“Metropolis Healthcare Limited Q4 FY2020 Earnings Conference Call”

May 29, 2020

MANAGEMENT: **MS. AMEERA SHAH - MANAGING DIRECTOR - METROPOLIS HEALTHCARE LIMITED**
MR. RAKESH AGARWAL - CHIEF FINANCIAL OFFICER, METROPOLIS HEALTHCARE LIMITED
MR. VIJENDER SINGH - CHIEF EXECUTIVE OFFICER - METROPOLIS HEALTHCARE LIMITED

Moderator: Ladies and gentlemen, good day and welcome to Metropolis Healthcare Limited Q4 & FY2020 Earnings Conference Call. This conference call may contain forward-looking statements about the company which are based on the believes, opinions and expectations of the company as on date of this call. These statements are not the guarantees of future performance and involves 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 would now like to hand the conference over to Ms. Ameera Shah - MD, Metropolis Healthcare Limited. Thank you and over to you Ms. Shah.

Ameera Shah: Thank you and good evening everyone. Thanks for joining us for the Q4 FY2020 Earnings Call. I am joined today by Mr. Vijender Singh – CEO and Rakesh Agarwal - CFO and SGA our IR Advisors.

The presentation and press release has been issued to the stock exchanges and uploaded on our company website. I hope everyone had a chance to look at our performance. Let me begin by stating that we remain supremely confident on the growth of our business and industry and believe we are at the cusp of a dynamic shift towards organized diagnostic in India where players like Metropolis will gain and cement leadership position.

While we may have short-term pain in immediate months to follow, the normalization of operations will increase momentum in favored organized players. The last time we spoken on no one would have imagined the extend of spread of Coronavirus in India. In early March we were continuously asked by everyone, if we will be testing for Covid-19 with specialized experience of over 26 years in molecular biology techniques. We were always fully prepared to meet the testing needs and challenges. At Metropolis resilience is in-build in our DNA and the entire Metropolis family is working together with a deep sense of urgency, passion and commitment. The only goal for our experience team of doctors and scientific team is to be able to help patients and doctors to get a reliable diagnosis as quickly as possible.

Let me now give you a quick update on Covid-19 impact on our business, our resilient model which have emerged stronger during the crisis, how we believe the industry will shape the post Covid era and I would spend some time on Q1 FY2021 outlook and overall FY2021 objectives.

Q4 traditionally is a strongest quarter for our company in the diagnostics industry with absences of festival Q4 tends to be a very strong revenue quarter for us. Q4 FY2020 began on a very positive note with strong momentum in January and February where we saw a 13.5% growth in January and 17.5% growth in February and our March revenues were very strong and had we not been in lockdown situation we would have witnessed our best monthly and quarterly revenue.

On account of Covid-19 we believe we have lost 25 Crores in revenue and approximately 17 Crores in EBITDA, the reason I say 17 Crores which appears a bit high is for two reasons.

1. We get pricing benefit that typically flows in on account of high volume we were clocking for March month as well as for Jan, Feb, March at the end of the quarter which did not come in this time because we were not able to reach the numbers for volume.

2. Subsequent operating leverage benefit.

Let me now spend some time on how we view Covid-19 and subsequent business environment. For Covid-19, I am happy to share that we were the first private lab in the country to start testing, with the best TAT which is Turn Around Time of report, Continuous medical engagement with doctors and government authorities, strong branding and customer equity that we enjoy, we were successful in churning out Covid-19 testing.

Initially the testing lab was set up in our Global Reference Lab in Mumbai however as volume increased we set Covid-19 facility and a dedicated facility in Thane which is in Bombay and subsequently in Chennai, Bangalore, Pune and Delhi.

We have strengthened the safety and collection protocols across our lab network with heightened training for our collection and testing team. We are ensuring minimum disruption due to availability of manpower. Each location during crisis had a business continuity plan coordinator to raise red flags in terms of absenteeism and sickness.

Crisis management team of clinicians and lab heads have identified for the backup for processing unit. We are a 100% adherence to Ministry of Health & Family Welfare Guidelines.

Over the course of April and May we have processed samples from across India. Our Capex investment in setting up Covid-19 test is estimated about 1.25 Crores, the testing price capped at 4500 per test, realization is not profit accretive for unit economic basis on per test but will help us in covering fixed cost significantly and therefore minimizing margin downfall. We are happy to report that Covid-19 has given a huge impetus to our stakeholder engagement whether the doctors, central and state government regulators in not only existing markets but new markets as well, it has certainly improve the brand equity for Metropolis at all levels.

In our view the way forward for Covid-19 is expected to be as follows:

- Safety and hygiene will become very important to the consumer. So, we will use it as an opportunity to use our professional services to gain market share as we know the unorganized sector does not tend to have safety and hygiene parameters to the same extent.
- More point of care testing will emerge for testing at home and we are evaluating how we can participate in this opportunity.
- Corporate individual will want to do antibody testing in large scale to scan the immunity levels of workforce, if the government permits which will be an opportunity and
- People may want more home visits rather than walk in to centers. We are scaling this up in a significant manner and expect it will be a big opportunity for organize and trusted brands to gain more market share. It will also allow rationalization of front end network and cost savings.

At a macro level we strongly believe Covid-19 will change the operating dynamics for the industry and organized & capable testing laboratory such as ours will be the biggest beneficiary of this change. We estimate that unorganized standalone labs are facing severe cost pressure due to lockdown. With faster adoption of quality standard partly enforced by government and partly indirectly forced upon by customers, there could be closure operation for many of these standalone labs.

Another important factor we foresee for the industry will be that the customer will no longer view pricing as a criteria for lab selection, but quality will be the number one criteria, higher quality standard, reports, after sales service and doctor engagement will be key factors enabling lab selection process and this is where the organized labs will score.

Indian customers will view diagnostic chains as Covid-19 capable and non-Covid-19 capable labs, as these tests will become the new norm, more market share will shift towards more capable labs as we have seen in the past with SARS.

Diagnostic chains which have a lean balance sheet, strong consumer connect and high quality standards will therefore gain more market share. Finally we expect faster consolidation in the industry along with changes in the regulatory framework.

Let me now give you some insights on how we at Metropolis have built a resilient model which has stood the test of Covid-19 and continue to gain momentum. Our first initiative in lockdown is reduction of our fixed and semi-variable cost, the initiative was exercised in March 2020 and we are happy to report that we are successful in reducing our fixed and semi-variable cost by 20% to 22%. Further we have increased spend on smarter digital initiatives and doctor engagements, direct to the customers, connect to customers, and medical knowledge sharing to improve our brand equity.

Our second initiative was to be the Covid-19 ready in more cities. Having spread to more cities and the Covid-19 antibody testing ready we have increased our brand equity in market of our operations and strengthen our leadership position.

