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To,

Head, Listing Compliance Department
BSE Limited
Phiroze Jeejeebhoy Towers
Dalal Street, Mumbai - 400 001.

Scrip Code: 542650

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: Transcripts of Earning Call for Q2FY2022.

Pursuant to Regulation 30 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations 2015, please find enclosed herewith transcripts of the Earning Call held on Thursday, November 11, 2021 wherein the management of the Company discussed the Financial and Operational Performance of Q2FY2022.

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

This is for your information and records.

Thanking you,

Yours faithfully,
For **Metropolis Healthcare Limited**

Rakesh Kumar Agarwal
Chief Financial Officer

Encl. a/a

"Metropolis Healthcare Limited Q2 FY2022 Earnings Conference Call"

November 11, 2021

ANALYST: **MR. RAHUL JEEWANI – IIFL SECURITIES LIMITED**

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

Moderator: Ladies and gentlemen, good day and welcome to the Q2 FY2022 Earnings Conference Call of Metropolis Healthcare Limited hosted by IIFL Securities 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. Rahul Jeewani from IIFL Securities Limited. Thank you and over to you Sir!

Rahul Jeewani: Thank you Rutuja. Good morning everyone. I am Rahul from IIFL Institutional Equities team. I thank the Metropolis management team for giving us the opportunity to host this call today. From Metropolis, we have with us, Ms Ameera Shah, Managing Director, Mr. Vijender Singh, Chief Executive Officer and Mr. Rakesh Agarwal, Chief Financial Officer. Over to you Madam for your opening comments and post that we can open the floor to Q&A. Thank you.

Ameera Shah: Good morning everyone and thank you for joining us on the Q2 FY2022 earnings call. I hope you and everyone around you are safe and healthy and joined today by Vijender, Rakesh and SGA our IR advisors. The presentation and press release have been issued to the stock exchanges and uploaded on our website. I hope all of you had an opportunity to go through the same.

Let me share with you the business highlights for the quarter. I am very pleased to share that we continued the strong business momentum in Q2 FY2022 with revenues of 303 Crores and industry leading EBITDA margin at 30.8% EBITDA which is before CSR and ESOP, which continued to be healthy levels in spite of increased investment in new network, marketing cost and increased employee compensation to retain talent.

If we normalize the additional investments, our EBITDA margins would have been at similar levels of last year Q2. We also recorded a strong growth in patient business by 25% year-on-year to 3.3 million and number of tests has increased by 29% year-on-year to 6.2 million in this quarter. After the severe second wave of COVID-19 in Q1, the COVID cases moderated in Q2. Accordingly, COVID RT/PCR revenue just contributed 19% total revenue during Q1 dropped to 14% in this quarter. During the quarter of last year; however, COVID revenue was high at 34%, as COVID cases were quite high in west and south India and the test prices were also higher during that period. In absolute number COVID revenue which was 100 Crores in Q2 last year dropped to 43 Crores Q2 this year despite the volume going up.

It is also important to know that COVID peaks in different quarters in different parts of the country and impacts company depending on where each is strong. As Metropolis is the dominant player in west and south and COVID peaked in Q2 in west last year, overall revenue EBITDA growth from Metropolis is impacted this quarter in FY2022 because of the high base effects and we will not see the same pattern in all companies in the industry.

Now coming to the non-COVID business, we continue to grow well. This is evident in the 38% year-on-year growth in non-COVID business during Q2 recording revenue of 260 Crores in non-COVID. While some parts of the country are now back to normalcy, west and south India are still gradually opening up from lockdown and consumption patterns are still to be normalized to pre-COVID levels.

Well, overall quarter-on-quarter growths look subdued. If you look at pure non-COVID business after separating COVID PCR and allied test, we are seeing a healthy growth quarter-on-quarter. We are clear that focus is on maximizing revenue by B2C channel, brick and mortar and digital and growing specialized tests with the product category in non-COVID is the way forward. We had strengthened and planned our organization chart, accordingly, separating focus on domestic and international and deepening our talent pool in key markets. In the focussed city of Mumbai alone in H2 we plan to open close to 100 centers and strengthen front end delivery and sales force significantly. We had stated that we would be adding a total of 90 labs and 1800 service centers from FY2021 to FY2024. During 6 months into FY2022, we had added 7 labs and 451 service centers.

We plan to add an additional 15 to 20 labs and 250 to 300 service centers in H2 FY2022. Most of these new service networks comprise a third party patient service center, which helps us expand network coverage in an asset like manner. The expansion will also enable us to penetrate in the deeper parts of the country where we do not have presence currently. It will also facilitate us to widen our coverage in home testing business and in turn increase the B2C component. We are investing in not only expanding the service network, but also in terms of hiring talent, creating a digital footprint and marketing initiatives which altogether will help us enhance the revenue growth in the next few quarters, but in the short-term have a minor impact in our EBITDA margin. In the long-term, all these initiatives will help us to create a stronger consumer connect and thereby scale business and grow market share.

