Ref: MHL/Sec&Legal/2022-23/54 **Date: August 17, 2022**

To,
Head, Listing Compliance Department
BSE Limited,
Phiroze Jeejeebhoy Towers,
Dalal Street, Mumbai – 400 001.
Scrip Code: 542650

To,
Head, Listing Compliance Department,
National Stock Exchange of India Limited
Exchange Plaza, Plot No. C/1. G Block,
Bandra – Kurla Complex, Bandra (East),
Mumbai – 400051
Scrip Symbol: METROPOLIS

Sub: Intimation of Transcript of Earnings Call for Q1FY2023 under Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015

Dear Sir/ Madam,

This is in continuation to our letter bearing reference No. MHL/Sec&Legal/2022-23/45 dated August 06, 2022, please find enclosed herewith copy of the transcript of the Earnings Call held on Thursday, August 11, 2022, wherein the Management of the Company discussed the Q1FY2023 Results.

The same has also been uploaded on the Company's website and can be accessed at www.metropolisindia.com

You are requested to take the above information on record.

Thanking you,

Yours faithfully

For **Metropolis Healthcare Limited**

Simmi Singh Bisht
Digitally signed by Simmi Singh Bisht
Date: 2022.08.17 19:37:13 +05'30'

Simmi Singh Bisht
Head – Legal and Secretarial
Membership No. A23360
Encl. a/a

"Metropolis Healthcare Limited
Q1 FY2023 Earnings Conference Call"

August 11, 2022

ANALYST: **MR. HARITH AHAMED - SPARK CAPITAL ADVISORS**

MANAGEMENT: **MS AMEERA SHAH - MANAGING DIRECTOR - METROPOLIS HEALTHCARE LIMITED**
MR. RAKESH AGARWAL - CHIEF FINANCIAL OFFICER – METROPOLIS HEALTHCARE LIMITED

Moderator: Good morning, ladies and gentlemen and welcome to the Q1 FY2023 Earnings Conference Call of Metropolis Healthcare Limited hosted by Spark Capital Advisors India Private Limited. This conference call may contain forward-looking statements about the company, which are based on the beliefs, opinions and expectations of the company as on the date of this call. These statements are not the guarantees of future performance and involve risks and uncertainties that are difficult to predict. 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. Harith Ahamed from Spark Capital Advisors. Thank you and over to you Sir!

Harith Ahamed: Thanks, Mitchell. Good morning everyone. This is Harith from Spark Capital. I like to thank you all for joining this hosted by Spark Capital to discuss the Q1 FY2023 earnings of Metropolis Healthcare. I would like to thank the management of Metropolis for giving us the opportunity to host this call. From Metropolis senior management team, we have with us today, Ms Ameera Shah, Managing Director; Mr. Rakesh Agarwal, Chief Financial Officer. I will now hand the call over to Ms. Ameera Shah for her opening remarks. Over to you Madam

Ameera Shah: Good morning everyone and thank you for joining us on the Q1 FY2023 earnings call. I hope you and everyone around you are safe and healthy and I am joined today by Rakesh Agarwal and SGA. The presentation and press release have been issued to the stock exchanges and uploaded on our company's website. I hope everyone had an opportunity to go through the same. The industry has grown by leaps and bounds over the last 10 years while Metropolis has grown even faster. When I look ahead the excitement has only increased for what the future may hold. The growth opportunity for the diagnostics industry including the overall healthcare looks brighter than ever and this is evident from the fact that the industry has attracted top talent from the best of companies and industry.

We at Metropolis have embarked on a 3.0 journey and believe we have enough resources to execute the strategy for which a plan has already been set in place. Metropolis 1.0 was all about building the brand amongst lab and hospitals and setting up strong operations and entering market. Metropolis 2.0 in 2015 was a pivot to the B2C business via prescriptions from doctors and building large distribution of collection centers across the country. Now it is time for Metropolis 3.0 and in one line this will be about focusing on the needs of the consumer and differentiating our brand in the plateau of layer. Metropolis 3.0 is a combination of three different areas. For the illness business, we will continue to strengthen our density of centers in focus cities for consumer convenience through targeted network expansion and home visits, which will lead to an increased B2C ratio, as we have seen in the past.

We are also building operational excellence to enhance stickiness of the customer. The second one is that the phase of COVID has encouraged consumers to be more health aware and proactive and therefore it gives us the opportunity to additionally focus on B2C direct to customer, which was never a large market before. We are utilizing this opportunity to better understand consumer needs and meeting them through technology and superior customer experience. This will enable us to focus on the untapped markets of affordable wellness and chronic testing, which have not been a focus for Metropolis before and have a very small contribution to our overall revenue. This will not be done through the cash burn model, but a profitable sustainable way of organically growing, as we have always done and number three, as we increase our scientific engagement with top doctors and hospitals of India this will result in specialty business increasing and differentiating our brand.

We believe that Metropolis 3.0 journey, which is our digital footprint coupled with our lab and network expansion will create a long runway of growth giving us the confidence to achieve the growth seen in pre-COVID level. This evolution to 3.0 will require addition of different talent and a consumer focused mindset. The future is always built on the strength of the past. Let me take the opportunity to thank Vijender Singh for the contributions towards Metropolis 2.0 in the past six years who will be moving on from Metropolis to explore new opportunities outside the diagnostics industry. He will continue to be a part of Metropolis till November 30, 2022, to ensure a smooth transition, we at metropolis wishes the best to him for his future endeavors and details regarding the new CEO who will partner with me for Metropolis 3.0 will be announced shortly.

There has been a lot of talk about Metropolis and our alleged plans in the past few months. Let me take this opportunity to set the records straight. As the promoter of Metropolis who has built this business over the past 20 years, I am excited and passionate about the future, as we have been navigating the changes in the industry. A few months back we received a lot of inbound interest from corporates and financial institutions who were all part of the healthcare ecosystem for making a potential investment into Metropolis or a strategic partnership. As a progressive company interested in the interest of all shareholders we evaluated the proposal to see if any of them bring strategic value to the Metropolis journey 3.0. This fuelled many media articles speculating on the direction we would take and in India there is never a shortage of quote unquote anonymous sources giving information to media.