Our third initiative was network rationalization, in April 2020 we have initiated steps to rationalize our collection center network and anticipate with this exercise to culminate in June and July 2020. The rationalization exercise will see a 10 to 15% reduction in ARC network, which are not contribute meaningfully to revenue and with the bottom of the pyramid, but will adding a little bit of cost to maintain them, so by removing the rationalizing the network it will help us reduce some of these costs.

All of this has resulted in resilient performance, the results of which are as follow: The last 15 days of March 2020 we witnessed sharp revenue degrowth of 46% on YoY basis where in clocked revenues of Rs.21 Crores against our expectation of 46 Crores.

In April 2020, we achieved 40% of the revenue we clocked in April 2019. With improving logistics, improving engagement with doctors and Covid-19 testing scaling up, we have been able to achieve 65% of May 2019 revenues in May 2020 as of date, and expect improvement to continue in June 2020 as well, as we continue to drive specialized tests, Covid-19 testing and doctors clinic opening up for getting access to routine samples.

With the strong balance sheet, asset light model and high cash reserves of Rs.223 Crores, Metropolis is well placed to weather the storm and poised to increase market share. Having said that it is important for us to highlight the Q1 FY2021 outlook here.

Revenue in April 2020 was down to 40% of the normal trend and is expected to improve to about 75% to potentially higher of the June 2020 compared to last June 2019. April 2020 saw EBIDTA loss followed by break even in May 2020 which is expected to turn to positive EBITDA in June 2020.

In the beginning of lockdown, we had around 75% of our lab network non-functional and slowly and gradually we are opening up all the laboratories. 15-20% of the owned collection centers were operating at the end of March and we have now commenced operations in 50% of our network.

One of the important pillars of our business is human resources. Let me give you a quick snapshot of our efforts here. We have ensured continuous engagement and communication with all our employees while ensuring timely payment of salary, ensuring no job losses and continuity of workforce. We are evaluating a flexi system of work from home for our employees, which will have dual benefit in terms of employee productivity as well as cost reduction. Safety and hygiene of employees is very important so we are engaging in continuous training program to upskill our workforce. Continuously working and strengthening our scientific brand with focus on quality of talent in our processing unit.

I will now spell out our focus areas for FY2021 which will be as follows: Increased productivity of our young network and rationalize the network where needed in order to not only save cost, but improving efficiency and revenue per center. Improving our collection efficiency especially in our B2B network resulting in improvement in DSO days, which is the outstanding receivable days. Prudently evaluating inorganic opportunities and strengthening our market position in existing market. Continue to do cost rationalization exercise to benefit from operating leverage which will play out as we scale up revenues.

I am also happy to share that we have recently partnered with Cipla Foundation and Citi Bank Foundation under the aegis of NGO UnitedWay, under this initiative of Cipla, Citi Bank and Metropolis, we will be testing up to 100,000 unaffording patients for Covid-19, this will not only utilize the expertise of Metropolis but it will also help us build a stronger consumer and government interface and thus build volumes of Covid testing, thereby keeping our lab productive and helping us more faster towards improved group profitability. While Cipla and Citi Bank Foundation will be funding these tests, Metropolis will be using all our skills to be able to do this in partnership. Metropolis has always put people first and we will continue to strongly hold on to this value that will help us navigate this unprecedented crisis.

As an organization we remain empathetic to all our stakeholders. Our quality and safety and hygiene will remain our top priority going forward. There is no doubt in our minds that we will not only emerge stronger from this crisis, but with more empathy, compassion and determination.

That is all from my side, I would now like to hand over to Vijender our CEO to take you through some of the operational parameters.

Vijender Singh: Thank you Ameera and good evening everyone. Let me give you a perspective on our operational parameters. We had a strong FY2020 in terms of all operational and financial parameters barring the last 16 days of the quarter where we lost business on account of Covid-19 outbreak across the country.

For FY2020 we reported patient visits of 10 million which is a milestone in itself witnessing a growth of 11.3% on year-on-year basis. The growth would have been higher had it not been for Q4 FY2020 where we saw a degrowth of 3.3%. For FY2020 our patient tests grew test at 19.62 million a growth of 15.7%, Q4 FY2020 saw a muted growth of 7.1%.

On year-on-year basis number of tests saw a growth of 13% in January a healthy 28% in February and a degrowth of 16% in March impacted by lockdown.

Our revenue per patient continues to remain stable at Rs. 856 per patient for FY2020 versus Rs.854 in FY2019. For Q4 FY2020 we reported an increase of 6% on year-on-year basis from Rs. 794 per patient in Q4 FY2019 to Rs. 841 per patient in Q4 FY2020.

Revenue per test degrew by 2% from Rs.447 per test in FY2019 to Rs.436 per test in FY2020. The larger drop was witnessed in Q4 FY2020 where the revenue per test dropped by ~4% from Rs.409 in Q4 FY2019 to Rs.392 in Q4 FY2020.

Our revenue profile among focus, seeding and other cities stood as follows: Focus cities (five cities including the cities in peripheral area around Metropolitan regions) contribution has moved from 60% in FY2019 to 56% in FY2020 on back of increased contribution from seeding and other cities. Seeding cities which is about 8 cities has moved from 20% in FY2019 to 19% in FY2020. Other cities contribution has moved from 20% in FY2019 to 25% in FY2020 thus growing at a faster phase.

Our revenue profile on the basis of geography stood as follows: West India share stood at 54% versus 55%, South India share stood at 26% versus 27%, North India share stood at 9% versus 8%, East India share stood at 6% versus 5%, international share stood at constant 5%. We are happy to report of the progress we are seeing in newer markets of North and East India which has increased their contribution to the overall business.

Moving onto revenue mix, we are pleased to share that we continuously growing on the B2C part of our business. Our B2C revenues in focus cities in FY2020 was up by 15.5% on year-on-year basis from Rs.233 Crores in FY2019 to Rs.269 Crores in FY2020. The focus cities B2C revenue share stood at 56% in FY2020 as compared to 52% in FY2019. We reiterate that our strategy is to improve this contribution to 65% in coming years on the back of sharp focus on improving the productivity of our young network.

The B2C revenue uptake has been growing steadily on account of

- Greater focus on increasing productivity of our young network to go closer to the patients,
- Obsessively monitoring customer experience and generating a healthy net promoter score across (NPS) the group,
- The price increase in B2C business which we initially did in October 2019 has also started to contribute.

Let me now give you highlights of test mix on volume and value basis. FY2020 routine test contributing 39% in terms of volume and 18% in terms of value, semi-specialized tests contributed 38% in term of volume and 37% in terms of value. Specialized tests contributed 15% in terms of volume and 37% in terms of value. Wellness contributed 8% in terms of volume and value. We believe that specialized contributions would have grown slightly higher but was affected by the Covid-19 spreads in the early March and later the lockdown.