In terms of guidance for the H2, we expect all non-COVID business to continue to grow well, except government contracts which sometimes tend to be lumpy and not consistent quarter by quarter. While we have seen complete normalcy in Q2 FY2022 in regards to government contracts we have seen some volume drop in patient samples in October and November so far. To this extent, we expect softness in revenue only for government contracts in Q3 FY2022. We had previously projected that our margins in FY2022 would be incrementally higher than that of FY2021. We reported EBITDA margins of 31.3% in quarter one FY2022 and 30% in Q2 despite large investments being made. While our operational EBITDA has shown good operating levels, we are further making significant investments in H2 in the areas of digital, network expansion, marketing activities and research for specialized tests which will further strengthen our brand.

This may marginally reflect in H2 margins, but overall for the year we hope to be at similar or incrementally higher levels than last year. On our inorganic strategy, we have made major strides with acquiring Hitech Diagnostic Center, our largest acquisition ever. As we have just completed the transaction, we are working on the final details and charting out the integration plans. At this point in time, both brands will operate successfully with a focus on revenue and network growth and backend integration. We are extremely confident of integrating this acquisition smoothly and in a time bound manner extracting benefits to revenue and cost synergies as we have done with our past acquisitions. We had already done a detailed call on Hitech, so we would not comment more at this time.

Our M&A strategy revolves around acquiring high quality profitable B2C business with a scientific approach to diagnostics. As we have seen in the industry, we have taken a pragmatic view on M&A and acquired at sensible valuation keeping clear focus on our post acquisition, financial metrics as well. Our near term objective is therefore be as follows: Number one, network expansion as per plan to create a stronger brand profile in existing and new markets, with a healthy mix of B2B and B2C, number two, investing in the new technology stack that gives us more flexibility to the omnichannel, number three, scale our digital effort across various stakeholders so that we have a better mix of customers that is B2C, improving efficiency, optimizing cost and a customer friendly brand that is always available and acceptable, number four, integrate Hitech and drive growth to cost and revenue synergies and number five, deepen our leadership team and middle management talent to create more focus on priority areas. These will be our five near term agenda in the next few months. This is all from my side. Vijender, our CEO will now take you through some of the operational parameters.

Vijender Singh: Thank you, Ameera and good morning everyone. Now let me come to key performance metrics which we track for our progress. Our revenue share of B2C business in focussed cities for non-COVID business stood at 60%, we are swiftly progressing towards our near term target of reaching 65% with customers centric approach, focused marketing and branding initiative and ramping up home testing offerings. Increasing share of B2C business improves customer stickiness, enhances brand equity and is margin accretive for the company. Hitech being a focus B2C player with 65% revenue contribution from B2C business will net off Metropolis to increase its B2C business in focussed cities of Chennai and Bengaluru.

Our focus on increased testing or complex specialized test has led us to creating a niche product in the industry. Metropolis is Go-To brand for doctors when it comes to specialized tests. Our efforts in this area have led us to create a sustainable science driven business rather than discount and package driven. Accordingly, our revenue contribution from specialized test increased to 43% in Q2 FY2022 as compared to 39% in Q2 of last year. On home testing business, home testing business as we have stated earlier is one of the most important focus areas for us. Our overall home visits revenue decreased due to reduction of COVID testing, revenue from home visits for non-COVID business increased by 17% on year-on-year to Rs.26 Crores. Also with lockdown restriction easing many people have again started going to center for the tests.

We believe the growth will come from centers as well as home visits for us. Our home visit coverage has been now extended to 89 locations and we are ahead on track to cover 100 locations by FY2022. Healthcare industry as a whole has been moving towards digitization and we are also investing in creating an all round digital ecosystem for our customers, partners as well as doctors. We are upgrading all our digital capabilities to participate in the health ecosystem and already in active conversations with leading platform for connectivity. We are also at this time revamping our customer experience in the launch of capabilities like sample tracking and customer friendly smart reports. Overall, we have been investing about 4 Crores to 5 Crores a quarter on an average to drive the digital growth. For us B2B and third party partners we recently rolled out a partner platform to get ready digital access to services from Metropolis and get improved engagement potentially leading to higher revenues per partner and more stickiness.

