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**Subject: Financial Results Conference Call Transcript for Q2 & H1 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 Q2 & H1 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



## Dr. Lal PathLabs Limited Q2 FY23 Earnings Conference Call November 8, 2022

Call Duration	<ul style="list-style-type: none"><li>• 1 hour 15 minutes</li></ul>
Management Speakers	<ul style="list-style-type: none"><li>• (Hony) Brig. Dr. Arvind Lal – Executive Chairman</li><li>• Dr. Om Prakash Manchanda - Managing Director</li><li>• Mr. Bharath U - Chief Executive Officer</li><li>• Mr. Ved Prakash Goel – Group Chief Financial Officer</li><li>• Mr. Shankha Banerjee – CEO Suburban and other group companies</li><li>• Mr. Rajat Kalra - Company Secretary and Head of Investor Relations</li></ul>
Participants who asked questions	<ul style="list-style-type: none"><li>• Rahul Agarwal – InCred Capital</li><li>• Sriraam Rathi – BNP Paribas</li><li>• Shyam Srinivasan – Goldman Sachs</li><li>• Prakash Kapadia – Anived Portfolio Managers</li><li>• Sayantan Maji - Credit Suisse</li><li>• Sameer Gilani – Individual Investor</li><li>• Nitin Agarwal – DAM Capital</li><li>• Sameer Baisiwala - Morgan Stanley</li><li>• Rishabh Tiwari - Allegro Capital Advisors</li><li>• Rishi Modi - Marcellus Investment Managers</li><li>• Arshita Jain - Nuvama Wealth Management</li><li>• Dheeresh Pathak - WhiteOak Capital Management</li><li>• Prashant Nair - Ambit Capital</li></ul>

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**Moderator:** Ladies and gentlemen, good day, and welcome to Dr. Lal PathLabs Q2 & H1 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 "\*" then "0" on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Nishid Solanki of CDR India.

**Nishid Solanki:** Thank you. Good afternoon, everyone, and welcome to Dr. Lal PathLabs' Q2 & H1 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; 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 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 was circulated earlier and is also available on the stock exchange website. I would now like to invite Dr. Lal to share his perspectives. Thank you, and over to you, Sir.

**Arvind Lal:** A very good evening and a warm welcome to everyone present on the call today. We are here to discuss Dr. Lal PathLabs Q2 & H1 FY23 earnings. I would like to take you all through some of the key initiatives and perspectives that have unfolded during this quarter.

Dr. Lal PathLabs has been very tactfully increasing its presence across the country, which is otherwise fragmented and dominated by unorganized players. According to news reports, there are approximately 3 lakh labs operational in India. During COVID-19, we also witnessed a new phenomenon of carrying out RT-PCR test by certain operators, who had never been in the diagnostic field earlier, but were able to pick up COVID samples, and we have learned that many such companies have now closed down, as if they did not have the expertise in carrying out the non-COVID tests.

For Dr. Lal PathLabs, our relentless focus has been on delivering high-quality diagnostics to customers at competitive rates, while offering them superior test experience with omnichannel approach. This is precisely in accordance with the internal strategy framed by us to reach out to more customers across different towns in India. Today, Dr. Lal brand has significantly strengthened presence on best-in-class quality of services offered across the gamut of test range that is second to none. Not only have we created an excellent lab network, but also invested extensively on the brand to create a lasting impact on the customers.

Patients trust us for the entire test experience from drawing the blood to receiving accurate reports in a time-bound manner. To streamline the overall brand experience for our patients, we have heavily invested in solidifying our technological infrastructure across the entire value chain. In fact, we have witnessed twice the increase in the IT spends over the past two years to create an asset that has cutting edge technology with enhanced focus on R&D capabilities.

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Lately, we have witnessed a very noticeable shift in the industry dynamics, favoring the organized chains due to consistent quality and superior service standards. Increased test intensity is also being driven by higher literacy rates, health awareness, better disposable income and an aging population. Dr. Lal PathLabs being the biggest pan-India player is well poised to benefit from this rapid shift and the acquisition of Suburban Diagnostics has only bolstered our presence further in some of the key clusters of the western regions. I believe we have built a robust business enterprise with a very strong interconnected lab network and the focus going ahead will be to stretch this huge infrastructure to deliver accelerated performance and enhanced value for all the stakeholders. Thank you very much.

I would now like to hand over the floor to Dr. Om

**Om Prakash Manchanda:**

Thank you, Dr. Lal. Welcome, everyone, to Dr. Lal PathLabs Q2 & H1 FY23 earnings call. I hope that you and your loved ones are safe and healthy.

The diagnostics industry in the Indian healthcare context offers enormous growth potential even today and will continue to do so for the foreseeable future. I will talk to you today about the current trends, as well as strategic focus of Dr. Lal PathLabs.

First, let me share a bit of current trends, competition to start with. Post-COVID-19 pandemic, the Indian diagnostic industry has faced severe competition that is two pronged, one from the online aggregators and e-commerce players, and another one from hospital chains and pharma companies. This is a different kind of competition that we are witnessing today than earlier. This intense competition has resulted in some kind of price erosion in some of the key routine tests and wellness packages. Given this backdrop, LPL has further increased the spend on marketing and promotion and in technology to maintain its leadership position. The service delivery levels remain top-notch, thereby helping LPL gain competitive advantage over peers. On the other side, or the positive side, one advantage of organized competition has been that it has pushed the overall quality and service standards in the industry.

Now let me talk about general industry environment. Based on the publicly available information, it seems after witnessing a strong pent-up demand for diagnostics, following the ease of pandemic restrictions, the industry is nearing some kind of moderation in growth in some of the matured and highly penetrated metro markets. LPL is leveraging its expertise to penetrate deep across some of the untapped regions with high-growth potential. Overall, the sector is also seeing some pressure from diverse form of competition in the market, which is also transforming the industry value chain. However, in the recent months, we have seen some of the new entrants, who had been resorting to deep discounting have started taking up the prices of some of the bundled packages. Having said that, India remains a very large market with limited access to diagnostics, hence from a long-term standpoint, we believe the growth prospects appear promising.

Now a bit about our business. At macro level, we continue to witness favorable trends in sample collection growth on the non-COVID side of the business. As you are aware that last year had wild fluctuations on month-on-month basis for both COVID and non-COVID sales. Last year, Q2 and Q3 were very high base non-COVID quarters, while Q1 and Q4 were soft non-COVID quarters. Therefore, the best way to analyze the numbers is

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either on an annualized basis or on sequential terms. Sequentially, non-COVID business growth for the current quarter, that is Q2 over Q1 is more or less in line with what our business used to deliver in the immediate years before COVID. There has been increased relevance of wellness and bundled tests, especially post the COVID outbreak. This has been driven by higher awareness around keeping good health and rightly managing underlying comorbidities. Swasthfit, which is our bundled testing offering has reached 20% in contribution to non-COVID revenues.