As management and shareholders while we were encouraged by the overwhelming interest by multiple parties to invest a minority stake in Metropolis we have decided that the best direction for us is to continue to build on our own. The other news was a large primary fund raise to be done by Metropolis. I would clarify that we are currently not looking at any fund raise into the company that we believe at this time would dilute our shareholder interest in an unfair manner. We have strong cashflows and a healthy balance sheet to be able to manage growth or acquisitions and therefore there is no reason to dilute at this point. Lastly let me give you in confidence that the promoter group remains committed to the organization's growth just like in the last 20 years and will ensure we continue to scale higher as a leader in the industry. Now let us move on to the business highlight. Q1 FY2023 was the first quarter after two years which witnessed some normalcy from locked downs and COVID spikes.

We are very pleased that non-COVID revenue that is revenue excluding covered PCR and COVID allied has grown by 26% on a year-on-year basis while the B2C revenue has grown even faster at 28% Y-o-Y. This is despite the fact that historically Q1 is weaker than Q4 in the west and south of India while usually in the north and east of India Q1 is better than Q4. If we look at past historical trends we have usually seen a flat to negative growth in Q1 over Q4 because of the other reason I mentioned, but this year due to better operational rigour, we have seen a growth in Q1 for non-COVID over Q4. I am also happy to report that we continue to witness increased productivity in our center. Since the start of FY2022 we have added 22 labs and 631 service centers. These have shown early positive trends and we expect to break even period for these new centers to be at a shorter tenure as compared historically.

The productivity has also been value led has seen the increase of revenue from specialized test in the newer center. We have also been able to grow the wellness segment at a faster phase. As the new health tech players with a large marketing budgets have accelerated the awareness for preventive health checks which has resulted in an expansion of the overall market size of the wellness industry. This has helped us to build a wellness segment faster than before. Our focus has been on larger packages sold with premium for the Metropolis brand rather than large volumes at low prices. We have seen revenue from wellness segment for Metropolis increased from 7% in Q1 FY2022 to 12% in Q1 FY2023. We would like to take this to a 20% contribution of the overall revenue in the time to come. We will also continue building Metropolis on a very scientific basis. the brand equity of Metropolis has been built over 40 years based on the earning the trust of doctor.

The major share of our customers are acute patients who require testing on priority and the doctors who refer samples to us are specialists who are looking not just for any lab, but for a good quality lab with specialized testing capability. This segment of the business is much stickier in nature and least susceptible to increased competition by diagnostics. Our portfolio of specialized tests is backed by years of research and plays a very crucial role in the diagnosis and treatment of patients and 42% of our revenue excluding COVID test is contributed from specialized test. We continue to invest in the R&D of new test and we had added 20 new in the last six months. Our integration with Hitech is also moving on the expected phase. We have identified 9 Hitech labs, which had an overlap with Metropolis labs and merged, which will lead to a consolidation of revenue while optimizing the overheads. The lab network has been optimized, but at the same time we have added 14 new service centers and the Hitech to expand the sourcing of patients.

As we move forward into integrating operations, the synergy it will flow through low procurement costs, lower operating expenses complimented by higher revenues eventually leading to margins betterment. We are on track for adding 90labs and 1800 centers by 2025. Out of 22 labs added since 22, 13 labs have been launched in south and west of India in cities and markets in which our brand was strong but we did not have a lab and 7 in north and east of India and two internationally. In terms of collection centers collection out of 631 added since FY2022, 534 were added in south and west, 88 in north and east and 9 internationally. Additionally, our home visit revenues are also growing well and coverings has expanded to 100 cities.

The home visit revenue excluding COVID and COVID allied test is more than doubled to 23 Crores in Q1 FY2023. On a quarter-on-quarter basis it grew by 30%. There is a segment of customers who prefer home testing, but still a large number of customers prefer the brick and mortar expression. The economics from home testing keeps on improving as volume through put for home testing increases. As we digitize more of our offerings our focus on self serve is helping us reduce the cost of servicing the customer. We are finding more patients embracing our new app, corporate portal and automated whatsapp channels to engage with us. We are also focusing on increasing the B2C which is via doctors and B2C which is direct to consumer business contribution. Our continued emphasis on improving our net promoter score, which is a reflection of customer experiences helping us retain customers who value experience and quality far more than rising.

All the consumer facing tech tools like sample and tracking, smart report, quick report turn around time and an ability to book and pay quickly and self overall positive voice of customer and lastly but not least importantly at Metropolis we recognized that acting responsibly and sustainably is part of being a responsible steward of our planet with the vision to create a wider impact for the greater good and continue our mission of building a resilient business and sustainable economic and value creation for stakeholders, we have embarked on our journey in the fourth quarter. We will keep you updated as we progress. This is all from my side. Rakesh Agarwal, the CFO will now take you through some of the operational parameters and financial highlights.

Rakesh Agarwal: Thank you, Ameera. Good morning everyone. Let me talk about the key performance, metrics and operational numbers. Revenue share of B2C business in focused cities for non-COVID stood at 60% in Q1 financial year 2023. Our near term target is to reach 65% contribution. Revenue contribution from specialized test for revenue excluding COVID PCR and allied is similar at 42% in Q1 financial year 2023 as was in Q1 financial year 2022. Revenue contribution from wellness test excluding COVID PCR and allied witnessed a strong increase to 12% in Q1 financial year 2023 as compared to 7% in Q1 financial year 2022. The revenue per patient increased by 3% year-on-year to Rs.955 while revenue per test dropped by 7% Y-o-Y to Rs.466 in Q1 financial year 2023 due to packages contributing more to overall revenue.

Our revenue profile amongst focus, seeding and other cities stood as follows: Focused cities that is five cities including the city and peripheral areas around metropolitan regions contributed 60% to the revenue in Q1 financial year 2023 as compared to 58% in last year Q1 financial year 2022. This is basically due to the Hitech acquisition, which has large revenue in Chennai and Bengaluru two of our focussed cities. Seeding cities that is eight cities contributed 19% to the total revenue in Q1 financial year 2023, which is similar as compared to 20% in Q1 financial year 2022, excluding COVID PCR and allied. Rest of the other cities contributed 21% of the revenue in Q1 financial year 2023. With respect to geographical distribution, revenue contribution excluding COVID PCR and allied from west region was 50%, south contributed 30%, north contributed 9%, while the rest was contributed from east and international locations.