Network highlights: Our network expansion and utilization strategy continues to gain traction from expansion of network we have now moved on to consolidation and focusing more on productivity and profitability of each lab. As a result, we have initiated our service network rationalization exercise in April 2020 and we believe that we should be able to complete this by June, July 2020. We estimate a closure of 10% to 15% of centers with no major revenue loss on account of these centers as they are at the bottom of the pyramid as mentioned previously by Ameera. Our patient service network stands at 2,731 at end of March 2020 compared to 2781 at the end of Q3 and 2326 at the end of FY2019. Third party PSCs comprise of 1873 centers, ARC comprise of 598 centers while company owned PSCs comprised of 260 centers. Overall at the end of FY2020 our Lab network count stood at 124 as compared to 119 at the end of FY2019. Our focus will be to increase the footfalls at our labs this will not only give us revenue uptake, but better utilization levels which are currently estimated at 55% to 60%, this will lead to operating leverage and margin increase and better return ratios as the Capex cycle for lab network is behind us.

92% of center network and 16% of lab network in asset light in nature. A total of 49 new tests have been validated and added to the test menu in Q4 FY2020 thus expanding our capabilities to conduct more specialized tests. These tests are in field of infectious molecular field, chemistry field, and rest in molecular pathology.

We strongly believe that all these test menus is our biggest forte and we will continue to spend on R&D and clinical talent to improve our test menu. The very fact that we were amongst the approved private labs by ICMR to start Covid-19 test and more over the first lab to start and deliver test helps volumes of our capabilities in testing and efficiency of our labs. We continue to strengthen our business with a number of technological initiatives wherein we have completed registration and invoicing system, further we had initiated inventory management system, payment platform system and financial module “Oracle NetSuite”. We expect these initiatives to go live by mid of Q2 FY2021 and operational benefits to kicks in accordingly.

I am also happy to share that we are working aggressively on cost management and amongst the few points that Ameera highlighted a few focus areas for us has been material cost. We have ruled out our new agreement with Roche diagnostics for improvement in routine test pricing and standardization across units. This will help us on material cost once business returns to normal. One of the key changes we foresee post Covid is that home testing is expected to increase for safety reasons we believe more and more customers will adopt for home testing and to address this we have beefing up our frontend resources and network partner. To further address this issue we have appointed Mr. Kannan A, as the Chief Service Officer, he has joined us from Hi Care Services and he is a veteran in customer experience in B2B and B2C segment. In his previous stint he was responsible in implementing the digital field service model to deliver on time service and improve net promoter store. Our objective for FY2021 would continue to be towards increasing utilization of lab network, increase revenue per center, rationalize service network and increase the focus of the sales team towards non-COVID business, we believe we are poised for greater heights in coming quarters as economic for standalone labs and unorganized labs gets beaten down. That is all from my side I will ask Rakesh our CFO to take you through the financials.

Rakesh Agarwal: Thank you Vijender. Good evening to everyone on the call. Financial year 2020, given the year end challenges we are happy to report that we have made significant efforts towards improving the quality of operation wherein we are focusing on network rationalization which will lead to improvement in breakeven levels, improving the health of our balance sheet where we have continued to remain asset light, increased our cash levels and continue to grow inorganically through acquisition without compromising on the key parameters, increase the focus on working capital which has led to improvement of our OSF to EBITDA which has improved to 93% in financial year 2020 an improvement from September 2019 level and if compare it with March 2019 it has improved more than 100% ultimately leading to healthy growth of 14.1% for PAT before exceptional item.

We have indicated the impact of Covid-19 in our presentation and speech earlier, but I would like to spend some more time in giving an assessment of the growth that we would have achieved. While we have reported revenue of Rs.206 Crores, we believe we lost 25 Crores in revenue for the last 16 days of March, which was impacted due to the nationwide lockdown and precautionary measures taken. Accordingly, Q4 financial year 2020 revenue would have been Rs.231 Crores with a growth of 15.1% on year-on-year basis, if we had a clear March 2020.

To give you a better perspective on the strength of our performance in Q4 financial year 2020, I am glad to share that Y-on-Y basis in January we achieved 13.5% growth, February saw a growth of 17.4%. For the period of 1st January to 15th March we achieved 14.4% year-on-year growth really depicting the growth momentum we have build up. Similarly for financial year 2020, we reported revenue of Rs.856 Crores after addition of our estimated Rs.25 Crores revenue which we had lost in last 16 days of March 2020, we would have achieved revenue of 881 Crores thus clocking a growth of 15.9% on Y-o-Y basis.

We believe that the EBITDA margin and profitability would have been increased at higher phase as we would have benefited out of the operating leverage and lower material cost on the basis of revenue and volume numbers we were clocking for Q4 financial year 2020.

Accordingly, our estimate is that we have lost Rs.17 Crores in EBITDA for Q4 and financial year 2020. Accordingly, our Q4 financial year 2020 EBITDA would have been Rs.69 Crores a growth of 19.5% on year-on-year basis with a margin of 29.5% which is typical of the last quarter in our industry. Similarly, for financial year 2020 our EBITDA would have been Rs.249 Crores a growth of 21.1% on Y-o-Y basis with a margin of 28.3%. Our operating metrics have showed vast improvement and continue to post positive trajectory.

On reported basis EBITDA for financial year 2020 stood at Rs.232 Crores registering a growth of 12.9% on Y-o-Y basis accordingly the margin stood at 27.11% for financial year 2020. In quarter four financial year 2020 reported EBITDA stood at Rs.52 Crores registering a degrowth of 10.1% with a margin of 25.03%. The EBITDA margin would have been higher by 0.5% if we exclude the lab on leases for financial year 2020. The lab on lease contract existing in financial year 2019 which were 9 in numbers and fully operational in financial year 2019 have moved from 19.5% EBITDA to 22.1% EBITDA margin in financial year 2020. New lab on lease contract started in financial year 2020 which is 4 in number and partially operational in financial year 19, 7 in numbers has diluted the total lab on lease EBITDA to 0.5% which was as expected.

Financial year 2020 PBT before exceptional item stood at Rs.193.8 Crores a growth of 1.2% on Y-o-Y basis. There was a provision of 17.7 Crores pertaining to receivables related to a B2B hospital. While we were under arbitration for recovery of our dues and expected the proceedings to conclude in March 2020, however Covid-19 has resulted in all judicial matters getting postponed. We now expect the proceeding to conclude by end of this calendar year or early next year. We believe and we are confident of recovery of dues from the hospital however as a matter of prudency, specially with hospital business getting slowed down on account of Covid-19 we are taking this provision. If and when the case gets over and we win or we settle we will write back the provision.

PAT before exceptional item stands at Rs. 29.3 Crores for quarter four financial year 2020, while for financial year 2020 it stands at Rs.146.7 Crores an increase of 14.1% on Y-o-Y basis. Reported PAT that is after provision stands at Rs.15.5 Crores for Q4 financial year 2020 while for full financial year 2020 it increased by 3.2% to 127.6 Crores.