On the operations front, as we grow in scale, our teams are continually evaluating and incorporating new tests into the menu, such that our patients can benefit from the latest innovation in technology and testing. This is driving sample traction both on the B2B aspect, as well as directly for walk-in patients, as doctors take to prescribing and relying on such new tests. Over the past few years, we have meticulously developed a pan-India operation, reaching important population centers. We have strengthened home collection capabilities and revamped our digital assets at the front end. It remains a constant endeavor to densify our reach to adjacent clusters, and we have taken the route of creating hub labs and model reference lab to support higher momentum in sample volumes. In North and East, we are moving into the hinterland, and in the West, we are making inroads through our dual brand approach with Suburban. And in South, given our new reference lab at Bengaluru, we are driving sample collections across the regions.

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

**Bharath Uppiliappan:**

I warmly welcome you all to this call today. I will take you through the business highlights. In Q2 FY'23, we served 7.2 million patients generating a revenue of INR533.8 crore, with a growth rate of 7.1% Y-o-Y. COVID and allied tests contributed only INR19.6 crore, which represents the lowest ever contribution at 3.7% of the overall quarterly revenue. Our non-COVID revenue of INR514.2 crore, registered a growth of 14.8% over Q2 last year. This growth has been led by patient volume of 8.6% Y-o-Y. Sequentially, that is Q2 FY'23 over Q1 FY'23, the revenue uplift rate for non-COVID business is 6.7%, which is near historical pre-COVID averages, which used to be around 8%. Last year, we had an uplift of 16.1% Q2 over Q1 in our non-COVID portfolio due to COVID pandemic led, non-COVID testing for tests like KFT, LFT, CBC, etc.. Hence, these numbers have been achieved in the context of a high base of last year of COVID-associated non-COVID tests, slip in seasonal and festive calendars, along with unprecedented rains towards the last fortnight of the quarter.

Now I'll take you through some of the key trends and directions in the business. Last quarter saw a significant uptrend in Swasthfit portfolio due to a continued market activation, family offer and other distribution excellence programs. Continuing on this trend, we are pleased to share with you that Q2 FY'23, we have achieved the highest-ever quarterly revenue of INR94.9 crore from our Swasthfit portfolio. After the launch of L-ACE, our Center of Excellence in autoimmunity, we are happy to launch our latest Center of Excellence L-CORD. L-CORD stands for Dr. Lal PathLabs Center of Excellence for Reproductive Diagnostics. Our mission via the Center of Excellence at LPL is to improve the medical outcomes in infertility, pregnancy and newborns. Issues like infertility have affected over 15% of Indian couples due to late marriages, stress and poor lifestyle. Over 1.7 million babies are born with both defects in India every year due to lack of

awareness and affordability. This Center of Excellence will significantly benefit from a wide geographic footprint, strong clinician connect, comprehensive menu and sample aggregation capabilities.

Our expansion in South and Tier 2 plus cities continues to do well, and we are further strengthening these efforts. Recognizing the competitive landscape, we continue to be aggressive in our customer acquisition and retention programs. The operating teams have continued to focus sharply on productivity initiatives to actively manage test mix cost to deliver, a healthy EBITDA margin. With that, I would like Ved to take you all through the financial performance.

**Ved Prakash Goel:**

Thank you, Bharath. Good evening, everyone, and thank you for joining this call today. I trust each of you and your families are safe and healthy. Please note that Q2 FY23 results include Suburban, hence are not comparable with previous year same quarter. Now I will share some of the financial highlights. We clocked the highest quarterly non-COVID revenue of INR514 crore, a growth of 14.8%. Non-COVID revenue grew by 19.5% to INR996 crore in first half FY'23. Though the non-COVID revenue increased by 14.8% in Q2, the reduction in COVID business by 61% as compared to last year, resulted in overall growth of 7.1%.

Total revenue came in at INR534 crore versus INR 498.4 crore last year same quarter. Revenue realization per patient for Q2 FY'23 is INR746, as against INR721 last year same quarter. The better realization is due to the higher contribution of Swasthfit, which has now reached to 20% of non-COVID business excluding Suburban. Normalized EBITDA after eliminating the impact of RSU and CSR for Q2 FY'23 is INR150 crore, as compared to INR152 crore reported in Q2 FY'22. Normalized EBITDA margin for Q2 FY'23 is at 28.1%. These margins, are inclusive of Suburban, which is relatively a low margin business. Normalized PBT after eliminating the impact of notional depreciation on account of Suburban acquisition, INR12 crore and one-time exceptional expenses of INR2 crore for Q2 FY'23 is INR117 crore. Normalized PBT margin is 21.9%.

Normalized PAT for Q2 FY23 is INR86 crore and normalized PAT margin is at 16.1%. Net cash and cash equivalent after adjustment of borrowings at the end of September '22 is INR419 crore. At last, a quick update on Suburban performance. Suburban revenue for Q2 FY23 is INR40 crore, of which non-COVID revenue is INR38 crore. Please note, this revenue is recorded on net basis due to transition to Ind AS. This is equivalent to INR55 crore, as per erstwhile accounting practices. Normalized EBITDA margin for Q2 FY'23 for Suburban came in at 17.6%. With that, I request the moderator to open the forum for Q&A. Thank you.

**Moderator:**

We have our first question from the line of Rahul Agarwal from InCred Capital. Please go ahead.

**Rahul Agarwal:**

I have 3 questions. Firstly, Dr. Om, I wanted to know how was Q2 as per your own internal expectations because it was a monsoon quarter should have been seasonally stronger. I understand the festival came in the quarter also, and the base being a bit higher because Q1 last year was COVID impacted, but 6.5% revenue growth, ex of Suburban, is it in line with your expectations? I mean, you highlighted on competition, but how do you look way forward for this. This is my first question.

**Om Prakash Manchanda:**

Well, you want me to answer now or wait for your second question?

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**Rahul Agarwal:** Yes. I mean, I can give you the question. So secondly, on Suburban, non-COVID was flat Q-o-Q. My sense was we were focusing on aggressive faster revenue growth because of new center openings here around Mumbai and Pune. So I'm not really sure why this number has stayed so low quarter-on-quarter. And thirdly, staff costs declined from first quarter to second quarter to INR91 crore, if any one-offs there, please. That's all.

**Om Prakash Manchanda:** Okay. I think the first question, this is a very good question is how do we see this number internally. I think what we are looking at is before COVID, there used to be a pattern on quarter-on-quarter. Let's say, if you look at '18-19, '19-'20, so normally, there are 2 moments when the uplift in our revenue line happens, one is Q2 and other is Q4. So Q2, usually, as Bharath mentioned in his comments is about 7.5% to 8% higher than Q1. And this number that we have is about 6.5%. We were cruising along well, I think end of September, I don't know, you know that Northern part of India had massive rains and that affected last week. But that's not probably an excuse as to why this number is lower. But I would actually say slightly more or less in line with what we were doing earlier. But I think 6.5%, I could have been happy with, let's say about 7.5% is what I would say.