For a doctor's making it simple for them to interact Metropolis to prescribe tests for patient is our key focus. With focus digital and marketing initiative during H1 FY2022, we witnessed 291% increase in digital and 431% increase in website views on year on year basis. As a result of these efforts about Rs.23 Crores of revenue came through leads generated via digital medium, which is about 8% of Q2 FY2022 topline. H1 FY2022 has seen an 85% revenue growth from digital channels over H2 FY2021. Our target is to reach double digit revenue contribution through digital leads by end of FY2022 and increase it significantly over next years.

Let me now come to our operational numbers which we share. For Q2 FY2022, patient visits increased by 25% year-on-year to 3.3 million and a number of tests increased by 29% year-on-year to 6.2 million.

Revenue per patient for non-COVID business increased by 12% year-on-year to Rs.976 on the back of improved revenue contribution from specialized non-COVID tests, including COVID revenue per patient has decreased by 16% on year-on-year basis to Rs.926 as COVID tests prices were much higher last year and we were capped downwards during the year.

Our revenue profile among focused seeding and other cities stood as follows. Focus cities, 5 cities including the city and peripheral area around metropolitan region contributed 61% to the total revenue in Q2 FY2022. Seeding cities, 8 cities including the city and peripheral area around the region contributed 20% to the total revenue in Q2 FY2022. Rest of the other cities contributed 19% of the revenue in Q2 FY2022. With respect to geographical distribution, revenue contribution from west region was 67%, south contributed 25%, and north contributed 7%, while the rest was contributed from east and international locations.

To conclude from my end, our focus going ahead, will continue on improving the B2C revenue contribution of the business, increase the revenue contribution from specialized tests, expand the service network, implement digital initiatives and ramp up the home visits business. That is all from my side. I will now ask Rakesh to take you through the financials. Thank you.

Rakesh Agarwal: Thank you Vijender. Good morning to everyone on the call. Let me give you a snapshot of our financial performance for the quarter. Quarter two financial year 2022 revenue stood at Rs.303 Crores as compared to Rs.288 Crores in Q2 financial year 2021, up by 5% year-on-year. Non-COVID business contributed 86% of the revenue while COVID RT/PCR contributed the rest 14% on the revenue during quarter two. Non-COVID revenue stood at Rs.260 Crores in Q2 financial year 2022 as compared to Rs.189 Crores in Q2 financial year 2021 that is up by 39% Y-o-Y. COVID RT/PCR revenue stood at 43 Crores in Q2 financial year 2022 as compared to Rs.100 Crores in Q2 financial year 2021 this was significantly lower at this time as compared to last year same period even though the COVID volumes grew by 36% in the same period.

EBITDA before CSR & ESOP stood at Rs.93.2 Crores in Q2 financial year 202 at 30.8% as compared to Rs.94.9 Crores in Q2 financial year 2021 at 32.9% marginally down by 2% on year-on-year on an account of increased spending and hiring, new senior talent, digital initiative and network expansion, etc. Reported PAT stood at Rs.58.4 Crores in Q2 financial year 2022 as compared to Rs.60.5 Crores in Q2 financial year 2021.

Coming to our working capital ratios, we continue to improve our debtor days and it has significantly improved from 41 days in March 2021 to 35 days in September 2021. Overall, working capital days have increased from 4 days in March 2021 to 8 days in September 2021 due to a bit higher material inventory for the COVID crisis in quarter one.

OCF to EBITDA stood at healthy 85% for H1 financial year 2022. Cash and cash equivalent stood at Rs.551 Crores as on September 2021, we have utilized 336 Crores of this cash in october to partially funded to acquisition of Hitech Diagnostics, but still have a healthy cash balances. We expect to repay the external debt of acquisition within 3-year timeline. That is all from my side, thank you. We will now leave the floor open for Q&A.

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 Praveen Sahay from Edelweiss Financial. Please go ahead.

Praveen Sahay: Thank you for taking my question. The first question is related to the expansion, the first half expansion of 7 labs and 451 centers and as Madam you have already said that it is mostly a third party, so should I include the 7 labs also a third party network?

Ameera Shah: No, all labs usually always managed and run by us, for the 7 labs are either Greenfield or what we call is management lease, but either case they have been managed by us and therefore the opex is from our books, but in the 451 centers majority will be third party center where the opex is largely on them; however, we also have opex cost that are linked to a third party center, which includes logistics, marketing, sales, courier, cost of consumer base, etc., while it is capex line it is not opex.

Praveen Sahay: Right, got it and secondly on the location, because this first half 7 labs and 451 and then second half also you have given a guidance, so can you give some colour on the location where those are?

Ameera Shah: These are mostly tier 2 towns and these would be not only across the states in which we are already strong, but also some new states and new markets where Metropolis traditionally is not known as a leading player.