As of 31st March 2020 we had cash and cash equivalent to the tune of Rs.223 Crores this shows the financial flexibility we have to further strengthen the business operation and cement our leadership position.

We are a Zero debt company, our ROCE stood at 40% in financial year 2020, while ROE stood at 27%. Despite the overall Covid-19 impact in March 2020 we have been able to improve our collection efficiencies and improve our DSO days. Our DSO days in FY 2020 before Q4 hospital account provision stood at 62 days an improvement of 4 days on Y-o-Y basis and 5 days from September 2019 level. Our working capital days improved vastly in FY 2020 on increased efforts towards improving collection efficiency, better inventory management and better trade of terms with suppliers. Our working capital days excluding cash and cash equivalent and excluding lease liability on account of Ind-AS 116 for comparable purpose and pre provision on debtors stood at 20 days at the end of March 2020 compared to 24 days at the end of September 2019 and 33 days at the end of March 2019.

Our Capex spends excluding acquisitions stood at Rs.22.7 Crores. we spent Rs.11 Crores towards acquisition primarily towards the Surat acquisition announced in September/ October last year. During the year we paid dividend including dividend tax of Rs.48 Crores and thus the dividend payout for financial year 2020 stood at 37.5%.

This is from my side, we now leave the floor open for Q&A. Thank you.

Moderator: Thank you very much. Ladies and gentlemen, we will now begin the question-and-answer session. We have the first question from the line of Rajesh Kothari from Alfaccurate Advisors. Please go ahead.

Rajesh Kothari: First of all congratulations for a good set of numbers in otherwise a challenging environment. Now I have two, three questions. The first question, can you give more color on what is your B2B strategy and in your presentation you shared lot of data revenue per patient, revenue per test so on and so forth. Is it possible to take similar numbers to the B2B side, what is your per hospital maximum exposure how do you try to reduce the risk so that such incidence of write-offs will not happen in future, that is question number one? Question number two is in terms of cash flow while we are seeing good improvement how do you see going forward in terms of your target cash flow, and last question is to the promoters because there is a pledge of shares and I am sure everybody is aware in such market conditions, there are many accidents which are happened in the market so what is the promoter’s thought process by when they plan to reduce this and some color on that. Thank you.

Ameera Shah: So Vijender why do not you take question one, Rakesh you can take question two and I will come to question three.

Vijender Singh: Yes we on the B2B side this particular instance what you are talking is about one hospital lab, management were running this lab based on management and there was arbitration and that arbitration was in our favor so that is what one instance, but if you generally talk about B2B,. Our B2C revenue actually what we have seen is in last two months has gone up from 44% as I said in my talk also that B2C ratio currently is about 44% at the group level however I think last two months this B2C ratio has gone up to almost about 49% to 50% so our dependence on B2B automatically has reduced one is of course that B2B during this Covid that we have seen lot of B2B labs and hospitals were shut and now to lot of hospitals have also converted to Covid as well. So our dependence on B2B is not very high, however if you look at our past model, in the past model we had two different models one was lab on lease and second was D-APSC Model, where we had gone through small time labs and mid time labs who were B2B customers, we have asked them to shut their lab and converted those into franchises of Metropolis, I mean in last two months also we have taken a step towards this in order to revive this model and we were pretty much successful and let me tell you that we have almost converted about 40 such labs who are now completely outsourcing 100% to Metropolis. So that is going to be our strategy going forward.

Rakesh Agarwal: Coming to the cash flow question just to answer you right now we have a cash flow of 223 Crores and we were happy to say that we have already started not losing any cash anymore from the business, we started giving a positive cash flow so we do not see any challenge going forward so as of now we are sitting at 223 Crores and we do not see any challenge from the cash flow and cash point of view.

Ameera Shah: On the promoter pledge as we know that pledge is significantly lower than it was even at the time of our listing and I had always maintained for our all investors and stakeholders that over the next 12 months period my interest have always been to exit whatever debt and completely become unpledged, and I continue to span on the same thought, so anyway the risk is obviously much lower now than it was earlier and I will continue to evaluate my options and try to unpledged as soon as possible like I said over the next 12 months.

Rajesh Kothari: In fact just to respond to the answer one which the management has given my question is actually completely different so I am not asking the B2C it is going up or not because it is possible that hospital revenue itself is coming down and that results into the higher proposition of B2C. My question is what is your risk management policy for B2B and do you have a minimum benchmark that if your receivable days in a particular hospital if it goes beyond 25 or 35 or 45 you would not probably continue with that so what is the risk management strategy on B2B because it will be a still substantial part of our revenue it is not 5% of our revenue. We are talking about 40%, 45%, 50% of revenue, so some color on your B2B business strategy and risk management that would be very useful and to the promoter, madam, as a shareholder we are concerned because while I clearly appreciate your target of repledging over next 12 months but 12 months in such volatile time is virtually very long period. So my sincere request is if you can address this concern at the earliest that will put shareholders like us a little bit at rest.

Vijender Singh: Yes, so just to answer your question on the first part the risk management and how are we looking at the whole thing. So just to update you that we do not have any arbitration on anybody except this one arbitration which were having since last three, four years so apart from that there is no arbitration as of now and we are having a credit policy of ranging from 30 days to 90 days depending upon the business situation and the requirement and the opportunity and where are we placed so the credit terms differ from the place to place and from party to party and we have a policy of blocking the code if the numbers of days increases from a particular limit and we have a robust system of getting the money and obviously we have an ECL model which we have implemented so anything which goes beyond the credit limit is always provided in books so whatever is there where which has gone beyond the limit and not come in time as per the credit policy has been provided so that ECL model we have already implemented for MHL, does that answer your question.

Rajesh Kothari: Okay thank you sir I will come back in the queue.

Moderator: Thank you. We take the next question from the line of Sudarshan Padmanabhan from Sundaram Mutual Fund. Please go ahead.

Sudarshan P: Madam if I take your initial remarks about this Covid testing where you said that at 4500 we are barely breaking even, but it helps to absorb the fixed cost can you give some color with respect to what is the capacity that we have here, I mean how is that helping us to cut our utilization better and reduce the fixed cost over there and especially if I am looking at when you are talking about the business coming back to 70% and now in May running at over 50% odd then how much of this proposition is typically Covid and how much of the proposition is non-Covid.