Revenue from south has increase on an account of acquisition of south based Hitech diagnostics. Now, let us come to Q1 financial year 2023 financial highlights. Before starting with the financial highlights, as Ameera said that important point to note is that the base quarter of Q1 financial year 2022 was very high on an account of delta wave COVID. Total revenue decreased by 14% year-on-year to Rs.280 Crores, most importantly revenue excluding COVID PCR and COVID allied increased by 26% Y-on-Y to Rs.262 Crores, COVID PCR revenue dropped 80% Y-on-Y to Rs.12 Crores while COVID allied revenue dropped 90% Y-on-Y to Rs.6 Crores in Q1 financial year 2023. EBITDA before CSR & ESOP is at Rs.71.7 Crores in Q1 financial year 2023, EBITDA margin for Q1 financial year 2023 stood at 25.6%. EBITDA was impacted by on an account of lower revenue base due to sharp drop in COVID PCR and COVID allied revenue, increase in employment cost on an account of strengthening of leadership team and front end staff investment and lab network expansion, which means carrying months of fixed costs before the lab launch.

Profit after tax stood at Rs.33.6 Crores in Q1 financial year 2023 versus normalized, but not including exceptional item of Rs.63 Crores in Q1 financial year 2022. Coming to our working capital ratios, our debtor days as on June 2022 stood at 32 days at similar level, but while comparing to March 2022. Overall working capital day stood at 18 days as on June 2022 compared to 14 days as on March 2022. OCF to EBITDA continues to be strong at 99% in Q1 financial year 2023. Cash and cash equivalent stood at Rs.139 Crores as on June 2022. Total debt drawn for the acquisition of Hitech was Rs.300 Crores out of which we have already repaid 106 Crores from internal accruals and gross debt stood at Rs.194 Crores as on June 2022, we plan to repay the external debt of acquisition by the next financial year. During last year we have also merged all our 100% portfolio on subsidiaries with the Metropolis Healthcare. This will lead to cost efficiency, better administration, governance and simplify the corporate structure.

In financial 2023 our effort will go towards cost optimization through digitization of processes, efficient manpower allocations, and improvement in better break even of newly expanded network. Q2 is usually one of our best revenue in west India and with work happening behind the scene on managing costs well, we expect our margin to be at a pre-COVID level in Q2. On growth, we expect higher single digits Q-on-Q revenue growth on non-COVID business for Q2. This all from my side. We now leave the floor open for Q&A. Thank you.

Moderator: Thank you very much. We will now begin the question and answer session. Ladies and gentlemen, we will wait for a moment while the question queue assembles. The first question is from the line of Sriraam Rathi from BNP Paribas. Please go ahead.

Sriraam Rathi: Thanks for the opportunity. My first question is on the growth, the non-COVID business, it seems that it has grown at around 8% to 9% three year CAGR including the Hitech revenue, is possible to share the Hitech revenue and secondly assuming that this quarter was very normal and generally we used to grow let us say 14% to 15% so by when we expect that that growth we will be able to achieve more?

Ameera Shah: Thank you, Sriraam for the question. As we have indicate in the speech we expect that now that the more normalcy is coming post-COVID and assuming that there are no more waves and no more spikes from here on, I think we expected that we should resume a Y-o-Y pre-COVID kind of a growth, as we have already seen this quarter with a non-COVID growth of 26%, we have seen some normalcy resume, obviously the base last year for non-COVID was a little bit lower because of the wave, but I think our pre-COVID growth rates I think we are on the way to be able to get there, so I do not think we have the breakup of the Hitech revenue.

Rakesh Agarwal: So, basically if you remove Hitech we are growing around 17% Y-o-Y overall and the rest of 9% growth is coming from the Hitech number.

Sriraam Rathi: Sure, that is helpful, Sir and just one question, is it possible to share the number of tests and ex-COVID for the quarter?

Ameera Shah: We will get it in the next five, seven minutes and respond back to you in this call.

Sriraam Rathi: Yes, that will be helpful.

Sriraam Rathi: And we expect that the margin will revert to pre-COVID level from Q2 onwards, we are assuming that the growth will also bounce further from here on, right in terms of revenue side?

Ameera Shah: Yes, absolutely I mean I think if you see, there is a good amount of seasonality in our business and we have to remember that the seasonality is different in different parts of India, which is why different players depending on their strengths and certain geography have different quarters where they have different growth numbers, for Metropolis because of our strengths in west and south usually Q4 and Q2 are the best quarters historically for the organization and that may be different for other organization strong in other markets, so I think the pre-COVID margin are very much possible, the only exception I would say that is that we may continue to invest and we would like to continue to invest in marketing and branding and rebuilding the brand on solitary in the next few quarters and from an occasional basis we believe that we would be at pre-COVID levels unless we look to invest more in marketing that may be a slight exception to the roof.

Rakesh Agarwal: And the total number of patient is 2.8 million in the quarter one, which is 7.5% Y-o-Y growth and test count is 5.8 million, which is 4% growth over last year.

Sriraam Rathi: Sure, that is helpful. Thank you, Sir.

Moderator: Thank you. The next question is from the line of Rahul Agarwal from InCred Capital. Please go ahead.

Rahul Agarwal: Good morning. Thanks for the opportunity. Firstly, thank you Ameera for clarifying on the contrary, I think really helps us to get a clear direction really appreciates that. Start with questions, firstly on the 80:20 mix of acute and chronic on volumes that is what is disclosed in the presentation, but I understand what is the revenue mix like and how is this behaved over the last five, six quarters, have you seen any shifts or is it basically maintaining the pre-COVID mix that is the first question?

Ameera Shah: The value, the revenue contribution will be more tilted towards acute more than volume because the revenue per patient in acute is higher than it is in chronic, so you would not see too much of a difference, but if anything it will be a positive towards acute. We have not seen a very large shift in pre-COVID to post-COVID right now in acute versus chronic obviously the last two years were quite unstable and therefore from our trend perspective, but I think this ratio would probably continue unless of course there are two things while we are continuing to build on the acute patients and the specialty tests, we are also looking to continue to build on wellness in chronic and obviously as the percentages change for wellness automatically the acute and chronic will come down or if chronic grow significantly then acute will come down, but I think in number value, in rupee value, we will not see any decrease in any of them, we will only see an increase and all.