Praveen Sahay: Any mix of a new market versus existing market about this expansion, not only on the first half, but altogether?

Vijender Singh: It will be approximately 60% to 65% of the network will come in the core markets and the rest will be in the new markets.

Praveen Sahay: Sir, next question is related to the non-COVID realization where we can see that improvement 7% of improvement on the Y-o-Y side and also you had highlighted that 43% revenue from the non-COVID of revenues come from the specialized testing, so can you give some more color on that like a what kind of specialized tests are continuously increasing from 39% to 43% it is a good jump and also the realization is picking up here in non-COVID, so it will stabilize or at what level of a percentage of specialized contribution would be there, some colour on that in the coming quarters?

Ameera Shah: So, when we look a specialized test, we are always going to specialists like neurologist, nephrologist, cardiologist, gastroenterologist, etc., who are looking at patient obviously who require specialized diagnosis and then get treatments and these doctors when they are doing diagnosis they are very clear that they want good quality results because that is very important for them, when they are making a decision regarding surgery or anything else and therefore we find this business quite stickiness, so the tests that are increasing to your question, a very large number of tests, we have a whole list of them, some of these are only done by the top sort of three, four players in India, probably the top three players in India and there are some tests, which are only done by Metropolis, there is the combination of the two and really in our industry when we introduce a tests it takes a few years before that test comes well more amongst doctors and they start actually prescribing it in any serious volume, it is not like pharma where the pipeline as ever look first to get and it is opposite to that actually, so keep doing R&D and keep introducing tests to doctors and over time those tests build up in volume and your specialized portfolio can keep increasing and the specialized portfolio increasing is not only about starting the tests, but it is also about having the scientific team and the doctors who know how to go and get this testing and give very good results and be able to satisfy the doctor, so there are many things that have to come into play, our goal will be to obviously keep increasing the specialized contribution because that helps us in our revenue and like we said we will continue to build a sticky business. There is no number in mind at this point of time in terms of a number we have to reach because it is a percentage.

Praveen Sahay: Sorry, Madam, here in the second quarter is there some pent up number from elective surgery and all and has come up or do you see this momentum to continue?

Ameera Shah: See that idea of pent up demand is not a reality in healthcare, it may be a reality in other industry, but in healthcare we do not see people holding up health issue for a quarter or year before it gets released, no, this is not a pent up demand, this is genuine growth and general business that has been built and we see the things quite sustainable.

Praveen Sahay: Great and thank you, Madam and the last question on the expenses as Vijender, Sir, has mentioned that 4 Crores to 5 Crores of a digital expenses on the quarterly basis, how long that will continue?

Ameera Shah: Look, I mean I think it will definitely continue for many more quarters to come and probably also increase in time because I have known the industry, now that was a healthtech industry and now that is a Brick and Mortar and our goal is to become an integrated form of both, therefore our investments into digital continue to increase from here and hopefully that will also drive growth areas and revenue coming in itself, so I would say that this will definitely increase for the next at least 2 years.

Praveen Sahay: Great, thank you for taking my question and all the best.

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

Rahul Agarwal: Good morning and season's greetings to everybody at Metropolis. Just three questions, firstly to start with, this is first time Metropolis will have a very large player competing in home markets to built market share, I am referring to suburban deal which recently happened, I was trying to pick up thoughts of Ameera on this, you know what changes would you expect in terms of a legitimate competition coming up, obviously suburban standalone also a decent competition, but you know put together my sense is there will be some changes which you would expect, so anything you like to share, any thoughts, I mean how does the business change or how would you handle the situation differently?

Ameera Shah: I think there is a false impression that there is now no competition because frankly if you see across in India the competition has been there in every part of the country and I am talking about the top players, for example, the top three chains in India have been in every cities, not like they are not been in Mumbai for a long time, as far as for example, which is a Fortis subsidiary has very much been in Mumbai as well in large capacity so I think this is the wrong impression that competition is now coming into our home market, I think all of us who are there in diagnostics, are used to having competition and we can make our own growth journey regardless of it, we always keep saying the competition is not between the top three players, the competition is of the organized market with the unorganized market and 85% to 90% of the market continues to remain unorganized that is where the real opportunity is which we feel even post-COVID can continue to grow, so our journey will continue to be what we had planned which is just a growth in terms of distribution, we have ramped up our field force has been mentioned in front end and as we keep doing what we are supposed to do really well including experience, improving field force, building distribution, our brand is very strong in our core markets and we believe that our journey will continue regardless of anyone that comes.

Rahul Agarwal: Got it, secondly you mentioned October-November being sort for the government business, two part question to this, firstly, are you referring to the NACO business and second is what kind of run rate are we doing on revenue any number would like to share in terms of percent to say, I am sorry the total sales or whatever, what kind of run rate are we, what is the share of that revenue right now?

