuj Sehgal: So, this is not over the two FY21 and FY22. This is just for FY22?

Dr. Om P. Manchanda: This is just for FY22. Yes.

Anuj Sehgal: Right. Okay. Now, the reason I was highlighting this or trying to understand is, even if I assume that…

Dr. Om P. Manchanda: Anuj, sorry, I will correct because this also would have some numbers from Suburban coming in, as well.

Anuj Sehgal: Right, right. No, but needless to say Om, the point is that let's say even if we double this number, you have 5 million coming through, or maybe even almost 6 million new customers that have come to your channel, or to Dr. Lal, which would have not otherwise come through had COVID not at all happened. Maybe there could be some overlap. But nevertheless, you have 6 million additional customers who you can now, because they're in your database, and you can now target them over and above the regular normal growth that you would have had.

Dr. Om P. Manchanda: Yes. Yes. No, I think point well taken. Yes, definitely one can do some marketing activity around this. However, they all may not be new customers, because most of these gains are from the city of Delhi and that's where our market share is high. But I still take your point. I think there is something to be done here.

Moderator: Thank you. The next question is from line of Sonal Gupta from L&T Mutual Fund. Please go ahead.

Sonal Gupta: Yes. Hi, good evening and thanks for taking my questions. Just wanted to get a sense, I mean, on a pro forma basis, I mean, maybe using non-COVID revenues as a benchmark, how much would the contribution to your revenues be of the top 10 cities? And in top 10 cities what would be the share of home collection?

Dr. Om P. Manchanda: Sorry, this data may not be readily available, but we will note this question down and come back to you if you can share your number with us.

Sonal Gupta: Sure, sir. And just the other thing was in terms of like previously you have mentioned that the economics is similar for home collection versus having a franchisee outlet. So just trying to understand is there any change there or I mean, it's kind of similar even now?

Dr. Om P. Manchanda: It's similar only because phlebotomist salary costs versus real estate, I think this just offset each other. So it should be similar.

Moderator: Thank you. Next question is from line of Saion Mukherjee from Nomura Holdings. Please go ahead.

Saion Mukherjee. Yes. Thanks. Good evening. Actually, I just wanted to check, overall, if you can share what's the revenue contribution from wellness or Swasthfit, online and home collection overall, if you have the number for 4Q and FY22?

Bharath Uppiliappan: Yes. So, our revenue from Swasthfit is close to about 18%.

Dr. Om P. Manchanda: Online and offline.

Bharath Uppiliappan: And the second question you had was on home collection was about 12%, like Om mentioned in his opening speech. And on online versus offline, I don't have the numbers readily available. We can come back to you on that.

Saion Mukherjee: And these numbers you're saying including Suburban for the fourth quarter?

Bharath Uppiliappan: This is excluding Suburban. Yes. The home collection and the Swasthfit numbers are including Suburban.

Dr. Om P. Manchanda: So, 18% in the total, but if you exclude Suburban from the base, your number would actually be lower. 18% LPL.

Saion Mukherjee: And this is for the fourth quarter, sir?

Bharath Uppiliappan: Yes, it is.

Saion Mukherjee: You mentioned I think sometime back, you are sort of tying up with pharmacies for patients. I mean, can you share how many pharmacies you have tied up with, any color?

Dr. Om P. Manchanda: No, no. Maybe I got misunderstood. I don't think we're tying with pharmacies, but the question which I'm often being asked is that are there a lot of these new age players who are doing tele-consultation, who are doing e-pharmacy, would you be partnering with them? My answer has been, yes. But right now, there's nothing to talk about. But we would be open to such partnership if these partnerships are available. That's the answer that I gave. But right now, we are not doing anything with any pharmacy chains.

Moderator: The next question is from line of Sayantan Maji from Credit Suisse. Please go ahead.

Sayantan Maji: Yes, thanks for taking my question. So, I have two. So first one is on Swasthfit. So, I assume that Swasthfit includes preventive wellness health packages and bundling of sickness packages, sickness tests as well. So can you kind of split off how much of it is pure health packages, wellness packages, and how much of it is the bundling of the sickness tests?

Dr. Om P. Manchanda: It's very difficult to actually figure that out. But I would directionally say the large part of it is bundle sickness area only. But health checkups would not be that, at least definitely lower than 50%. My sense would be 70% would be upgradation of our sickness packages only. So, that's why we normally don't call these as a health checkups, we actually call them bundled packages.