Rahul Agarwal: Got it, why I am asking this question essentially was to understand is there any or the new digital guys or the new offline guys getting any share from the chronic testing because that is where it lies in the middle right in terms of doctor influence so has that really happened or these guys successful in getting any chronic business or it just top down kind of hypothetical opinion right now?

Ameera Shah: You know, honesty there is no third party data, so it is quite difficult to gauge fully, but our sense is that they are more able to get for a budget wellness business, which people being well and suddenly say okay let us do a Rs.500 checkup, but usually when there are chronic patients who are going to doctors that may not necessary be the pattern that is getting referred by doctors and patients of going to the health tech players, but more so by consumers alone when there is no doctor involved, now if there is a chronic patient who does not go to the doctor, who is the diabetic at home and does not see the endocrinologist and feels that there may be of value coming from doing cheaper prices because they do not know the technical behind that share of chronic customers may move it is very difficult to know, but I think chronic customers who are regularly visiting doctors it is less likely.

Rahul Agarwal: Got it and my second question was on the slide in the presentation explains about some loyalty benefits to make chronic guys basically not shift and stick to Metropolis or even incumbents obviously in terms of response to competition I do not see any price cuts you were taken at a blended company level may be between tests you might have done some rationalization, could you throw some more colour like how does the loyalty benefit work really because I could not really figure out as a customer to Metropolis is there any loyalty benefit being passed through the customer in the working laps, so anything specific there?

Ameera Shah: At this point of time, it has not been launched here, which is probably why you would not see it on the ground, but it will be launched soon where our idea is very simple that this is a whole segment of chronic that we actually do not cater to and we are not looking this is as a defensive move because our chronic segment is any way small, we are actually looking at this as an opportunity for us to gain traction in a chronic market and therefore how can we create schemes and packages for customers where they are believing that they are getting a price value as well as they are getting the best quality from Metropolis and that combination we believe we will be a far more lethal in combination than just price benefit because finally chronic customers live with their disease and they live with their problems and while they make an attempt once in a while to look at price the reality is a diabetic suffers every day and therefore the levels of testing are very important for them, so we do believe that if we are able to offer good value pricing over loyalty over time as well as the good quality and services we believe that opportunity will be there and we should be able to launch in the next few months.

Rahul Agarwal: Got it. Thank you so much for answering and all the best.

Moderator: Thank you. The next question is from the line of Anubhav Agarwal from Credit Suisse. Please go ahead.

Anubhav Agarwal: Sir, the question is on the strategic partner just trying to understand what would have been a rational of getting a strategic partner, were you trying to get into nondiagnostic services, how would a fund raise would have help you, but you have gone for more Hitech related acquisitions or invested that money outside diagnostic, some colour will be helpful?

Ameera Shah: The idea was never to at this point to go very far from diagnostics at all, the idea was always to continue to focus on what we do best and if there was any strategic partnership that would have helped us in increasing volume for pathology then that is something that we would have open our minds to obviously if everything else fell in place, for the idea like I said very clearly either in the media and the speech if we are building towards Metropolis 3.0 and if there is anybody who can help us in that regard we have management and our shareholders believe it is our duty to evaluate any such proposals that come in interest of all shareholders, which we found that it did not at this point of time make sense and it make sense for us to continue building on our own, but the logic will always be what makes sense for the organization, which means increasing a pathology directly or indirectly and really enhancing value with that.

Anubhav Agarwal: That is helpful, if you can also comment how fund raise would have helped you?

Ameera Shah: We never said we were in the business of fund raising.

Anubhav Agarwal: And you would say that the organization is generating significant amount of cash and for your growth needs that is sufficient right, balance sheet do not need to go for fund raise, right?

Ameera Shah: At this point of time I had likely mentioned in the speech there is no plan to go for a fund raise as you can understand businesses are always evolving and effects some other point we believe there is necessary we will be very transparent and come back to the market and to our shareholders and share with you.

Anubhav Agarwal: And in the presentation when you talk about strengthening of leadership team, can you give some more granular data with what have you added on the leadership team, I think two quarters back you did mention about IT team strengthening on the digital side is that the same commented?

Ameera Shah: No, there is multiple areas actually and I will tell you for example, we introduced a Chief Revenue Officer who joined us in October last year to really sort take complete set of national pan India charge of the entire revenue generation function, we believe that is bringing extra more operational rigour in terms of distribution, in terms of coverage, in terms of productivity to the business, we also strengthened our middle management levels across function in terms of preparing succession plans, in terms of bringing better talent from even other industries as well as diagnostics industry to really strengthen and lastly as we are going through an enormous technology transformation and automation you have to bring on talent that is able to actually understand how to build that and how to use that and therefore we have made a very conscious decision over the past two years to really strengthen the teams at the senior and the middle management level in a very significant way and we have done that made those investments and we believe today Metropolis is a more robust and stronger organization for us.

Anubhav Agarwal: And Ameera, you need in terms of do you still have gaps, of course within the new CEO you will have to replace, but any other gaps in the team that you see today or you could now for the next foreseeable future?

Ameera Shah: I do not see any major gaps, I do see one or two positions that we may still continue to add, for example, in certain segments where we believe that we are not staffed adequately or the talent needs to be brought in for example towards Metropolis 3.0 when we mentioned that want now besides focusing on doctors and labs also focus on the consumer the same team may not have that mindset of consumer and therefore we may need to bring an additional people who come from a more consumer mindset industry, so I think those kind of gaps are there, but I would not say anything very major.

Anubhav Agarwal: And the next question is for Rakesh, when you talk about higher margin close to pre-COVID in the next quarter, couple of clarity is there, one what kind of delta we talking about so from current quarter 2023 as base are we talking about 100 basis point margin expansion next quarter and would that margin largely sustained for a balance of the year or is that only for the next quarter?

Rakesh Agarwal: See obviously the direction in which we are doing it looks like that we obviously will end up getting a bit of near to the pre-COVID level that is how it looks like for us obviously just to inform everybody that we have also given our increments in July that is added line item which comes in the game so even after that we are very sure and there are a lot of work going on because there were a lot of extra fact added because of the COVID scenario, now that adding is very fast, but when we want to get rid of it, it takes time so now in quarter one, we have done a lot of activities where whatever fact was there because of the COVID scenario we have been able to cut down that and we believe that now this quarter will be more or less normalized from a cost point of view and we should come back to some normalcy very near to the pre-COVID level.