Ameera Shah: It is always maintained, we have a few government contracts and NACO is one of them and the government contracts are all single digit of revenue, so it is not a very significant piece, we have only mentioned this because likely said this tend to be sometime lumpy and therefore we just need to be cognizant of the fact that it may not be consistent in every quarter, so even if see a slight softness in Q3, we do not expect to see the same softness in Q4 and the annual contract volume that have been committed by the government institutions will continue to hold on an annual basis, this is the only probably disproportionate in different quarters.

Rahul Agarwal: Thank you and just lastly one small bookkeeping question for Rakesh, what would be the rub-off test portion of revenue this quarter either in percentage or absolute number? Thank you.

Rakesh Agarwal: So, rub-off debt is very, very negligible, if I tell you that it could be below 5% may be 2% to 3% of the total revenue.

Rahul Agarwal: Thank you so much and all the best.

Moderator: Thank you. The next question is from the line of f Prakash Kapadia from Anived Portfolio Managers. Please go ahead.

Prakash Kapadia: A couple of questions, you know what has been the home collection percentage of B2C sales and now post vaccination are customers still preferring home collection or they are coming back to centers?

Vijender Singh: Home visit contribution is about 25% to our total B2C and definitely we have seen the good traction at our centers also that is what we thought that we should expand our collections and our network and that is really helping us in stepping up our B2C contribution, and today our B2C contribution has taken a big jump increasing in focus cities, so that is what the current situation, we believe that both the businesses are going to grow at their own pace and today on the opposite side as we continue to expand into newer geographies today we are present in 89 cities and our plan is to, to be in 100 cities in the next 6 months.

Prakash Kapadia: Typically would we have some arrangement when we are having some new cities or we would take employees on our payroll for home city collection, because the demand has been pretty volatile in the last 12 to 18 months because of spikes in COVID, so do we have some arrangements or do we take employees on our role, how do we manager this home city collection scale?

Vijender Singh: See, largely the home visit collection what we are talking about is, is in our existing cities and because home visit can only be delivered when you have lab infrastructure in that city or in its periphery, so as to provide routine, so it is largely in the seeding cities, so we expand in new geography, geographies home visit is where to be our sales vertical in all the new geographies as well in few months.

Prakash Kapadia: On the input side any pressure on raw material or logistics cost, any sense on pricing changes in some of our key markets if any pricing pressure?

Rakesh Agarwal: From a material cost point of view, we have not seen any significant change happening in last 2 quarters, so we maintain or we have improved EBITDA on the overall margin from a material cost point of view, from logistic point of view yes, because of the surgeon demand and all, we have been seeing marginal increase in the cost price and that is not a very significant jump.

Prakash Kapadia: So, no real pricing changes at your end?

Rakesh Agarwal: Yes.

Prakash Kapadia: Lastly on Hitech acquisition you mentioned a part of the acquisition has been paid and despite that we have cash balances, so by when is the balance to be paid and that will it be paid from internal accruals, we have cancelled our fundraising plants?

Rakesh Agarwal: Yes, so we have mentioned earlier that we have taken a 3-year loan of 300 Crores to fund the acquisition and we believe that much below 3-years we will be able to pay this from our internal accruals.

Prakash Kapadia: What has been paid and what is the balance to be paid for the acquisition?

Ameera Shah: To the seller we have already paid 100% of the full amount, which has been funded 336 Crores by our internal accruals and 300 Crores by bank financing, what Rakesh is saying is that we will pay the bank between 2 to 3 years.

Prakash Kapadia: Understood, that is it. Thank you, I will come back if there are more questions.

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

Pooja Bhatia: Good morning everyone. On the acquisition front, I just wanted to understand if this is a fair understanding that the size of potential deal may be smaller or even say there for the next 2 years given that the recent Hitech deal where we utilize cash and add little debt on your books in the near term?

Ameera Shah: You mean in terms of new acquisition?

Pooja Bhatia: Yes.

Ameera Shah: I think at this point of time we just not digest what has been done so I do not think at this point of time there is anything specific that we are looking to announce, but of course as time moves on as per our other acquisitions, which are smaller then we would consider them strategically setting our requirements.

Pooja Bhatia: And the 300 Crores debt release at what cost this is?

Rakesh Agarwal: Under 5%.

Pooja Bhatia: Just one more from my side, is that pricing power that you see in the specialized tests given that there is no competition and have you taken any in the last 2 years?

Ameera Shah: We have expanded prices, increased prices wherever we think is necessary, we have not done it in the last few years, I think we had done it 2 years ago, but there are tests on which there is opportunity to do a price increase.