Now, why this number looks lower than year-on-year basis is mainly because Q2 of last year is highly bloated quarter and Q2 of last year versus Q1 of last year, there was jump of nearly 16%, which, to my mind, I think, is affecting this particular year-on-year number. And that's what I actually said in my commentary that try and look at for the full year basis, as to what the growth would be rather than on just 1 quarter. And going forward also, Q3 is also one such quarter, where the base is relatively higher, while Q4 is a soft quarter last year. Now second question about Suburban. Yes, internally, we would have expected slightly higher growth, but I think there are a few challenges that we are facing in stabilizing the asset. The new leadership is just stabilizing. There is some sort of cleaning up that's happening because there's a huge tail with a small little volumes here and there. There's a bit of rationalizing on our channel is happening, and that is what has led to this. But we are very confident that going forward, we should come back quickly on this.

**Rahul Agarwal:** Lastly, sir, on the staff cost, why has it come down quarter-on-quarter to INR 91 crore?

**Om Prakash Manchanda:** Ved, you want to answer that.

**Ved Prakash Goel:** Yes. So there is a charge of RSU. This was reduced by roughly INR 8.5 crore. That is where we are looking to employ cost down.

**Om Prakash Manchanda:** But that is not normalized, sorry, it's all-inclusive.

**Ved Prakash Goel:** All-inclusive.

**Moderator:** We have our next question from the line of Sriraam Rathi from BNP Paribas. Please go ahead.

**Sriraam Rathi:** Just one question. Sir on the margins, generally, we have been guiding like it should be around 25-odd percent. Looking at this quarter's number, I assume that, of course, Q2 is on the higher base, but Q2 is generally the highest in terms of margins. How should we look at going forward like, I

mean, Q3, Q4 moving back to 25% or you would like to say that, I mean, probably it can be on the higher side now?

**Ved Prakash Goel:** So Sriraam, Ved here. So you are right that Q2 is always a higher margin quarter for us. And if we see pre-COVID levels, I think the same trend we have seen for last two quarters. As far as we are growing in this trajectory, I think we are able to maintain our margins going forward, which used to be pre-COVID level.

**Sriraam Rathi:** Okay. So reported EBITDA margin of somewhere around 26% odd is what we used to do pre-COVID that should.

**Ved Prakash Goel:** Yes. You see 26.9% and that too with Suburban.

**Sriraam Rathi:** Yes. That too with Suburban. I mean, assume that Suburban margins have improved. So ideally, we should be at this level, where we are right now, the first half.

**Ved Prakash Goel:** Yes.

**Sriraam Rathi:** And just another thing is that I mean, then Q2 is, of course, the highest quarter for us. But I mean, generally, should we expect that Q3 and Q4 will move on the lower side in terms of revenue? Or this particular year, it could be different because already still we have not seen the pre-COVID level kind of growth in Q2.

**Om Prakash Manchanda:** No, no, no. Q3 is the lowest quarter in our portfolio. So Q2 is the highest actually. Normally, Q4 tends to be higher, but I think in the last 4 years, 5 years, I'm not seeing Q4 equal to Q2. Generally, I think I would say out of all the 4 quarters, Q2 is the highest. And that's not only true for us, but for the entire industry.

**Sriraam Rathi:** So I mean just on that only, I was asking that probably like in this year Q2, we have still not seen the full potential of growth, like we used to see in pre-COVID era. So I mean this year, can it be different that probably Q3 and Q4 may not be that weak versus Q2?

**Ved Prakash Goel:** I don't know. I'm not commenting on the numbers, but generally, winters, the business actually in healthcare, in general, gets very depressed. So I actually have my doubt that Q3 will look higher than or it will be definitely weaker than Q4, Q2 is what my sense, right?

**Moderator:** We have a next question from the line of Shyam Srinivasan from Goldman Sachs. Please go ahead.

**Shyam Srinivasan:** Just the first one, Dr. Om, on your opening remarks, you talked about moderation in growth for the industry. Maybe your number also reflects some of it, but also the contrary statement that organized is gaining share from unorganized. So just can you help us understand some commentators have used the word COVID fatigue from a consumer perspective that there has been too much testing and there is now lesser testing or wanting to go out, anything qualitatively you can share on the moderation of growth.

**Om Prakash Manchanda:** I think this moderation term, I picked up maybe by analyzing all the data that's available in public domain. And I noticed that growth rates of many players are definitely not in line with what market used to have earlier. I think that's where I was coming from, that are we seeing some kind of moderation.

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And then if I look at deep down the profile of various companies and their businesses mainly it is lying in metros. That's where the moderation is coming now. It could be a combination of a few things, which is very, very difficult for us to figure out. It could be competitive intensity because there are so many players coming in. Obviously, they are gaining shares from some of these established player could be one reason.

The other reason could be, I don't know that some kind of fatigue that has set in because so much of testing, everybody has gone through it's just a bit of a pause last 6 months, 7 months to 1 year. But I think overall, the contradiction that you are seeing in is that because our bundled packages are going up, there's general health awareness. Obviously, people know that they have to take charge of their health is where this comment came.

**Shyam Srinivasan:**

Just coming to your point on Swasthfit. So we have grown 21% I think Y-o-Y. So is there tailwinds post-COVID that you're seeing Swasthfit grow the way that is? And what are some of the building blocks and enablers that you are putting in place, so that this growth can continue?

**Om Prakash Manchanda:**

I think there is a change in consumer behavior that I'm noticing. Maybe I'll ask my colleague to add on to this, if I miss out something, which I have always been saying, a lot of people used to call, this a preventive health checkup. So I don't think it is preventive health checkup. There may be some component of that, but definitely non-communicable diseases related customer base is now moving to bundled packages because it's a great value for money from a customer point of view. They see that they are able to get more tests done, and they want to scan themselves for a much wider portfolio of tests rather than just say only diabetes or thyroid, now in maybe sub INR 1,000, you can actually get lot of tests done. So I think there is a change in consumer behavior, who are seeing a much greater value for money.

The second thing is illness-related testing or high-end testing relation is 1:1. The doctor visit leads to testing. Then it again, they go back to doctor and come back to the lab. But in non-communicable diseases, usually, it is a one visit to the customer and there's a frequent visit to the lab. There's no in between visit to the doctors. So to that extent, it tends to behave like as if consumers are making their own decision or choice about testing. So I think that is driving this whole bundled packages situation, right? You want to add something to this.