Anubhav Agarwal: So, Rakesh, we are talking about 100 to 150 basis points?

Rakesh Agarwal: See, I cannot give you the absolute number for that, but obviously it can be when I am saying pre-COVID levels then you can be take out how close we will be to that and what basis point will add, so it is unfair to give a particular direction, but yes.

Anubhav Agarwal: I was not asking for exact number, I get confused because the different margins get reported, so in this quarter?

Rakesh Agarwal: Yes, 150-kind of numbers which you are looking at, but obviously we have to just wait and watch how it goes to the quarter.

Anubhav Agarwal: And that margin should sustain for the second half as well?

Rakesh Agarwal: We feel that there will be slight up and down, but overall I do not think that there will be a major shift in the margin level.

Anubhav Agarwal: Thank you guys.

Moderator: Thank you. The next question is from the line of Dheeresh from White Oak Capital. Please go ahead.

Dheeresh: Just want to confirm if I understood correctly that 17% of the non-COVID growth for the quarter is from Hitech?

Rakesh Agarwal: No, we clarified 17% of the growth year-on-year came from MHL last year versus this year non-COVID and rest 9% came from Hitech.

Dheeresh: 9% came from Hitech, okay. The second question is on brand equity that you say you have with the doctors, so what kind of feet on the street do we have and how much we spend on that on an annual basis just to get a sense of the investment that we do in maintaining brand equity?

Rakesh Agarwal: Sorry, your voice is still not clear to us, I am so sorry because your voice quality was not good, can you repeat it?

Dheeresh: I will repeat it again, so we talked about brand equity with the doctors so just get a sense of the strength of that if you can talk about the feet on street that we have to service those doctors and what amount of money do we spent annually on this just get a sense of the investment that we do on an annual basis to maintain that brand equity?

Ameera Shah: So, we have sort of a sales representative force so medical sale representative force on the ground, we would not be able to reveal too many details because of the competitive sensitivity around it, but we have got adequate team for the revenues that we generate, we cover specialist doctors, which are not one dealing with common flu and cough and cold, but more people dealing with more in a significant issues like of cardiology issue or a stroke or a cancer issue or a kidney problem, etc., and therefore we are dealing with doctors who understand quality, who understand who we are educating on specialized test and we are creating the market through the specialized awareness for the specialized test that we do and so often the test that get prescribed are sometimes only available with Metropolis or sometimes available with only the top few players and the quality of these tests are very important to the doctor because if they get the wrong quality report from a lab that changes the direction of their treatment and therefore they like to work with quality players like Metropolis because they are sure that the reports that they are getting enables them to do the correct surgery or the correct treatment and therefore we believe that the business that we build is quite sticky.

Dheeresh: And another question is on the phlebotomy's network, can just give a sense of what is the strength of that network, how much is on your payroll, how much is out sourced and in terms of the productivity, how much collections average phlebotomists could do on a daily basis?

Ameera Shah: So, we do have a combination of on role and off role, again details are not available with us at this point, but the productivity is improving, during COVID peaks obviously we found the productivity to be the highest, without COVID obviously the productivity has come down a little bit, but there is still capacity utilization or lack of utilization which we believe that we can use as we scale up the home service piece and the idea is to continue to differentiate the home service that also remember that is not a courier delivery, this is an invasive procedure of collecting blood and therefore a home visit is not just a home visit, it is about how qualified your technicians are, how much they arrive on time, how clean and hygiene they are, how they speak, whether they know the technical areas, they be able to make the consumers comfortable and most importantly it is that the samples travel in the right container in the right cold chain, so that you do not get a wrong report because if you know for example, CBC sample, the hemogram or hemoglobin sample if collected in the wrong container you will definitely get a wrong report and if it is not transported at the right temperature you will get a wrong report and that is true for all tests, so we are continuing to build and work on the training, the quality of our service and we are finding actually we recently introduced a rating service for our phlebos and it was incredibly, incredibly high to ask the price, so I think overall the NPS is only on the movement up and I probably believe that is probably the strongest in the industry.

Dheeresh: But what I wanted to get a sense, Ameera was that given the focus on NPS and other things we talked about, what is the right number like phlebotomists do in a metro city double digit collections in a day or is that too much you know there's the inherent limitation?

Ameera Shah: See, a phlebotomists is doing a 15 collections in a day means the idea is that you are basically giving 15 minutes for collection and what that means is that the quality of the experience may or may not be then the focus because then it as all about the volume, when you are doing something the quality and the care is the focus, we find that usually phlebos can do 10 to 12 average of collections per day, there could be some who do 13, 14 if they are very, very efficient, there will be some who do less average of 10 to 12 and we believe that is a fair number to benchmark against anything more than that potentially would probably land up compromising quality in to sake of volume.

Dheeresh: Understood. Thank you for taking my questions.

Moderator: Thank you. The next question is from the line of Shyam Srinivasan from Goldman Sachs. Please go ahead.

Shyam Srinivasan: Good morning and thank you for taking my question. So, just the first one trying to understand non-COVID, non-Hitech Metropolis, just the core business, how it has behaved Y-o-Y, so when you aggregated the 26% growth into 17% for this business and I am trying to get just the volume trends doing back of the envelope calculation myself, seems to suggest that the patient volumes declined, would that be fair because you do not have them another number, so if you could help us at least get the directional sense on maybe why volumes are still flattish on a Y-o-Y basis or even down?

Rakesh Agarwal: The patient count as I mentioned earlier is obviously in south Hitech almost 2% growth overall so that is the patient count growth if we remove the Hitech piece, so basically we are not now looking alone, so we are just trying to calculate the number for you as you are asking because otherwise it is 7% growth for us overall and as I mentioned earlier that from a revenue point of view we have around 16.5% growth in year-on-year and the rest coming from the Hitech.

Shyam Srinivasan: Rakesh, but if I do from Metropolis I remove COVID PCR it has not grown right, just MH versus MH only in non-COVID, it would not have grown, right?