Pooja Bhatia: We do a price increase on specialized tests in the last 2 years?

Rakesh Agarwal: Not much because largely it was competitive already prices so we did not touch much that is larger on B2C only.

Ameera Shah: Our goal is rather than keep increasing prices because at this point like Rakesh said we are not facing any great pressure on input cost, I would say only manpower and talent is probably was only the input cost, which is probably under some pressure, but otherwise we are facing some input pressure significantly and therefore we want to make sure that pricing remain competitive and while we have done some marginal increases likely in our specialized tests and some on B2C we do believe we have the pricing power if we choose to, but at this point of time, it does not make sense to keep expanding the difference between the unorganized and organized sector, it makes more sense to try and increase market share by keeping the distance between unorganized and organize not too much.

Pooja Bhatia: Understood and just a followup on that that specialize is now at 43% any thoughts on what will be the addressable market of this segment, and just wanted to know whether the routine test is growing faster and specialized given that 85% of the population in the country has never taken a diagnostic test, so what kind of growth do we see between these two segments?

Ameera Shah: At this time, I had some data for you, but unfortunately there is no third party data available on the sector, so we are not able to really have growth rates by cuts and segments, my sense would be that the specialized category and this is just a gotten thing, but the specialized category, which is much smaller out of the entire diagnostic pie, you can assume that it is out of 100 if the entire diagnostic pie and it is 65% to 70% is routine care and 30% of semi-specialized and specialized definitely we would be finding that this 30% I think would be growing probably at a faster pace because of one of a smaller base and second we are discovering so many different diseases and infections and also the number of semi-specialized and specialized tests are much higher in terms of variety and therefore even though none of them have very significant volume but each of them is contributing for the end of tail so together they are probably growing much faster.

Pooja Bhatia: Understood and one last if I may, just wanted to know what is the allied tests contribution this quarter?

Rakesh Agarwal: As I mentioned it is around 3%.

Pooja Bhatia: Got it and I will get back in the queue. Thank you.

Moderator: Thank you. The next question is from the line of Chirag Asnani from Burgundy Asset Management. Please go ahead.

Chirag Asnani: Sir, thanks for taking the time out. My first question is based on comparative pricing I think Metropolis has higher prices for most routine and specialized tests, some of your competitors even in same cities, so my question is how do you sort of maintain these prices and do you think you can continue to maintain going forward as competition intensifies?

Ameera Shah: When we talk about competition intensifying there are brick and mortar as well as potential healtht and what we are seeing is that on that is a very clear segmentation difference that is the illness side and there is a wellness side, on the illness side where somebody who is sick, go to a doctor, a doctor then recommend a test and a prescription and the doctors word and influence still matters where the illness test is performed because the doctor treats the patients, we find that pricing is and our ability to have some pricing power continues to be quite high. I think on the other side which is on the wellness side, the consumers are making decisions on their own that is the area where it is growing very fast, but the pricing is also getting eroded as quickly and therefore the wellness component is something an area to play in the value wellness component which is the low price wellness is an area that is growing fast and there should be participation in it, but knowing that the margins are going to be a more incremental and less very definitive, so I think there is pricing pressure that area and at this point, we actually do not play in that area at all and our wellness is more streaming wellness, we do some of value wellness that is not really significant, it is mostly premium wellness and we are concentrating and evaluating as to how do we get into the value wellness.

Chirag Asnani: Just a follow up and almost an expansion on that, so let us say we are entering a new city especially Tier I cities for geographic expansion where there could be a competitor that already has high market share for example, a city in the north where some of the competitors are early entrant, do you think you will have the lower prices in those cities when you expand which they acquire customers first or we should maintain sort of premium pricing strategy and especially what is best for the company?

Ameera Shah: First the pricing is different in different parts of the country for the same size for a cholesterol is not the same in Mumbai, Delhi, Chennai, or in a small town pricing is different depending on the local competition and also depending on the input costs of that region and therefore we already localize prices as we go, it is not standardized at least for the routine and the semi-specialized tests and the specialized tests it is national pricing which is for the standardized across, so when we usually get into new markets we do localize the routine and this is an opportunity where we do on illness by giving deep discounts, it does not help to really build the volume of the business significantly like I said because that is not the main reason why somebody is coming to you and on the wellness side of course that is an opportunity to grow by accounting pricing at the initial period till he builds up some market there.

Chirag Asnani: Just moving on to the introduction of new labs and patient services centers, given estimates on sort of a payback period especially for third party centers where obviously operating expenses are lower, as you sort of expand on the lab and patient service centers do you have an estimate on how long it takes for the payback period?