Ameera Shah: Sure, what I said in my speech earlier was not that we are barely breaking even what I said was that it may not add to profit on a unit economic basis, meaning that if we were to just count sort of all the cost that were there is not that this is going to be profit accretive but when we are counting the cost of our fixed manpower we are counting the costing on the overheads that are involved direct and indirect then we are finding it actually to significantly adding from a group perspective to making sure that in these difficult times when revenues are lower than normal we are actually able to get to breakeven faster so on a group basis it is adding to profitability but on a test basis it may not necessarily be adding to incremental profitability. I hope that is clear so therefore as we continue to support all our staff of 4000 odd people and pay all the salary because at the end of the day we are a company in healthcare for the long-term so obviously we do not want today making any drastic decision short-term of let go of good talent so this actually Covid testing is helping us in terms of supporting all those costs and the fact that we only had a loss in April when obviously revenue was down because the country was in lockdown but the fact that we had already broken even in May I think speaks a lot for the point that it is adding to group profitability.

Sudarshan P: The capacities and the number of tests that we are doing?

Ameera Shah: So we are not able to release the details on that right now because we are under confidentiality with the authority in terms of capacity as well as in terms of the data which is only suppose to come from the authorities unfortunately, but I can tell you that we have ramped up our capacity significantly in the past two weeks and we are prepared for handling triple the volume that we currently are getting today and we believe that Covid testing will continue for the next at least 12 months and we are positioned very well in all the cities that we have got labs in as well as the places that we are able to collect so for example to give you an example of Maharashtra while we have a Covid lab in Bombay and Pune we are collecting samples from all across Maharashtra and with the project that I mentioned to you, with the foundation of Cipla and Citi Bank this will allow us to scale up our Covid testing even more because in this case the foundation will be paying for the test and not the individuals, which will allow us not only to offer free testing to people who need it, but allow us to ramp up our capacities and build that relationship with authorities.

Sudarshan P: Ma'am and second is about two, three days ago ICMR had come out and said that the 4500 caps has removed and it now depends on different states to basically look at the costing and their economic should this be positive or how do you see this development?

Ameera Shah: See if you see that before ICMR came out with this rule in practicality the 4500 price cap were basically what you can charge a patient so there was some labs charging 4500, there is some labs charging lesser than that because this is up to 4500 so you could decide your price. Metropolis of course like all the leading chains were charging 4500 but even earlier before the ICMR notification the price that the government was paying when they were outsourcing samples was anyway lower than 4500 because it becomes like a retail price and a wholesale price plus what we have to remember is that the 4500 prices also includes the collection of samples which includes different cost along with the testing. In most cases that the government is outsourcing or is outsourcing to lab providers they are collecting the sample and giving us only for the analytical testing so therefore the prices have to be different so my estimate is that on the retail side I do not think we will see the price getting severely affected I think it will remain around the same level but on the wholesale side which is on the government outsourcing the prices have anyway been quite different from 4500 and that will continue to stay different in different locations.

Sudarshan P: If I look at the overall scenario at this point of time especially fear of people setting out and specifically going to hospitals or labs I mean here you talked a little bit about pushing for home collection center if you are looking at a business model versus earlier focusing on B2C having frankly walk in I mean now how do we then build our business model differently and how do we capitalize the current situation?

Ameera Shah: See couple of things while you are right and while we did point out that as of today people are worried about going to a hospital, what we have to remember is that a lab collection center is very different from a hospital number one because when you go to the hospital there are crowds you are worried about infected patients coming there you are worried about catching an infection, when you are walking into a collection center you have to remember that 9 times out of 10 there is no other patient where you are walking in alone maximum there is one other patient, right, so it is not a very crowded space unlike a hospital so that is number one. Number two we believe being in healthcare for the last 20 years I can confidently tell you that even though the crises are happened we are not going to see healthcare move over 100% to home service either for diagnostics of a treatment of a doctor visit that is not going to happen. We will see home services increase because people will be preferring to do things at home but what we also have to remember is the societies and communities may have their own restriction about letting people from outside come in so our belief at Metropolis is that this combination of brick and mortar and home services this is going to continue while I believe that home services may scale up it does not mean that walk-ins are going to decrease because it is not like the number of patients is finite and the same number of patients are going to get clipped so what I expect to see is that we are going to see more and more patients move from unorganized players to organized players and in the organized players quota we will see some patients move more to home service but I do not believe that we are going to see a complete shutdown of brick and mortar. So our plan is really that we should not continue to, that is why we said we are going to do a slight rationalization of our collection center network and the goal will not be right now to keep expanding centers in the cities where we already believe we have a good network but the idea will be to now ramp up on the home services front and as you know anyway our collection center network is completely 92% asset light so frankly it is not like we are carrying some very large fixed cost on our P&L if tomorrow so whatever reason the walk-ins are not as much as we expected to be it is not going to make up carry a big fixed cost in our P&L but we do believe that both will survive and both will do well.

Sudarshan P: Thanks a lot ma'am.

Moderator: Thank you. We take the next question from the line of Susmit Patodia from Motilal Oswal Asset Management. Please go ahead.

Susmit Patodia: I wanted to understand this write-off that you have taken off something called the old unreconciled balance?

Rakesh Agarwal: Yes so we have taken some 3.5 Crores of write-off for old unreconciled balance I think it was taken in quarter two if I am not wrong, are you talking about that?

Susmit Patodia: Yes.

Rakesh Agarwal: So basically what happened is that we have initiated our reconciliation drive with all the channel partners to make sure that whatever amount receivable is coming in our book is matching with the channel partners if they are also having in their book so we have done a onetime exercise and done the reconciliation with all the channel partners and after the reconciliation we found that there were some differences which were there unreconciled and we are not able to reconcile with the partners and this is very old balances because this may belonging to some 2012 or 2013 so as we thought this is a very old balances and we are not able to reconcile we have taken a onetime provision of this amount in quarter two for this amount.

Susmit Patodia: And I am assuming that now the systems are such that you may not have anything like this in the future?

Rakesh Agarwal: Yes, so we are doing a quarterly reconciliation now so every quarter we are reconciling so that I think it was a onetime thing which has happened and we are now doing a quarterly reconciliation with all the channel partners.

Susmit Patodia: So if then I mean I am sorry to ask this but is there an automated SOP kind of system that helps you do this because of the nature of the cash collection?

Rakesh Agarwal: Sorry I just lost you in between can you repeat.

Ameera Shah: We had an SOP system which we are currently using but unfortunately it was not at level we would have liked it to be as it was an older version, we are moving to Oracle NetSuite" we are actually in the process of implementation we are expecting implementation to be completed likely in mid of Q2 and we believe then a lot of these things will become automated and we actually believe a lot of productivity and efficiency in the system as we move from our manual networks to automated lab process so right now like Rakesh said we are doing quarterly reconciliation and we hope that this becomes much more efficient in an automated fashion in the next few months.

Susmit Patodia: The next question is are you already seeing a flush of proposals at your desk for M&A?

Ameera Shah: We have seen in the last two months I would say lots of proposals come through some of them are companies which has not traditionally funded by PE some of them are companies which are start up who has been working in the healthcare space for the last few years and trying to build traction and some are individual labs which feel that they will not be able to operate independently in the new environment so we are seeing a lot of proposals come through and our inorganic strategy and thought is very clear that while we believe that we have the ability to execute M&A very well probably better than most of the industry because we have done about 20 to 22 M&A in the past many years and integrated them very well, we would like to be prudent as to where we spend our money so we will continue to evaluate each one of them and of course if anything comes up which is interesting and at the right time we would be happy to share.