Ameera Shah: You know how can that be right because if you had a 17% growth year-on-year and COVID is declining 80% to 90% obviously non-COVID is growing, we can work some maths and come back to you, intuitively it would grow and second of all have to remember two things that different firms will have a different strategy, our company has always had a strategy not on volume growth, but on value growth and our revenue per patient being one of the key KPI that the focus on, the volume is not our focus, the value per patient is our focus, so for example traditionally we have always seen that our revenue mix is a combination of thumb volume, but for your value uptake in the value of the prescription which is not coming from price, but it is coming from the product mix change so while we come back to you on the maths the only suggestion is to focus on that KPI because that is the strategy of the company.

Rakesh Agarwal: So, I will circulate for the sake of clarification just give us some time, I think we will work it out and give you, basically the input behind the increase, right?

Shyam Srinivasan: Yes, that is fine, Rakesh. I will take it offline with you not a problem. My second question is on I have to look at Hitech you talked about the integration again if I were to infer what the revenue is using the 9% growth seems to be suggesting about 90 Crores odd, but maybe that is only non-COVID again, so I do not know what the COVID contribution is, last year was 20% if I recollect right for Hitech, would it be lower, higher relative to the 5% to 6% that we are, so just the Hitech number Q-o-Q seems to be lower maybe I am again calculating it incorrectly, if you can help us understand integration I think you have talked about consolidating labs, so how is that progressing?

Rakesh Agarwal: See quarter four for ours is always the best quarter and obviously in quarter one if you look at vs quarter four will be lower, quarter one is the weakest quarter for south, so in order to understand from that when we look at only Hitech and look at quarter one of pre-COVID level we are still growth on that, so there is no concern, the total revenue as you said we have closed around 21.5 Crores for Hitech and 20 Crores odd is non-COVID and the rest comes from COVID and COVID allied.

Shyam Srinivasan: Very helpful, Rakesh and last question, I think it is going back to the opening remarks on wellness testing, I think Ameera you talked about and great progress that you have seen it reached 12% versus 7% what are the some of the levers to take it to 20%, you talked about affordable wellness as well, so can you outline something here please, thank you?

Ameera Shah: Sure, currently our wellness as I mentioned is more about larger packages, which is sold on the brand Metropolis and we are also looking at opportunities now to say are there different price points that we can look at instead of only larger packages, can we look at smaller packages, can we look at different price points that allow consumers to get into the Metropolis framework with maybe a slightly lower price points and then I will look at an upsell or look at a cross-sell in the future so I think we are just opening our opportunities and the segment to really address all consumer segment at different price points and we believe that will increase the volume of wellness further.

Shyam Srinivasan: Thank you and all the best.

Moderator: Thank you. The next question is from the line of Prashant Nair from Ambit Capital. Please go ahead.

Prashant Nair: Good morning. So, my questions is primarily related to reconciling the Hitech number, which you just answered, so just one additional question, so again on margins needed some clarification because you mention the 25% plus margin for the quarter and when we look at margins based just you reported numbers it comes to about 24.5% so when you are talking about pre-COVID levels of margins it would help if you could give a number what is the broad range that you are looking at and would you see before ESOP cost and how do you look at the margin number?

Rakesh Agarwal: So, margins as we mentioned that there is a reported margin of 25% there is some forex exceptional entry which basically bench it out of 24.5% and with out CSR and ESOP the margin is 25.6%, so that is the number I hope that clarifies the numbers if any questions.

Prashant Nair: Yes, it does and when you look at pre-COVID level where you talking about 26% to 27% range comparable to the 25.6% or how do we think about it?

Rakesh Agarwal: Yes, you are right. We were between 26% and 28% at the pre-COVID level depending upon the periodicity so that is how we are looking at it.

Prashant Nair: Alright, thanks a lot.

Moderator: Thank you. The next question is from the line of Ankur from Quasar Capital. Please go ahead.

Ankur: Thanks, I have a couple of questions, one is on the cannibalization side, madam, we have been expanding our network quite aggressively in the last three year and in spite of that the normalized testing revenue growth has been around 7% to 8%, first of all are we going wrong somewhere because the growth is not coming in, in the same way the way we are expanding the network, so is there any cannibalization which is happening on the competition is eating some part of it?

Ameera Shah: I think if you are talking about the growth in the last two year during COVID and I think it would be not prudent to look at it like a normal time because during COVID when everybody was in lock down and when patients were not engaging with healthcare services, the number of patients going to doctors itself has gone down, which has nothing to do with competition anybody eating market share, just has to do with the fact that less people were sick and more the people who are sick was sick with COVID and which revenues were very much there, so the other diseases, which were heart issues or lung issues or gastrointestinal issues because people were at home even having less of this issue and even not going to doctors and treating themselves at home over video call, so I think we should actually keep assigned to year of 2020 to 2022 of a non-COVID period and either look at it as a total revenue because COVID is also an infection and it is also a disease, which was the focus at that point of time, or we have to look at the period before 2020, so in the last two years actually if you see from 2020-2022, in 2021 we actually halted our network expansion and we actually consolidated the network and in 2021-2022, we again started increasing the network expansion, which will give us benefits in the year 2022-2023, so I think I hope that clarifies.

Ankur: So, that brings me to this question that obviously during the COVID we saw the benefits of sweating out the network and how it works toward the margins and I heard in your statement that you are not very focused on the volume growth, but on the value growth, so that also brings a question in my mind that since the sweating out of network is very important for us to increase our margins or even for that matter become more profitable, so how are you thinking about that because we cannot just move on network expansion in an asset like model, but can you throw some light on how the strategy is going to work where you are going to focus on volumes, but more on the value?