**Bharath Uppiliappan:**

Just that like I mentioned in the opening comments, other things, which are coming up and what Swasthfit is really doing is one is around the family offer. So like Om said there is a consumer behavior change. Today, more and more people are willing to get their spouse or one of the other family members also tested on the same visit or let us say in a matter of 1 or 2 days. So we enable some tech solutions wherein family members can get tested within 1 or 2 days of the main person getting tested. And second, obviously, is that a lot of focus on distribution expansion for Swasthfit as a product, number of collection centers, etc. are selling that daily So the very usual way product companies sell that rigor is setting in, I guess.

**Shyam Srinivasan:**

And my last question, if I may, is on the comment again, Dr. Om, on price erosion, realizations that you quoted this quarter don't seem to suggest. So are we breaking it down like non-Suburban realizations have eroded? So if you can explain that comment, please.

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- Om Prakash Manchanda:** It's a good question. So I think good that you asked this question, let me explain. ... Most companies are talking about revenue per patient. But if you look at revenue per test, that is where the erosion is happening because now the number of tests per patient is very sharply moving up in the entire industry. So when earlier, let's say, INR1,000 was realization for 5 tests and suddenly, Now you are doing more number of tests, maybe just increasing the price by INR200, not to the extent of INR1,000. So technically, revenue per patient is moving up, but per test is going down because now you're doing more tests per patient. That's what I meant by price erosion.
- Shyam Srinivasan:** So you are not alluding to competitive pressures here?
- Om Prakash Manchanda:** No, no, no.
- Shyam Srinivasan:** Okay. And your comment suggest that you have maintained prices
- Om Prakash Manchanda:** Per patient per test is falling. But the good news is that if you are able to actually maximize revenue per single visit, it's actually beneficial. But if it's on the base of multiple visits, then you have a problem, whereas Bharath mentioned that if one phlebotomist goes for a home collection, if you are able to collect more patient samples, a large number of family members, then actually it becomes a much more viable proposition.
- Moderator:** We have our next question from the line of Prakash Kapadia from Anived Portfolio Managers. Please go ahead.
- Prakash Kapadia:** Yes. Couple of questions from my end. If you could give us some color into Swasthfit revenues. I think Bharath did mention about some geographical expansion in terms of increasing the reach. So what would be, say, Swasthfit revenues from top 5 cities for us as of now?
- Bharath Uppiliappan:** I'm sorry, I didn't carry that number today. But yes, I can pull this out and then we're going to send across.
- Prakash Kapadia:** Yes. And in a competitive, increasing competitive scenario, how critical are the 100 million patients, which we've serviced say, during the last 5 years? Because as the business works for us and we realize in terms of cross-sell, the scale, repeat purchase. So what is our endeavor and focus on these existing customers, which we serviced over the last 5 years?
- Om Prakash Manchanda:** So yes, Prakash, this is something we realize as a big opportunity. There's obviously work in progress and some has got executed, some is yet to get executed. We are not going to share some very specifics unless you get tested with us. You can see what we do in the background. But needless to say, we recognize this farming activity as a large source of revenue, and our teams are at work on that front.
- Prakash Kapadia:** So we are internally trying to up-sell and cross-sell to some of these customers and ensure we get more per visit or some more family member test is what the endeavor would be?
- Bharath Uppiliappan:** Yes. So like Om mentioned, we are significantly upping our A&P expense in the direction and lot of them have got technology back ends built in now.
- Prakash Kapadia:** And lastly, from my side, Suburban said annualized revenues of around INR160 crore, we are around INR80 crore, as on H1. What would EBITDA

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margins look like from the current level. So at what scale does those EBITDA margins go to 20% plus for us or Suburban?

- Ved Prakash Goel:** I think, Prakash, I would probably not put a number right now because it's very early stage, as I have always been saying that our focus right now is to see if we can stimulate the top line growth than worry about EBITDA margins. We probably would look at maybe 2-3 quarters down the line, as to how we look at it. But I see this is a great platform for us to see if we can drive growth further. Unfortunately, this year, because the dependence of Suburban on COVID was extremely high, nearly half of the business was coming from COVID, and the entire industry has seen COVID sharply fall. So to that extent, Suburban is also adversely impacted. But we just need to go through this for a couple of quarters and then take a call on how do we look at the margin trajectory. But I think the immediate focus is to see that we are able to build infrastructure, and collection infrastructure in the city of Mumbai.
- Prakash Kapadia:** And post the acquisition, it's been almost a year, more than a year now. So where are we in terms of, say, the test menu, how many have we added in Suburban, some sense on the patient collection center. Has that Mumbai lab opened? Where are we on that journey for Suburban?
- Om Prakash Manchanda:** So maybe I'll request Shankha to talk about this because he is the one, who is driving this test..
- Shankha Banerjee:** So in terms of 3 specific things you said in terms of adding collection network, it's an ongoing process. We've been on the job, and we are adding network each quarter. I may not be in a position to share exact numbers right now. But maybe after 2 quarters or 3 quarters, we'll start sharing numbers,. And the new lab in Vidyavihar that we have set up a reference lab that we have started in terms of testing and stabilizing that lab internally. And all the required accreditations is what is under progress right now. I think as and when that gets over, you would maybe hear more about it in the marketplace.
- Prakash Kapadia:** And on the test menu, is that going to be now a very important addition to Suburban to drive growth for us?
- Shankha Banerjee:** Yes. That is a part of the plan. And yes, it will happen once, like I said, once these accreditations, etc., are completely done, then action on that end will also start happening. Also, we are looking at a very close integration between the Suburban and LPL test menu, leveraging both together.
- Om Prakash Manchanda:** So I think, Prakash, It's very clear in our mind. It's a reference lab for Dr. Lal PathLabs group companies in the city of Mumbai. This lab of Vidyavihar is not only for Suburban as a legal entity, but it is for the all group companies and which we believe is very important for us to go forward.
- Moderator:** We have our next question from the line of Sayantan Maji from Credit Suisse. Please go ahead.
- Sayantan Maji:** So I have a clarification on the personnel costs. So does CSR and RSU expense is INR 63 million, right? So where is this INR 85 million setting?
- Ved Prakash Goel:** Sorry, Sayantan, so I've clarified that there is a RSU cost, not CSR, RSU cost, which is included in personnel cost is down because there is a low cost on account of RSU this quarter.

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**Om Prakash Manchanda:** This quarter charge from RSU is much less than what it was last year.

**Ved Prakash Goel:** Yes, yes.

**Om Prakash Manchanda:** And I think that is primarily in the share price, and that's why it fluctuates right?

**Arvind Lal:** The share price is one of the variables. There are other variables also. Share price is also one variable.

**Sayantana Maji:** And also in this quarter, so can you give a rough idea in terms of which were the regions, which grew at a faster rate compared to the corporate average. So for example, is North India growing at a lower rate compared to the East India?