Susmit Patodia: Just a last question on this Global hospital write-off that you have taken, you have taken the whole 100% write-off?

Rakesh Agarwal: Yes, so there are two part to it, one is up to September outstanding and after September outstanding so up to September outstanding as we told that there is some litigation going on and because of that now we expect the main litigation to come up with the results so we have just prudently taken this provision whereas our internal assessment and the assessment taken by the third party is that we have a good chance for winning the case. So basically this is just a prudency because the delay happening and we do not know, now will take another one year for that litigation to get over. Therefore we are taking this provision and the actually disputed amount is up to September from October onwards we have started getting the money from them and we have got almost 50% of the amount which we have billed after October to them and they are paying on a regular basis so on that basis we have not provided for the amount which is outstanding after September, but yes almost 90%, 95% of the amount which are outstanding from the hospital has been provided for.

Susmit Patodia: Metropolis continues to work with Global?

Rakesh Agarwal: Yes we are right now in the litigation up to September so that is going on separately and we are dealing with that separately and we are very hopeful that, that will get settle soon and as we are getting the money right from October onwards so we do not see any reason to stop it but obviously we are looking at on a daily basis that whether things have been working fine or not and we have been cautious about it. So yes as of now we are still operating with that.

Susmit Patodia: Okay, thank you, best of luck.

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

Praveen Ranjan: Thank you for detailed presentation that is quite helpful. So the first question related to the B2B and the B2C as you was mentioned that the B2C is increasing continuously so can you elaborate on the B2C definition it is just on a walk in or the doctor recommended patients you are including in the B2C and the B2B is just a hospital business?

Vijender Singh: Yes so B2B means where patients are walking into our center, third party centers and there will be a direct engagement with the patient so all the patients coming to our lab whether walk-in whether we are going to houses to collect sample so these are all part of our B2C whereas on B2B side the labs the hospitals who are outsourcing where the patient is directly in touch with the B2B labs or hospitals those are all B2B.

Praveen Ranjan: Okay so the B2B is a more to do with the hospitals only?

Vijender Singh: Hospital and labs also.

Praveen Ranjan: Secondly on the Covid testing so as you had already said that right now, now you are doing some increase in the previous numbers of the test and also you had mentioned in the presentation that 1.25 Crores of Capex you had incurred related to that so should I believe that is related to the five different geographies currently you are doing and there you had incurred this 1.25 odd Crores Capex and with the increase in number of a test in the coming days that will also require a further Capex related to that or is that enough?

Vijender Singh: See as of now as we said that we have five labs and in order to give the enhanced capacity because there is going to be a low demand from different, different states like Gujarat is still not started so probably Gujarat will also start the day we get approval so we are ready with our capacity, current capacity and as Ameera mentioned that we have enough capacity to tackle three times the current volume so we do not foresee much of Capex required in future.

Praveen Ranjan: Just to clarify related to this only as I can see that the Thane, Pune, Mumbai and Chennai there is a lab of Metropolis and operating for Covid but you had also mentioned about the Bangalore and Delhi so is there some other name than these labs are operating out there?

Vijender Singh: We are all under Metropolis brand and there is no confusion on that so all across we have Metropolis brand and all the approvals are under the banner of Metropolis.

Ameera Shah: Delhi we are just waiting for approval to come through we are ready to start we expect that in the next few days.

Praveen Ranjan: Thank you. Thank you for taking my question, all the best.

Moderator: Thank you. Next question is from the line of Bhaumik from Aditya Birla Sun Life Insurance. Please go ahead.

Bhaumik Bhatia: Two questions, one is if you could give some sense on the payment cycle related to Covid testing and some sense on how at the peak of the Covid testing as and whenever you reach it, how big can this become as a part of your overall revenue and my second question would be where is the 223 Crores of cash invested in?

Ameera Shah: So I will just take the first one on Covid and allow Rakesh to take the one on treasury. Look I think on Covid the different channels like we said gave different price points and therefore different volumes. So what we have tried to do actually is to try and make sure that we are not taking severely discounted business as far as Covid and therefore we are able to have a decent unit economic on the samples so therefore we have been getting business from B2C predominantly a little bit from government and some from B2B the payment cycles for B2C is cash up front, for B2B we have also been doing cash upfront we have been doing daily cash or rolling advance with most of the B2B players and then government is the only one where you are giving a little bit of credit for us government is the small percentage of the Covid business so we do not see it as too much of the risk and some of the governments have already started paying. As far as how big this can get, I mean at this point of time as far as RT-PCR goal I expect we will continue doing a significant amount of testing for the next few months probably it will go over the next 12 months but definitely in the next three four months will be quite heavy if they open up antibody testing then of course it is a much larger number and if the RT-PCR opens it up for asymptomatic which we are also hearing they might then of course it opens up for the whole country so it is very difficult to estimate today because it is very driven by regulatory approvals on what is allowed and not allowed, difficult to estimate it, it is very binary so if it can become big I think we can be doing 10,000, 15000 tests per day but whether we will get there or not depends on the regulatory environment.

Rakesh Agarwal: Yes, so coming to the second question where you had said where we are using the cash reserve which we have. So out of 223 Crores we have some 13 Crores of investment in mutual fund fortunately our investment is has not devaluated at all because that was more from a debt based fund investment so that investment is intact, the rest are 200 Crores we have around 20% of that we keep it for sort of day to day expenditure which we can take care of, vendor payment out of the rest we have 50% which has been invested in a long-term FD and rest has been invested in the short-term FD so basically we are cautious now not to invest in long-term basis because we do not know how the situation will fair up so we are prudent and we are keeping cash in the short-term investment so that we can take it whenever there is a requirement so that is how it is.

Bhaumik Bhatia: Sure, that is helpful just one clarification for this 13 Crores which is lying in the debt mutual fund that is I am assuming it will be all AAA rated and liquid…

Rakesh Agarwal: Yes, so we in fact we have not devalued anything in this, in fact there is an increase.

Bhaumik Bhatia: And sorry one last question if I may squeeze in so this is for Ameera so if you can just sort of little long-termish and you did allude to this in the opening remarks also in terms of how the industry structure could move more towards consolidation and more towards see organized players but you could just probably talk a little bit more about mainly from the regulatory side now that the government has clearly bifurcated the accredited and the other labs how does that help in the long-term in the overall scheme of things does it really like speed up the process how do you look at it?