Ameera Shah: First to understand what is volume versus value because we have to understand where it comes from, so if you go to for example a general practitioner, which is an MBBS doctor they see maybe 50 to 100 patients a day, but they see patients who have got a cough, cold, fever, very basic issue, if you go and get a general practitioner to prescribe their patients to you, you may get 10 or 12 of those patients out of 100 to compare pathology test, but the average ticket size of those patients will be Rs.250 per sample, what Metropolis does is instead we go to the gastroenterologist or the oncologist, the cancer specialist who sees 15 patients a day and out of that 15 patients maybe two, three will be requiring pathology specialized test and we get those, but the ticket size of those is higher and the ability to do those tests for all the other 150000 labs in the country is not there so the reason we look at value versus volume is because we believe that is more difficult to crack, it is a bigger moat and therefore the kind of business we are getting is more specialized and therefore more sticky, now the question around sweating the asset, we have to remember the assets are not only sweat through volume, the assets are sweat also through high quality patient, so for example, you take a five star hotel, or you take a Dhaba, Dhaba will have 1000 people going through it every day or five star hotel may have 200, but they are sweat differently, so I think we have to see the model for what it is, having said that I think like I mentioned in Metropolis 3.0, this has been our focus till now and what we have said is that as we move into the future, one of the things we also want to look at is how we can increase our wellness and chronic piece, the affordable wellness and chronic and that will automatically increase volumes as well, but that is not something that is going to happen overnight, but that is something which will take a couple of quarters to show up, but that is the direction we are going in to balance volume and value even more than we did in the past, in the past it was pure focus on value and in the future it will be a combination of volume and value, I hope that clarifies.

Ankur: Yes. Thanks and all the best.

Moderator: Thank you. The next question is from the line of Shanti Patel from Shanti Patel Investment Advisors. Please go ahead. As Ms. Patel was not answering, we will move on to the next question, which is from the line of Abhinav Agarwal from Credit Suisse. Please go ahead.

Abhinav Agarwal: Thank you for the opportunity. So, my first question on your annual reported closure of advertisement and sales expenses, which have doubled from the early 1% of sale to customers sales, so can you mention what is the specific activities that we are undertaking here and specifically comes of consumer outreach and do you expect this to further increase in FY2023?

Rakesh Agarwal: So, one thing which we done this year is spending more on the digital marketing expense, so the digital marketing expenses used to be somewhere 0.4%, 0.5% of the revenue, which has almost gone to 1% to 1.1% now and that is also giving us good ROI in return, so that is one change, which has happened apart from that most of the things remain same.

Abhinav Agarwal: And in digital marketing you mean the ads that we see in the social or Google searching?

Rakesh Agarwal: Yes, Google searching how we play ourself there, when somebody search we are in the top to be looked into so those are things where we are investing more and these are giving us good return in almost 3-4x kind of return coming from this investment.

Abhinav Agarwal: And you expect this run rate to sustain at least to FY2023?

Rakesh Agarwal: Sorry?

Abhinav Agarwal: Just you expect the run rate to sustain through FY2023?

Rakesh Agarwal: Yes, so we are looking at and so far we get a good ROI in this, we will keep increasing the spend, so that does not matter for us.

Abhinav Agarwal: Great and Madam, my question was on our guidance of revenues going to pre-COVID growth, so pre-COVID used to grow on average I mean for globally so it was 13% to 15%, so do we expect reversal to that kind growth or will it be more like low double digit like 10% to 11%?

Ameera Shah: I think if you look at historically metropolis grew pre-COVID was over a two, three year period before COVID, I think at about 15% to 17% year-on-year, I think it is very difficult to give any specific guidance more specific than what we have given at this point, I think we will also have to wait to see how the market develops, but like we said the aspiration and the goal is to get a mid teen kind of a level.

Abhinav Agarwal: Sure. Thank you. That is it from my side. Thank you for answering the questions.

Moderator: Thank you. The next question is from the line of Rajdeep Singh from ASK Investor and Managers. Please go ahead.

Rajdeep Singh: Good morning, Ameera Madam and Rakesh, Sir. Rakesh, Sir, I just need a clarification does the quarter include volumes from the government contracts in this quarter?

Rakesh Agarwal: Yes.

Rajdeep Singh: And is it lower or higher versus Q4, because Q3 was nil?

Rakesh Agarwal: Yes, we are almost at the same level.

Rajdeep Singh: Thank you for this clarification and the second was within your acute testing and chronic testing or may be B2B chronic, have you taken any kind of price rationalization among the tests maybe you have increased or decreased, just some clarity on that would be helpful?

Ameera Shah: So, on the B2B side I think there has been a fair amount of competition in the market with a bunch of new players entering I think has on the semi-specialized B2B that has rationalized prices to some extent on some tests, so we are seeing some amount of intensity there and some rationalization downwards.

Rajdeep Singh: Madam, that would be in the range of 10% to 15% or higher than that?

Rakesh Agarwal: So, overall it is more or less in between it what you are seeing, so it is not like we have really gone overboard, but yes, where we are seeing more intensity and it is logical for us to do save our business, so we are doing some rationalization, but it is not a big number.

Rajdeep Singh: Sure, that is helpful and Madam, why do say so, Q1 is weaker than Q4 in west and just a clarification on that?

Ameera Shah: The weather illness all play a very important role in how and when infections come, I do not have a scientific reason for you, but you just look at the historical trends over the last 10 years you will find all always that Q1 is lower than Q4 whether it is because of summer holidays of schools and people travel, whether it is because of weather, it is very difficult to exactly paint one reason, but for many reasons that is always the case.

Rajdeep Singh: That is what I thought travel could be one of the reasons, but wanted to know what are the other reasons and any reason for not calling out the non-COVID per patient revenue in the presentation like always you do and what is that number for this quarter that will be helpful?

Rakesh Agarwal: So, we are comparing the pre-COVID level to revenue that is Rs.955 per patient, which is a growth of almost over Rs.860 is the revenue non-COVID revenue, which we used to guide pre-COVID so when I compare quarter one of 2019-2020 and right now we are getting a Rs.955 per patient, so actually the growth if you look at is 11% growth over pre-COVID level.

Rajdeep Singh: This 955 is excluding COVID and COVID allied?

Rakesh Agarwal: So, 955 is including COVID, 974 is non-COVID.

Rajdeep Singh: Now this seems correct, thank you. Thank you Rakesh, Sir and thank you Madam, all the best.

Moderator: Thank you. The next question is from the line of Naushad Chaudhary from Aditya Birla AMC. Please go ahead.

Naushad Chaudhary: Thank you. Just one clarification, Madam, if I am reading it correctly, last year same quarter our top line revenue was Rs.327 Crores of which around 20% revenue was from COVID so that comes around 65 Crores or 65 Crores odd, it means the non-COVID business was 265 Crores versus this quarter in the presentation you have mentioned 261 Crores including Hitech revenue, so that way it seems year-on-year non-COVID business was flat versus 26% growth, so I am not able to understand this, can you help me understand?