Ameera Shah: So, Vijender you want to take this?

Rakesh Agarwal: Yes, from a lab point of view, we have mentioned earlier that it depends upon the geography where we are putting the labs, so some are in focus cities where we expect that in one-and-a-half year time we will be able to conquer a break even kind of situation and in other cities it will take bit higher two-and-a-half to three years so that is how the overall breakeven comes from lab point of view and from collection center point of view we have 40 centers and obviously not much of stake is on us because most of the capex is being invested by the franchise partner, so the maturity of the centers really takes 3 years to come at the peak or 4 years maybe in the other seeding cities so that is how it looks like, but from a margin point of view we generally dilute margin because of the labs, but not much of dilution because of third party centers, but in the third party centers initially there is a dilution to not that significant because early days you have to provide the logistics and other servicing consumers and all so that little bit takes away, but over a period of time the opex is on their end, so it does not matter too much in terms of dilution of EBITDA margin at the third party centers are concerned.

Chirag Asnani: Just a final question of the home visits front, especially for the long term future post-COVID do you expect home visits to be lot more common and sort of that I am trying to understand from the consumers point of view and from the company's point of view, it makes more sense to have home visits so why do you expect a long-term percentages of home visits to be, do you think it will be a much more prevalent ordered a thorough tests and in the long term do you think a lot of the routine tests will be mostly home visits?

Vijender Singh: Yes, home visits definitely is going to be one big lever as far as a diagnostic is concerned because in India overall home visit services have really grown faster, but there are a bit of challenges in healthcare because we cannot compare healthcare business with any consumer products because there a lot of experience is required because once the person visits the house, phlebotomist has to be fully trained, his knowledge about test should also be to be greater extent, so hence it becomes little bit challenging so before jumping into scaling up home visit we need to have a strong backend stuff in order to monitor and control the home service as far as experience is concerned, but definitely this segment is going to go, but on the other side as I said that the traction into footfalls into our centers is also going to grow, so both these are two lever for our future and we shall continue to focus on to these levers.

Chirag Asnani: Just a followup, there is a significant difference in margins on home visits versus patient coming into the centers especially in the long term you probably have to open fewer centers if home visits are more common, so is there a significant cost benefit there?

Ameera Shah: See, the patient who goes for home visits is something quite different from the patient who wants to walk into a center and they do not always become overlapping customer and therefore we believe that both models will continue to operate and thrive in the future anything is not going to move from home visit because there are many reasons why patients do not want home visits, but one of the things we do see is that the time taken to home visits becomes lower, become faster or they do believe that this area will continue to grow quite quickly and that is a direction that we are working in and overall if you are comparing a 100 patients walking into a center versus a phlebotomist 10 or 12 minutes per day you will find the margins to be quite equivalent, but if you are comparing a 10 patient walking into a center or 10 visits done by on a mobile technician and will find the home visit margins to be a better so it all depends on the volume that is being located. Rakesh, you want to add anything?

Rakesh Agarwal: Yes, just want to add that as are going into newer geographies and we find that the volume takes time to build up so from an investment point of view in the initial period we are seeing a bit of a dip because we have to have some minimum guarantee kind of situation for the phlebotomist and the other services and as we build up from there and we pick up in numbers and volume then obviously the margin keeps in improving for a period of time, so as we move into new cities there will be a bit of a compromise on the margin not but it will not be very significant.

Chirag Asnani: Thank you.

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

Anubhav Agarwal: Thank you, Ameera a couple of questions, first in the last call you mentioned about in the Hitech call you mention that the combined market share for you in Chennai will be 20% to 25% just a clarity there and when you mention about this market share do you include to the hospital segment in the base for example, typically hospital segment is about 40% to 50% of the total market so excluding the hospital segment what would be your market share in Chennai for you and Hitech put together?

Ameera Shah: Anubhav, as we mentioned all these data numbers are frankly not verified audited numbers, third party number, because there is no data available. So usually when we are looking at for our market share we are looking at what the hospitals are sort of outsourcing in the business, but not necessarily looking at what the hospitals are testing inside the hospital and therefore this is more of the OPD market versus an in hospital business that we are referring to, so I hope that clarifies it.

Anubhav Agarwal: So, this 20% to 25% will be out of the OPD segment roughly?

Ameera Shah: That is right.

Anubhav Agarwal: That clarifies. Secondly on the margins for next year roughly whatever you do in second half this year fiscal 2023 margins would be roughly around that number or could be better than that?

Ameera Shah: Very difficult at this point to give a guidance on margins going forward, there are many changes happening in the industry, as we know we are investing a lot in digital and moving back forward, so I think we will have to come back to probably towards the end of this year to be able to tell you what is the strategy for next year, which will obviously give you a clearer view maybe as well in which direction margins are coming.