Ameera Shah: So let me just give you some little perspective on the industry see currently this estimated to be about 100,000 labs in the country there about a 150 labs which has been approved for Covid right out of 100,000 now these 150 labs are all pathologists run, reasonably good quality well known labs in their city and out of the 100,000 labs just to give an estimate there are 10,000 which are run by pathologist and 90,000 run by technicians so the bigger issue are the unorganized technician labs which do very, very small business but are in every nook and corner. So what our estimation is that honestly with Covid testing becoming such a big thing and talk about pathology testing happening for months on and we think in the mind of the consumer who never really though about the quality of pathology before in a significant way now they are going to be thinking about a brand that they had heard for the last three months and they are going to be thinking about look who is capable of doing this kind of advanced testing and who is not and out of these 150 labs which have been approved by ICMR for testing factually for you to know, 50% have not done a single test so far so actually it is only 75 private labs which have actually done whatever 30% of the entire testing so far done in the country and out of the 75, the top five chains have done majority so what we have seen is actually in a crises like situation it has been the leaders in the country which had actually carried most of the weight and consumers and doctors and governments and hospitals have seen our cases on a daily basis while they were not seen the small unorganized players at all. Our sense is that this will lead to consolidation. Like I said there are lot of M&A proposals already coming through but even on the organic side we think customers who were used to moving to the local lab next door will now start moving to a more reputed brand and frankly the small labs are now having a hard time functioning because they did have enough labor to continue working and tomorrow when customers are going to demand that we are now wanting safety and hygiene for example today, you get a Metropolis person to come home whether you are doing a Covid test or not there is somebody coming with a full PTE kit there is somebody trained to show you how every glove and needle is disinfected now your expectation is going to be the same when you go to a small lab next to your house now when that small lab has to start bearing the cost that Metropolis does they will not be able to afford it at the prices that they charge and so either they will have to increase their prices and the difference between the reputed player prices and unorganized prices will decrease and that will make then patients actually move towards the brands more. So I think this is a journey that we will go through over the next many months.

Bhaumik Bhatia: Thank you so much for the detailed response and thanks for the detailed presentation as well and all the best.

Moderator: Thank you. We take the next question from the line of Anuj Sehgal from Manas Asian Equities. Please go ahead.

Anuj Sehgal: I just wanted to check so your network has increased by a 6.4 times in the last five years so what percentage of your revenue do you get from your own centers from third party centers and from ARC and then secondly while longer term the industry will consolidate as we just mentioned is there a risk that in the near-term a lot of your third party centers could also actually shutdown and therefore that could actually affect business in the near-term even after things come back to normalcy in the next few months?

Ameera Shah: No, as far as we have not got the specific details on third party versus our own etc., but I can tell you that our own centers are still contributing a large amount of the B2C revenue the network that we have created in the last three years has an average ageing of only about two years right one and a half to two years. So that is why we keep saying it is still a very young network and usually the maturity is about five years for collection center to get to top revenue so therefore smaller percentage on our revenues comes from the third party network at this point of time but we are seeing a continuously increase every quarter and that will continue to increase that is one point. As far as your second question on will the third party partner survive frankly I am not sure why they would not be able to because they do not require any new working capital to this it is not like they are buying goods from us in advance and holding inventories usually the way it work for a franchise partner is that patient walks into the center at least for the retail franchise partner the patient walks into their center, pays cash and usually we collect either daily cash or weekly cash from our partner and usually the consumables that they are using to test the patient is provided by Metropolis. So I think the only change that might happen now is that it typically is required per patient there will be an additional cost as far as the PTE and we will be working out of our partners as to how do we make sure that, that cost is not burden them or burden us.

Anuj Sehgal: And just a follow-up so you mentioned that you will be rationalizing your third party network and reducing it by 15% so in the last couple of months have you seen any churn in the network where some centers have not opened up even though they were allowed to open up in different geographies?

Vijender Singh: Yes there are few centers especially during Covid where we ourselves had said that please do not open the centers till we come back to you, at that time the risk was very high and people were also little scared on what is going to happen but slowly we started asking third party centers to open and as Ameera mentioned that we have already planning about 10% to 15% of our centers who are nonperformers in the ARC segment would automatically would take care of our cost versus the risk of churn because that itself would be our initiative to take it up so that there is no risk.

Anuj Sehgal: So the 15% rationalization is only on the ARC and not on the third party centers?

Vijender Singh: Yes, majorly would be on ARC.

Anuj Sehgal: May I ask what is the difference between ARC and third party centers?

Vijender Singh: ARCs generally are in non lab towns where this particular segment is going to cater to B2B collection of samples from lab of Metropolis from hospital and small town labs they are part of our B2B strategy.

Anuj Sehgal: So ARC business is categorized under the B2B?

Vijender Singh: Yes.

Anuj Sehgal: Thank you.

Moderator: Thank you. We take the next question from the line of Anmol Ganjoo from JM Financial. Please go ahead.

Anmol Ganjoo: My question is to Ameera. Ameera you spoke about the current disruption being some kind of a catalyst in terms of driving the unorganized to organized shift in terms of some granular details of nuts and bolts can you help us understand how is this playing out on the ground, one way obviously is patients being more comfortable that on the revenue side but are you seeing similar behavior on the cost side probably vendors or land lords trying to give you better terms given the distress on the landscape.

Ameera Shah: So I saw Vijender mentioned in March itself we approached all the land lords of our centers and obviously they valued that. like Metropolis would come to them so most of them were very happy to offer us a flexible terms for the period of the lockdown which we have come to an understanding with them on, but I think it is still a little bit early to know whether on the cost side we are going to get benefit from a perspective of unorganized and organized and then we always got benefit from a perspective of material cost because obviously this the pure economy the scale gave us much better pricing power with vendors that will always the case but I sense that the changes will come more on the one on the talent perspective because you know while in the last three months we have been opened in every city and not a single employee of Metropolis has lost their job or has any salary cut. The reality is that 90% of small labs have been shut and obviously I think it will be very difficult for them to continue to support our salary payment when they are completely getting no revenues at all. So my sense is that talent itself will also start migrating towards more secure and safe structures like companies like us but I do not at least personally I have not seen or witnessed so far on the ground yet because just a 100% it will early to that so definitely changes on the demand side for sure, Vijender you want to add anything, anything you think different.

Vijender Singh: That is fine.

Anmol Ganjoo: So a follow-up on that right now since the case for organic growth relative to given the business on the landscape has improved so much does M&A as an option become less appealing because anyway you guys are nor far player to run rate for growth going forward?

Ameera Shah: Well I think the market is still very, very fragment right as we have told you for the top few players the top three, four players in the country have only 10%, to 15% into the entire market share and as the entire industry so yes while there is going to be an opportunity to continue to grow organically again I do not think things are going to drastically change over night because at the end of the year in healthcare you have relationship you are at services while I do think organically things will change I do not think this will completely disregard M&A at a same time I think there is still be good opportunity chances to consolidate faster along with organic growth and we are company would like to continue to evaluate both opportunities organic and inorganic at the same level.