**Om Prakash Manchanda:** Our core markets of UP, Punjab, rest of North, South, they all really grew at a very fast pace.

**Moderator:** We have our next question from the line of Sameer Gilani, an Individual Investor. Please go ahead.

**Sameer Gilani:** My question is more on your cash flow statement. There seems to be an increase of trade receivables by INR 92 crore, which is not a large number, but given the numbers we've seen in the past, it seems slightly large. Can you throw some light on this, please?

**Ved Prakash Goel:** Yes. So it used to be INR 85 crore kind of number. For this quarter, it is slightly high because of government outstanding, but still well within our DSO, which is 30 days.

**Moderator:** We have our next question from the line of Nitin Agarwal from DAM Capital. Please go ahead.

**Nitin Agarwal:** Om, just 2 questions. One is, (a) on Swasthfit. Since just switching back to the price competition that we talked about, I mean, just your thoughts on, isn't the bundled packages most relative to acute sort of testing more attuned to price erosion or the pressures around just discounting and all of that?

**Om Prakash Manchanda:** Sorry, I'm not sure I got your question.

**Nitin Agarwal:** So my question was when we consider bundled packages, versus acute testing, which happened in response to when a doctor sort of prescribes a diagnostic test, where the quality and the brand starts to become very important. I mean, a bundled test is an impulse sort of a purchase in some sense and are more prone to maybe pricing or the discounting that really the best offer that potentially a customer get?

**Om Prakash Manchanda:** No, no, no. Quality is equally important in this, sir, because I have also talked to my phlebotomists as well as our courier network. They have actually told me that, yes, it leads to certain trial generation, but people are still coming back and saying that, okay, we want to still go back to quality. Nobody will take chances just because somebody is selling at INR 100 lower. They would definitely want to try it out, but quality is important across the portfolio, just because a wrong result can also lead to anxiety. Otherwise, you may not have a problem, but you may have anxiety disorder. So I think quality is important all across. Yes. And I'm actually about firsthand feedback from my team, people, who actually go and collect the samples.

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- Nitin Agarwal:** Okay. And secondly, on Swasthfit, I mean, these are largely what home tests, which we did home collection, I mean, how important is home collection in this sort of bundled test versus the acute tests?
- Om Prakash Manchanda:** So I think I go back to the first question someone asked about generally what is happening in the industry. I think there is definitely a consumer behavior change, which is coming. One is that they are looking for value for money, which is leading to bundled packages, so that is whatever preventive health checkup bundled packages that we talk about. I think that's one change. Second is convenience is becoming a more sought-after sort of value by patients. And convenience essentially would mean is that can they access the brand online, can they pay online, so they don't want to come to the lab and wait for 40, 45 minutes. So I think with all that put together, home collection is one element of that convenience. The convenience could also be how quickly you deliver the report, how easy your website is accessible or app, etc.. So I would call that a convenience and the overall value is quite sought-after by the patients these days in addition to pricing and quality.
- Nitin Agarwal:** And sir, one more thing. We talked about we're not increasing some amount of price and competition, but our gross margin seems to be probably amongst the highest that we've done in a while, and this is despite some amount of rupee depreciation happening and we properly having some amount of imported raw materials. So how does one sort of tally that?
- Om Prakash Manchanda:** So I think mainly because Q2 generally, we all look at growth percentage. But if you keep mind away from that, in absolute terms, it's a very high quarter. So INR 534 crore in just 1 quarter is a very high number. So whatever our Q2 margins that you see, I don't think they are representative for the annual, for the real margin, right.
- Nitin Agarwal:** Yes. This quarter is non-COVID is highest revenue, INR 514 crore is the highest ever.
- Om Prakash Manchanda:** Highest ever and I think it will be the highest in any quarter of the year. So please do not look at the current margin, as a margin, which we will deliver for the year.
- Nitin Agarwal:** I was looking at the gross margin, but I understand the EBITDA margin because that's an operating leverage involved. I was more surprised by the expansion in the gross margins.
- Om Prakash Manchanda:** Gross margins, I mean, is it that high, Ved?
- Ved Prakash Goel:** It is high, little bit Om.
- Om Prakash Manchanda:** Sorry, I haven't seen that. Is it? I don't think it's.
- Nitin Agarwal:** No, no.
- Om Prakash Manchanda:** No, I don't think it's sharply high.
- Nitin Agarwal:** It's not that.
- Om Prakash Manchanda:** We will look into that. But at least my gut says that it won't be that high.

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- Nitin Agarwal:** And if I can take one last one. When we take a 3 year view from here on, what kind of gross margin level do you expect?
- Om Prakash Manchanda:** I think you are talking about gross margin being higher, mainly because last year COVID was higher, so COVID has lower gross margins. You're comparing with the last year number, right.
- Nitin Agarwal:** I was looking on a Q-o-Q basis.
- Om Prakash Manchanda:** Last year I'm looking at material cost % ex of Suburban, which is 23.2% this quarter versus 24.6% last year same quarter, so which essentially means gross margin this year is better than the last year.
- Ved Prakash Goel:** First half.
- Om Prakash Manchanda:** First half, sorry. I'm looking at both the quarters together. It's mainly because COVID component last year was very high, and the COVID had a lower gross margin than our rest of the portfolio. Now COVID has just gone away, so obviously, our gross margins look better.
- Nitin Agarwal:** Sorry, last one, if we take a 3-year view, what is the aspiration or rather what is your assessment when you look at the business, what is a good volume growth number, patient volume growth number that we should be sort of looking at?
- Om Prakash Manchanda:** It's very difficult to put that figure because industry is definitely in a state of flux. And on one side, I'm seeing some euphoria declining amongst competition. So we'll have to wait and watch. It's too early. Maybe next couple of quarters we'll have to see. I think this whole excitement, which COVID created in the financials is dying down. So my sense is, we will give a stable sort of rate after 2 quarters. So my best guess would be, I think you should wait and watch for another 2 quarters to see a real trend. But I think at a macro level, all the macros are in place in terms of diagnostics is highly underpenetrated India. Medicine has to become evidence-based, very large country, 1.4 billion people. It has to go to Tier 2, Tier 3 towns. I don't see any reason why industry growth rates should be on a long-term basis, if not higher, not the same as what we have seen.
- From a volume perspective, I actually don't see any reason why industry should not grow. I think the challenge could be on the competitive intensity where some of these players continue to resort to cash burn, then I don't know how pricing would settle down, that is the only thing I would probably watch out for. To my mind, if funding is drying up as we keep reading in the newspapers, we'll have to see after two, three quarters, what really happens and how they resolve. I think early signs are some of these players have started taking up the prices of the packages, which could be a sign that they have run out of steam to stay on those current price points.
- Moderator:** We have our next question from the line of Sameer Baisiwala from Morgan Stanley. Please go ahead.
- Sameer Baisiwala:** Sir, can you update us on your distribution expansion that is underway. I know you disclose the numbers at the end of the year, but we are seven months down, is it on course, Labs, PSCs and puts?
- Bharath Uppiliappan:** Yes, indeed, it is on track and I mentioned in the opening comment, that we are seeing good response on Tier 2 plus cities and on South also the

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geography and our expansion plans continue both on collection center, pickup points, as well as the lab network, no slowdown on this count.