Sayantan Maji: Okay, that's helpful. And second question is on the regional reference laboratory in Mumbai. So that was earlier I think supposed to come by end of FY22. So now, when do we expect it to be running and can you give any new rough idea about the capacity of this laboratory? Is it going to be as large as the one in Kolkata or smaller than that?

Dr. Om P. Manchanda: Yes. So, I think we took a little bit of time because we wanted to do a paperwork on Suburban, because we decided to have only one lab rather than having two labs, one in LPL and one in Suburban. And since Suburban is going to be lead brand, we thought we should have it under that., Shankha, can I say about a couple of months?

Shankha Banerjee: Yes.

Dr. Om P. Manchanda: I think couple of months from now. We are waiting only for certain licenses to come in. We should actually be up and running in two months from now, is a sense that we have

Sayantan Maji: Okay. And what about the capacity?

Shankha Banerjee: It is like Bangalore lab.

Dr. Om P. Manchanda: It's like our Bangalore. It is like a Bangalore -- but he won't know about Bangalore. So, it's -- I would say if our Delhi is 100, then this would be about 60.

Bharath Uppiliappan: Capacity is modular because he's thinking about tests.

Dr. Om P. Manchanda: I think you probably would be looking at capacity to do number of tests, right?

Sayantan Maji: Yes.

Dr. Om P. Manchanda: We don't look at that way, we look at test menu. If I do 100 tests in my Delhi lab, what is the test menu in Mumbai? So, I think that is the way we look at it. Because adding capacity is not a big challenge in this space. It's more about widening the test menu, like the moment you add one extra department, your test menu just goes up sharply. So, I think we would look at test menu around 70 to 75 compared to what we do in our Delhi lab.

Moderator: Thank you. Next question is from the line of Nitin Agarwal from DAM Capital Advisors. Please go ahead.

Nitin Agarwal: Hi. Thanks for taking the questions. Sorry, just to persist on the question around the competition which have been asked earlier, just one quick one on that. When you're talking about competition and you refer it to the competition that you've seen in the past there has been a lot of unorganized, a lot of relatively unknown names, which have been sort of coming into the market, I mean, if assuming some of the better-known national brands like the Tatas and Reliance's of the world start competing aggressively in this market, and probably looking to use diagnostics as a bleed to probably build a consumer business around it. I mean, does that change your perception of how competition can impact this overall dynamics for this business?

Dr. Om P. Manchanda: Yes, it will. Obviously, if the big names come in, that will definitely impact the overall business. There is no doubt about that. So, I think let's accept the fact that this competition will definitely lift the house.

Dr. Arvind Lal: So, Nitin let me tell you that these different price points is something which we have been seeing for a very long time and super added to the fact that there has been commoditization of this business and please remember the Indian railways model, that you're going from point A to point B, there is unreserved second class, a reserved second class, there is AC chair car, there is non-AC and two-tier, three tier, they are paying different kinds of prices for different kinds of services, but they are going from point A to point B.

So, India is such a huge country which can have, I think from my point of view, a few more price points. So, that the market will decide, what kind of service they want for what money they pay. But one thing is sure that you will you will not be able to buy a Toyota Corolla for the price of an Alto 800. That's for sure.

Dr. Om P. Manchanda: So, I think what Dr. Lal is saying that market is so large. There are various price segments which exist. So far attempt has not been made, but to my mind, one will have to do a targeted sort of a segmentation in this space and find--

Nitin Agarwal: Point all taken. And secondly, just an observation on the financials, we've been talking about the increasing share of franchisee in our business, but when I look through the last four quarters, a percentage of franchisee revenue costs to revenues has been coming down. So, how should one look at that number?

Ved P. Goel: So, Nitin, this is not true representation because there is a COVID contribution, which is fluctuating quarter-on-quarter and that's here. Directionally if you see this fees is increasing because the contribution is increasing from collection centers or franchisee, but you better not compare these last few quarters because of COVID.

Moderator: Thank you very much. And I now hand the conference over to the management for closing comments.

Ved P. Goel: Okay. Thank you everyone for being with us on this call today. I wish you all remain safe and healthy. I would now request the moderator to close the call. Thank you.

Dr. Om P. Manchanda: Thank you.

Bharath Uppiliappan: Thank you.

Moderator: Thank you very much. On behalf of Dr. Lal PathLabs Limited, that concludes this conference. Thank you for joining us. You may now disconnect your lines. Thank you.