Anmol Ganjoo: Thank you that is helpful. Thanks and all the best.

Moderator: Thank you. We take the next question from the line of Chandramouli from Goldman Sachs. Please go ahead.

Chandramouli: My first is related to your remarks you had mentioned you have about 50% of the network was working as in mid May and as compared to 25% of the network as in late March so is this collection centers?

Ameera Shah: This is collection centers as well as lab.

Chandramouli: Just a clarification on that could you give us the numbers of patient service centers?

Ameera Shah: We have 260 patient collection centers these are all is our own and operated by us plus we have third party APSU 1800 APSC.

Chandramouli: No sorry I was trying to understand what percentage of the patients of this center network is open now versus India at much?

Ameera Shah: Oh! I think Vijender you want to answer to that.

Vijender Singh: Yes now it is almost about 70% centers which are opened on the B2C side.

Chandramouli: Second question is on the cost side, so if I just major EBITDA margin of maybe 25%, 26% out listed as credit basis so after reminder 75% of your sales which are cost what proportion would be fixed in your opinion as a percentage of sales?

Rakesh Agarwal: Yes so see there are lot of costs which are not in the border line so we absolutely cannot even get bifurcate in a really absolute way but if I just take a overall picture and see in that point so I believe this 50% of the cost basically fall in to variable and semi variable and fixed cost and the rest 50% will built up and as a view the fixed cost changes when the volume changes for example if the volume goes up then the fixed cost basically changes but even normal time if we look at to almost 50%, 60%.

Chandramouli: Just given the pressure on volumes this quarter and maybe on next quarter as well I am sure there are initiatives on trying to bring the fixed cost down so if you could just give us some color on what sort of cost you think, you can rationalize over the medium-term?

Ameera Shah: Yes so just to give you a perspective I think as I have been told the rent has been negotiated with all the land lords and the land lords are kind enough to come back and support us in this so that is one fixed cost which has seen a bit of reduction but obviously once the lockdown ease out and things become normal so then that will go away so that is one cost which we are looking at some cost which will naturally go down which were regarded the fixed cost but will go down automatically even traveling cost and conveyance cost, this costs are actually fixed cost that we will reduce drastically because of the situation today we are in, there are some cost like printing and stationary we are more into sending the reports through mails and through digital mode so we are seeing a lot of saving in the printing and stationary expense also while we are spending lot of money in the digital platform and to connect with the customers, doctors and centers and everybody. The bottom-line the marketing cost has gone down because there is no potion of spending in that line. So these are some of the cost which basically are seeing a bit of downtrend and obviously we go forward we will see how can we try to maintain these costs.

Chandramouli: Thank you very much and all the best.

Moderator: Thank you. We take the next question from the line of Sameer Baisiwala from Morgan Stanley. Please go ahead.

Sameer Baisiwala: Ameera the volume set for lost in last three months is this the pent-up demand or this the lost volumes totally?

Ameera Shah: See my sense is I think firstly the volumes which have been lost has been mostly March end I would not say last two months of course economy itself was struggling a little bit before that there is some impact but not huge but of course most of it is the end of March, the last 15 days. The general thought in the healthcare industry is what has happened is that with the lockdown all elective surgeries have been suspended people getting sick has been self treating at home, but obviously that will also come back unfortunately once the lockdown open so I would estimate my sense is half of it would be suppressed demand and half of it would be volumes which will be completely locked because when if I had a cold and fever and I did not get a chance to go to a GP and I took a Crocin and I treated myself the chance is that I managed to become okay unless if it is Covid. But things like elective surgery something needs to get a knee replacement done and they have to delay this they will have to go at some point they will require testing. So my estimate is half-half.

Sameer Baisiwala: Ameera when you mentioned about potentially Covid testing being as high as 10000 to 15000 tests per day these are all antigen PCR test or were including antibody over here?

Ameera Shah: No, I was only referring to PCR, I mean if tomorrow if antibody test opens up frankly it can be much more than that it can become like a thyroid test right for a period of time thyroid test was extremely high volume test in our industry so if antibody opened up because that is which we do is like a thyroid test, it takes a couple of hours to do a test and to give a report and it can be completely automated then actually if you see those diagnostics come up with an antibody test which has got approval, and we actually have the largest capacity for immunoassay test all across the country so for us to be able to execute large scale antibody testing would not be difficult, but that depends on the regulatory framework. That would be close to 100000, 200000 tests a day but these are all numbers today without much basis till obviously it is up to the government and when it opens it up.

Sameer Baisiwala: As far as your partnership with Cipla and Citi is concerned what pricing would this be done at?

Ameera Shah: We have to share Sameer, but we are under confidentiality.

Sameer Baisiwala: No worries and Ameera last one on Covid testing are large corporations approaching you as the lockdown is lifted, they open manufacturing sites, offices, large banks, IT companies do they want to test the entire workforce.

Ameera Shah: Absolutely lot of companies are approaching us but at this point of time from a regulation perspective we are not allowed to because if all our employees are asymptomatic and ICMR today does not allow us to do asymptomatic testing. So like I said if they change the screen criteria and allow asymptomatic testing then frankly I think all of India who can afford a test will want to get one done so that an antibody testing or two things which are with the government.

Sameer Baisiwala: That is right Ameera just to go over this point one more time and that is what is the thought process with the regulator, government ICMR I mean it is going to only help their cause in containing the virus if they do allow both these things so is it a matter of time or they think that India is not prepared for it what is driving this?

Ameera Shah: I cannot pretend to know their mindset but my guess and my personal opinion would be that at this point of time they think that there is a shortage of capacity of testing and therefore they wanted to first priority to people who are symptomatic and need the testing and probably I think it is a matter of time that they will open it up for asymptomatic people potentially antibody and then traditionally if you see antibody testing is actually not meant for individual patients it actually meant for surveillance, for the health data of the population, now whether the government decides to do this one their own or they will engage private player who tend to do it, I suspect that they would engage private players but time will tell.

Sameer Baisiwala: Okay great thank you so much.

Moderator: Thank you. Ladies and gentlemen due to time constraint we will take that as the last question. I would now like to hand the conference over to Ms. Ameera Shah for her closing comments. Over to you mam.

Ameera Shah: Thank you so much and thank you all for joining us we know we recognized the speech is a little long today we just wanted to give you a lot of visibility and color on exactly what we are thinking, where we are going, it is uncertain times but we want to create as much certainty as we can in these uncertain times for our investors and stakeholders and like I had mentioned earlier we have been strong and confident on our fundamentals I think our operating performance stands strong and industry leading and we genuinely hope as things open up and lockdown opens up we will continue to get only stronger and we look forward to sharing with you as soon as possible in the next few months. Thank you all.

Moderator: Thank you. On behalf of Metropolis Healthcare Limited, we conclude today's conference. Thank you all for joining, you may now disconnect your lines.