**Sameer Baisiwala:** Okay. And sir, the second question is, you've been mentioning on your presentation deck, things like home ECG testing, radiology and gene testing. If you can talk a bit more about these, do you think these can become big in the overall portfolio? Or how do you view these?

**Om Prakash Manchanda:** I don't think this can become big. These are more filler tests, I would say. I don't think this is the belly of the business at all.

**Sameer Baisiwala:** Okay. That's fine. And final question from my side. How do you judge Suburban acquisition on ROI basis, given that you must have spent about INR1,000 crore plus and where the numbers are tracking right now?

**Om Prakash Manchanda:** I think we have looked at Suburban more from a geography or presence point of view, where Mumbai and Maharashtra are very significant markets. On our own organically, we may have had a very huge challenge in setting down, we have tried this last 10, 15 years, INR 160 crore and INR 170 crore of business, 80% is coming from Mumbai. I think we see this as a great platform in the life of Dr. Lal PathLabs only for times to come. So we are not looking at on a quarterly or a one-year basis. I know this year, some of this math will be little awkward given that covid has just gone away with half of the business, but so that's the life. And I really don't look at from or rather as a team, we don't look at it from three months or one year perspective. For us, we see this deal from a very, very long-term standpoint. And it also gives us ability to build, I think Prakash asked this question about central lab. If we're able to build a nice platform of very, very high-end wide test menu in Mumbai, I think it's a great thing for us too. On a small scale sometimes these investments really don't deliver, but at such a high base, this can really work well for us if you can turn this around.

**Moderator:** We have our next question from the line of Rishabh Tiwari from Allegro Capital Advisors. Please go ahead.

**Rishabh Tiwari:** The question is regarding the Non-COVID revenue growth, which is around 6.6% for this quarter. Could you please throw some light on how much of this is coming from volume and how much of special coming from price given that there is a price erosion in the revenue for test while the RPP is going up?

**Ved Prakash Goel:** So let us say there is no price erosion per se, there is a bundle test and super specialty contribution moving up. So if you put back the numbers, half will be volume and half will be revenue realization, not a size increase, revenue realization moving up, actually going, so half, half.

**Rishabh Tiwari:** Okay, got it. Thanks. Just the last question, what was the contribution of Delhi NCR revenues in Q2? Since the opening remarks mentioned about focusing expansion in South and also the reference lab coming in Bangalore. So if could have a broad number, the contribution from Delhi NCR, I remember it was 35% last quarter a year?

**Ved Prakash Goel:** So same range, yes. It remains the same range.

**Om Prakash Manchanda:** I think the price erosion comment is not from our company stand, I think we have the general comment about industry because that's the way it has happened.

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- Moderator:** We have our next question from the line of Rishi Modi from Marcellus Investment Managers. Please go ahead.
- Rishi Modi:** So my first question is that our three year revenue CAGR, right, non-COVID, non-Suburban has been around 9% to 10%. So are we seeing some saturation out here? Or are we losing market share, like I'm guessing the industry might be growing much faster given post COVID as well. So just trying to understand, have we lost any market share?
- Om Prakash Manchanda:** See, we have done this analysis for all the companies who publish data and we are seeing at least our growth rate of the CAGR of 10%, it's still the highest growth, right. I don't see that we are losing our market share. So maybe it might just take a bit of time for it to come back to the same old trajectory, but slowly, slowly the business is inching upward, that's the point I was saying rather than looking at year-on-year see that how quarterly this trajectory is moving, it is more or less mimicking what it used to be earlier. I don't think that we are losing our market share at least if I look at the base on the published data. Now of course, there are large number of unlisted players, but we don't have access to the information that they have. But having said that, of course, they also are getting some business, so they must be nibbling away a little bit here and there, but I don't know whether that's a sustainable number for them, we'll have to wait and watch just our guess.
- Rishi Modi:** Right. And as you said right now that you're moving into Tier 2, Tier 3, so how do the productivity and profitability numbers stack up for Tier 2, Tier 3 versus a current year one numbers, like, what are you seeing out there?
- Bharath Uppiliappan:** So if you look at productivity, there are two types of productivity, one is throughput per outlet and then there is the entire ecosystem. The throughput obviously takes a bit of time more in the Tier 2, Tier 3 to build up. There are various types of market, brand strong market, brand weak market. On an overall level if you manage the expansion plan well enough, I think we'll continue to see the results as we are seeing now.
- Om Prakash Manchanda:** I think broad thumb rule is that, as you go away from the core markets, your margins are slightly lower. The trick lies in managing in a very calibrated manner, how we expand into these markets to manage your margins. Let's say, if our company was only Delhi NCR company, margins definitely would look much higher. They obviously get diluted as we go into the hinterland, I think that's a broad rule, right? We want to very, very carefully maneuver the balance between metro as well as Tier 2, Tier 3 towns and also how you manage your lab infra.
- Rishi Modi:** Got it. Okay. And so you mentioned on the call that you have doubled your tech expenses in the past few years. So where are you investing in this tech like want to understand and what are you doing in the back end, if you could give some more clarity?
- Bharath Uppiliappan:** So on the front end, so you actually pointed out front and back end and the security layer, there are three different ways to cut it. On the front end, all our digital properties have been revamped, website, app, the whole experience has been revamped. On the supply chain side, we have put in lot of digital assets to monitor the sample flow. So we talked in the past about having a control tower. We talked about having AI/ML layer, analytics player, all those things are now in place. And at the back end and the infra side also

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there is a migration to cloud which is happening slowly and steadily. Most of our applications are now cloud hosted. Also there is a large investment around security, governance, data governance etc.. So host of initiatives just not about making a nice app, but the entire end-to-end front end and back end and middle in between also.

**Arvind Lal:** Rishi, this is Dr. Lal here.

**Rishi Modi:** Yes.

**Arvind Lal:** We were the first people to bring IT into the entire health care industry in 1986, so the experience which we have in IT and digitization nobody else has. So we are going around trading along very well and I think we are still the best.

**Rishi Modi:** Got it.

**Bharath Uppiliappan:** Also the partner ecosystem is also largely digitized now and a lot of programs are running on further strengthening those.

**Rishi Modi:** Understood, understood. Okay. Also, finally, I think Om touched upon the challenges of Suburban. If you could get into more depth on that, I think the two, three points were mentioned on Suburban, one was getting the partner network economics right. And then there was the team settling in. So if you could give more color on that?