Rakesh Agarwal: Yes, I will clarify, you are right that 327 Crores is the revenue last quarter, quarter one, which is basically including of three elements COVID and COVID allied test, which is basically the COVID rub off and the pure non-COVID, so if you look at COVID 63 Crores was the COVID revenue last year quarter one, which has come down to 12 Crores, which is a 80% drop, we have a COVID rub off, which is COVID allied test where there is a revenue of 57 Crores, which has come down to 5.85 Crores, which is a drop of 90% and pure non-COVID revenue we had 207 Crores, which has gone up to 262 Crores, which is a growth of 26%.

Ameera Shah: Rakesh referred to COVID he means COVID PCR and then we refer to COVID allied, the test like D-dimer, which were all required in the monitoring of COVID patient.

Naushad Chaudhary: Thank you, Madam. That is it.

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

Shalini Gupta: Madam, what are the things that you are facing so much price competition and so many strong players are entering the industry, so have you considered setting up diagnostic centers in collaboration with hospitals so that it seem like a viable idea to you?

Ameera Shah: Firstly I think we should understand that not every sector is prone to pricing being the most important thing in the sector while pricing maybe very important in certain FMCG products, it may be important in telecom and maybe important in other industries, in healthcare in every consumer survey done, pricing is not the most important factor, it is actually factor number six or seven on the list - number one, so I think companies like us who has built a very strong credibility and trust amongst the doctors and consumers in healthcare we find that consumers continue to rely on us and I am not getting sewed in the illness segment by only price, as far as your second question and just to add one thing in healthcare people actually feel when something is done very cheap or low price actually they feel that the quality must be wrong and that is why we have low price and therefore the price quality equation and healthcare may not be the same as other industry, as far as your second question about partnering with the hospital to setup a diagnostic center, companies like Metropolis are far more experts in pathology that hospitals are, we do 4000 varieties of tests while the best hospitals do 500 varieties of tests actually they come to us for specialized test, they do not do that themselves, they neither have the talent, the manpower, the machines or the expertise or the distribution to be able to do a specialized test, so frankly partnering with the hospital to setup a center outside would be helping the hospital, there are cases in which the hospital give their lab and request us to manage it for them because we are the experts in pathology and we do that in many cases, but that is inside the hospital for their patients.

Shalini Gupta: That is what I happen to, I was visiting competitive facility and that was in a public hospital and the number of patients there was shocking their way too huge, so I am just wondering like what is the downside of setting a center you have a captive patient base, you do not have to pay any rent and the rest of it, so what in your opinion would be the downside to setting up such a center?

Ameera Shah: So, what are referring to most likely is the public private partnership if it is in a hospital where the government has a tender and ask labs to bid for setting up a lab inside their public hospital and these tenders are available there, this is not the focus of the Metropolis business model for various reasons often we find that the pricing and the quality scope and parameters of these tenders tend to be very different from what we are comfortable with, the practices are not what we are comfortable with and therefore we are very, very selective about if we ever get into a public private partnership is very selective about the kind of work we do, as far as working with private hospitals we do that, we do have lab, which run inside hospitals, we do take care of their patients and run the labs inside hospitals like you said it is rent free, but then you are also sharing a significant portion of your revenue with the hospital for managing that lab inside it, that is the model that makes sense it is the commercial terms affairs, which in some cases they are we do the deals, in some cases where they are not even to competitors to do if they would like to pick up a non-profitable business.

Shalini Gupta: Thank you, Madam.

Moderator: Thank you. Ladies and gentlemen, this will be the last question for today, which is from the line of Girish from White Oak capital. Please go ahead.

Girish: I just want to understand that for Ind-AS 116 adjustment how much do I need to deduct from the reported EBITDA is it about 12 Crores for the quarter?

Rakesh Agarwal: Yes, it is between something around 10 Crores to 12 Crores, I will give you the number, yes.

Girish: And one more basic question I wanted to ask was that, when we report the revenues we are reporting net of the commission paid to the collection center, right not gross and then we do not report an expense line item, we report net off?

Rakesh Agarwal: So, we have a B2C and B2B, B2C revenue where we are collecting overall revenue from the centers for example, all our franchises centers are own centers our labs where we collect the MRP from the consumers and that is reported in gross and when we pay the revenue share of the commission to the partners that is coming in the expenses, all the B2B partner where we have a net revenue model where we give a discount to them and take the revenue at a discounted rate that revenue is being counted as a net revenue.

Girish: So that sharing is to mean other expenses which line item actually I am not able to figure at that out?

Rakesh Agarwal : It comes in the rent.

Girish: It comes in the rent. What is that Ind-AS 116 number, if you can help me?

Rakesh Agarwal : So, that is basically overall 6% to 7% of the total revenue.

Girish: Understood, thank you.

Moderator: Thank you. As that was the last question for today, I would now like to hand the conference over to the management for closing comment.

Ameera Shah: Thank you all for joining us today and to Spark for organizing this conference. I just want to summarize by saying that diagnostics and healthcare in India has always been a very sound structural growth market with a very long runway for growth. We believe as India progresses and as people in India continue to need more testing as a very small percentage of Indians have even been testing as a payment move from out of pocket to insurance and as people become more aware we will see diagnostics and testing only increasing and the incumbent players who have already built a strong credible trustworthy brand will continue to do well, as Metropolis is going through our own technology transformation, strengthening of our leadership team and general aggression in the market in terms of building distribution, lab operational excellence and good customer experience, we believe that we will continue to have all the attributes that require great leadership and all the perception of disruptions in the market and perceptions of price competition we have to really wait to see how these play out in our experience as we have said a price is not the most important factor in healthcare, out of the 150000 labs in India all have been already offering much lower prices than any of the leaders in the country, but despite that leaders like Metropolis are the leaders and the reason for that is that in healthcare quality and service is appreciated far more than price. We believe that we continue to stand good as the company will continue to create value for all shareholders and we look forward to continue to engaging with every one of you. Thank you so much and have a good day.

Moderator: Thank you. On behalf of Spark Capital Advisors that concludes this conference. Thank you for joining us. You may now disconnect your lines.