**Om Prakash Manchanda:** I think to my mind, nearly half of the business was out of COVID last year, so that is settling now, declined to about 90% decline. I think that is one side, which we have to now manage because that has obviously dropped the throughput in the channel and we have to look at the whole viability. Second is, we have put and there is a change over from a promoter run set-up to a professional run set-up. So I think there are few HR things which are, of course, behind us. And third is putting this Vidyavihar lab, which is very critical to our success. As Shankha mentioned that we are in the process of getting accreditation as we launch that, this should fall in place. And third is, of course, Mumbai having said that is not a very easy market, otherwise, we wouldn't have done this, we would have done it our self. So, it's a highly competitive platform and I think we'll just find it out.

**Rishi Modi:** Right. So, on Suburban, right, you all have some basic radiology in the sub-urban centers. So like what's the plan? Are you all planning to continue with the radiology or and then maybe scale it up pan-India? Or are you all planning to continue being only a pathologist?

**Om Prakash Manchanda:** So, I think since you use the term radiology, we don't do CT/MR there, it's mainly x-ray, ultrasound and primarily if I look at they are more catering to the health checkup sort of a concept. I think as a company, we are more a pathology. I think it will be more in terms of building our collection network that's the way we have done in the LPL because that really gives you a decent scale. So our hope is potentially to build infrastructure in terms of collection network.

**Moderator:** We have our next question from the line of Arshita Jain from Nuvama Wealth Management. Please go ahead.

**Arshita Jain:** So sir, in continuation to the last participant, so you mentioned the new management is still stabilizing this asset. So just wanted to understand, what

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are your internal expectations from this asset particularly the Suburban growth expectation?

**Om Prakash Manchanda:** So I think our internal expectation is, if we can build western region for combined business of Dr. Lal PathLabs Suburban together, that's how we will define success for our self. And when I say that our ability to really get synergies at the back end, so that both side labs are able to cater into the market and the front end, we continue to do a brand. So I think I would say western region business starts growing, that's how success will be defined for us.

**Arshita Jain:** No, I'm saying, you think this asset can grow much faster than the industry growth in the coming year?

**Om Prakash Manchanda:** I think so, here.

**Arshita Jain:** Okay. The second question is on the revenue contribution from the metros and Tier 1, what is it now? And what was it three years back? Any color on that?

**Om Prakash Manchanda:** So let's say, if I take Delhi NCR, three, four years back, it used to contribute nearly about 50% or 55%, now it is down to about 34%, in H1 FY23 excluding Suburban is that correct?

**Om Prakash Manchanda:** So we are spreading our reach very well outside Delhi NCR. So our dependence in metros over a period of time is reducing.

**Arshita Jain:** It will even include the Tier 1s also?

**Om Prakash Manchanda:** I don't know what you mean by Tier 1, are you talking about mini metros and Tier 1 or how do you define Tier1 in fact?

**Arshita Jain:** Basically just wanted to know your contribution from Tier 2 to Tier 6 towns, Tier 2, Tier 3 towns right which is expanding simply?

**Om Prakash Manchanda:** Directionally, we are all going down the pop strata for our growth strategy, so whether if we go to Tier 3 or Tier 4, idea is to go down the pop strata. Let's say, you are in the South region, you are slightly still fighting the battle out in metros. So we will go to the next layer of towns. In North, we are obviously in Tier 3 right now. So I think I would say whatever markets we are, we are looking at next pop strata, which is down the pop strata.

**Arshita Jain:** Fair enough. And lastly Swasthfit, Swasthfit already is 20% of your non-COVID revenue, where do you think this contribution can move up in the coming quarters since you are seeing change in the customer or consumer behavior

**Om Prakash Manchanda:** I think that's a brilliant question and I think that's an overall trend in the industry. I would actually say that it will keep growing, I don't know what that number is because if you historically study 15, 20 years back, even these panels were not there, LFP, KFT, etc.. And somebody would have talked about this panel as a great story that time, today, now you're bunching these panels calling them bundle packaging, right? So I think directionally that's the way industry has moved from single test to a panel now, panels being bundled is now a big thing. So directionally, I would say it will keep growing.

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I don't know where it finally lands up and good news is that these are both packages where doctor intervention is relatively lesser

**Arvind Lal:**

And Arshita, this is Dr. Lal here. Don't forget that mortality and morbidity in India is 65% and hence these non-communicable diseases are not going to stop. Diabetes is going to grow, hypertension is going to grow, Cancer is definitely growing and the liver disease, kidney disease, where is the stoppage, there was a lull there because of the COVID because COVID took the front face because of the mortality, but the rest of the things have not disappeared.

**Moderator:**

We have our next question from the line of Dheeresh Pathak from WhiteOak Capital Management. Please go ahead.

**Dheeresh Pathak:**

I was looking at you are saying that seasonally Q2 has done well. If I have a number of based on my math, 6.7 million, so that is just 0.2 million increase in footfalls, which is a measure of number of patients ex-COVID, ex-Suburban between Q1 and Q2, which in a pre-COVID time used to be anywhere between 0.4 million to 0.5 million extra patients we would get between Q1 and Q2. So from a footfall point of view, it's been softer versus what we would see in the pre-COVID time period, so I guess their numbers are right that I'm talking about.

**Bharath Uppiliappan:**

So for Q2, the volume growth is 3.3%.

**Om Prakash Manchanda:**

No, no, I think his question is, the way we are highlighting Q1 to Q2, 6.5 value growth, he is saying volume growth is lower, right? Is that correct?

**Dheeresh Pathak:**

Yes, yes. If you look at it just in terms of delta between the patient footfall between Q1 and Q2, on an absolute number, it is much lesser versus what we were doing with pre-COVID, so pre-COVID in FY'19 between Q1 and Q2, we did about 0.5 million extra patients, then in FY'20, which is obviously COVID hit in the last quarter, but if you see between Q1 and Q2 that was about 0.4 million. This year, if you take out Suburban, it is only 0.2.

**Om Prakash Manchanda:**

Yes, so I think you have an observation. I think if you don't mind, we would definitely love to have an offline conversation on that, I don't have readily that data available, so I can't engage myself deeper into the conversation.

**Dheeresh Pathak:**

But is that the right metric now. You think just looking more at patient footfall, so that is a measure that we should...because more tests are getting bundled. The patient footfall also will be important metric in your mind or value growth is more important?

**Om Prakash Manchanda:**

No, no, actually all three I would say, I think there is a good point you're saying. I would say revenue, then revenue per patient, then number of patients, then I would say, number of test per patient. I think all the four are important for us to actually see how we trade the business is going up.

**Dheeresh Pathak:**

Okay. And sorry, go ahead, sir.

**Om Prakash Manchanda:**

I said all these four metrics are important, yes. But having said that, I wouldn't worry about quarter-to-quarter variation, I'll tell you reason why. This year, let's take year in which Dengue incidence is very high, you will certainly see volume shooting up very sharply because one Dengue patient in a week's time might visit your lab 10 times, you understand what I mean? So, in a quarter, if the Dengue is not that high and certainly you'll see volume

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dropping. So I really won't worry about one quarter to another quarter, I will definitely look at this metric over a longer period as to how it's trending.

**Dheeresh Pathak:** Certainly. How do you characterize Dengue this quarter versus the past year?

**Om Prakash Manchanda:** I really won't have that data, but I think this year slightly Dengue has been little bit muted and in some places, it's averaging, I won't say it's unusually high.

**Dheeresh Pathak:** Okay. And what was the acquisition related amortization and what was the Ind AS adjustment?

**Ved Prakash Goel:** So in this quarter, INR12 crore amortization on account of acquisition.

**Dheeresh Pathak:** Okay. And what was the Ind AS is INR14 crore, IndAS adjustment between the EBITDA and the IndAS adjusted EBITDA?

**Ved Prakash Goel:** So it is not unusual, it's in line with the past trend only, so about 1%, 1.5% kind of yes.

**Dheeresh Pathak:** Okay. It is 2.9% of revenue it was last quarter, which was INR14 crore in absolute term, which is higher than 1%, I'm assuming it will be similar in absolute term versus last quarter, right?

**Ved Prakash Goel:** Yes, similar, so there is no change, the only thing in India rental cost is coming down in the form of rentals and depreciation, that's it.

**Dheeresh Pathak:** Okay. When you say 1%, it is higher than 1%, right, it is INR14 crore, which is 2.7%?

**Ved Prakash Goel:** I will just check, but it is.

**Om Prakash Manchanda:** He doesn't have that figure.

**Dheeresh Pathak:** Okay. I'll connect offline.

**Moderator:** We have our next question from the line of Prashant Nair from Ambit Capital. Please go ahead.

**Prashant Nair:** So first question was on tax rate, for the full year, will it settle back down to the 25% or level that you normally have? Or will it stay elevated as you've seen in the first half?

**Ved Prakash Goel:** Yes, it will be similar, there is nothing change in there in terms of tax.

**Prashant Nair:** So similar as the first half of this quarter or similar to what you've been doing in the past?

**Ved Prakash Goel:** Yes, similar, I mean, in this first half also is similar, it's nothing which has changed.

**Prashant Nair:** All right. And so generally on the growth front. So when we look at industry growth, would it be fair to say that steady growth that you are doing in say in the Delhi NCR market where you are a leading player and have high market share, is a fair reflection of what the industry will be growing at? Or do you think you're still gaining some share in that market as well?

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- Om Prakash Manchanda:** In Delhi NCR?
- Prashant Nair:** Yes, so for example, my question is, if you're growing say 8%, 10% in Delhi NCR, is that a reflection of what industry growth would be for that market and similar markets like, say, larger markets, larger cities or each state has its own dynamics and growth rates could vary?
- Om Prakash Manchanda:** I think each city has its own dynamic because I think competitive intensity in general I'm seeing is high in four or five cities in the country, that's where the maximum noise is. You go down the pop strata, you may not hear some of these names. So I think it's a city level sort of a thing. And let's say, we all talk about certain pharma companies, we don't even hear them in northern part of India. So I think depending on where they are strong, the infra is strong, that's where they, I would say it varies from city to city, but definitely four or five big metros are where especially online players are more interested.
- Moderator:** We have a follow-up question from the line of Nitin Agarwal from DAM Capital. Please go ahead.
- Nitin Agarwal:** I think in the initial comments, you mentioned something about introducing a new suite of test for pregnant women. I mean, if you can probably highlight little bit, put some more color on that? And I mean, what kind of opportunity do we see in this space?
- Om Prakash Manchanda:** So I think Bharath mentioned about that. Our view is that industry is getting sort of vertically split, you have bundle packages and then you have always high-end packages, right? Now that's where the segmentation would come in since all of you cover pharma space and you have things like Derma division, you have gynaec, you have things like that. So similarly like we have launched this auto-immunity and this kind of segmentation segment focus would come,. So this reproductive diagnostic is one such promising segment in the industry and that's what Bharath meant by that. So it's not about just pregnancy alone and I would say these are all life stage testing starting with puberty and motherhood and things like that. So I would club all that into a reproductive diagnostics.
- Nitin Agarwal:** And just one separate question, sir when you alluded the earlier point about expansion in sort of smaller towns and your comment that probably that growth comes at a slightly lower margin. So just picking a thought on it, is something like an absolute EBITDA per patient, is there a right metric to look at this business and is that a metric that we track internally also?
- Om Prakash Manchanda:** I think what I meant by that was basically it's a lower realization, you go down pop strata, it's affected by many factors like the ability to pay or in prescription habits of doctors, etc., if not like where somebody would go for INR2,000, INR3,000. So what I meant all that ability to pay lower down the pop strata and similar prescription behavior is very different than, let's say, the metro cities. And the profile of testing is also going to be different because they are more routine in nature which are low price. And compared to that unit economics, it's very difficult to get pathologists and at times we end up paying slightly higher salaries in smaller towns and in the metros. So it's all in all put together. And plus, you do not see. I said it's also revenue trajectory also doesn't pick up that sharply and thereby, the overall net impact is the margins are slightly depressed and what we would realize in metros, so scale is also very high in metros.

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- Arvind Lal:** Also, this is Dr. Lal here, also when you go away from the metros, you go into the other town, smaller towns, you are faced with lack of electricity, lack of potable water and so you're going to spend money on other things, including electricity, you are going to pay much more. And sometimes, we've even had to carry RO water all the way from Delhi to smaller towns. So nothing goes cheap, as you go actually deeper down, the cost of servicing that patient actually increases.
- Nitin Agarwal:** I mean sir link point as a proportion as we grow, as we grow more of volume growth is coming from the smaller areas, does that on a weighted average basis create pressure on our EBITDA margins, so while absolute EBITDA come through what margin perspective it may just create problems rather pressure on the EBITDA margin?
- Om Prakash Manchanda:** So I think there are factors which are favorable, unfavorable. I think that is where the whole management lies, art of management lies and to best of our ability, we are trying to see how we don't dilute the margin. I think that's where you are seeing the numbers. But we are cautious also in our commentary because as you go down the pop strata, I think it's natural to believe that margins won't go up, but we are trying to see how we keep on sustaining our current level.
- Moderator:** Thank you. Ladies and gentlemen, that was the last question for today. I now hand over the call to management for closing comments. Over to you, sir.
- Ved Prakash Goel:** Thank you, everyone for being with us on this call today. I wish all of you remain safe and healthy. Looking forward to meet you next quarter conference call.. I would now request the moderator to close the call. Thank you.

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