Anubhav Agarwal: Sure and just last question on the home visits from the previous participant, this number today is about 25% for us, let us say this number settles somewhere about 30% to 40%, I do not know, I am just taking a number, but do we have, does the country have enough number of phlebotomist to handle that kind of numbers let us say most of the change reach that number do we end up reaching a stage where there will be shortage of phlebotomist?

Ameera Shah: I do not think so because number one, phlebotomy is not a very difficult approval or accreditation to get. It is a matter of be in course a few months and become a phlebotomist so far we are not seeing a challenge or finding technicians to do collection, but of course the training is not at all existence so usually we find that once we hire people, there is a good training period of a month before you actually put them in the fleet.

Anubhav Agarwal: That is helpful and this 25% number what is a trend that you are seeing in tier 1, is this a much higher number, in tier 2 it is a lower number, what are the trend you are seeing there?

Ameera Shah: Metro cities is probably the maximum, we are not seeing the same numbers in smaller towns simply because convenience or lack of it not such a bigger issue in a smaller town so whenever we see a lot of traffic and there is difficult to travel is where home visits will help.

Anubhav Agarwal: Thank you very much.

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 questions. Sir, first micro one is on your volumes, can you tell us what is the COVID volume for this quarter was?

Rakesh Agarwal: So, we have done around 60 lakhs tests in this quarter.

Shyam Srinivasan: So if I then back out what the non-COVID is that is about what about 2.7 million and comparing it to two year back volumes, these volumes still are probably 1% kind of CAGR, so I am just trying to understand non-COVID volumes and you know when will likely see an inflection upwards, is it still you mentioned on the opening remarks around west and south being slower, so just if you could help us understand non-COVID volumes, how the trajectory could improve here on?

Ameera Shah: So, we have to understand first how it works, so firstly for example when you think about FMCG or you think about fashion or beauty or any of these things, there could be a pent-up demand because people have been sitting at home and now suddenly they want to go out and therefore everybody wants to go and shop and some of the demands gets forward, but that is not how healthcare works because if you were unwell, during the lockdown then you had a cough and cold and normally you would have gone and seen a doctor and would have got testing which have to figure out what it is and because of COVID you just did not go to a doctor because you were scared of getting the infection and you treated yourself with Crocin at home, so that testing cannot stay as a pent up demand and come out later. It has just disappeared because it was there at that time and then it was not required, the same way that all of us were sitting at home for the past year-and-a-half and not really going out to restaurants, eating outside, going to work, the number of infections generally came down and therefore when a number of infections come down and much less accidents and therefore there are less people who have broken their legs or whatever so many things happens when you are actually out of your house, all of those things came to a standstill the minute lockdown came into place and the reality in India while we keep talking about COVID in different quarters, COVID has not been consistent across quarters and every region of the country, so if you talk to somebody from Mumbai versus Delhi versus Hyderabad versus Kolkata you will find that each of their COVID experience were in a different quarter or in a different month because it peaked in different places, also what we are not counting for is the variable that how each state government acts, the state government of Maharashtra was actually probably the most disciplined around lockdown for the longest period and therefore we even see consumption patterns in Maharashtra even for other industries have not recovered fully to pre-COVID level because they have been very, very careful for the people to in their home, so I think it is very difficult to predict at this point of time exactly how things are going to move because it is not based on the want, but is based on a need and that need will start only increasing due to significant growth, when everything is opened up in Maharashtra which I think is now started to happen, when movie theatres, malls all of that a month ago you needed a COVID certificate to go into a mall, so the people are not going to malls in Maharashtra, so I think as things have now opened in Maharashtra and South India I think we will start to see the beginning of some normalcy, as we start to the beginning of some normalcy people will then start getting sick, will start, because they start engaging with life outside the home and then we will see healthcare numbers start to again increase because consumers will become patient.

Shyam Srinivasan: Got it, is it fair to assume that we will go back to a historical run rate of volume growth, I am just talking about non-COVID here, you are seeing timing is uncertain, but you think nothing has changed during the pandemic to kind of disrupt the volume growth story, I think that is the?

Ameera Shah: Yes, absolutely not at all because when finally people get sick and do the blood test so it is not that there is some structure change plus adding the eligibility doing tests at home or you know the point of care or something like that nothing that have changed it is just simply a timing issue.

Shyam Srinivasan: Second question, is you alluded in previous calls, is doctor prescriptions for higher tests, this should be a tailwind right? I am just looking at you numbers I know maybe early days again you still doing two tests per patient, but just interacting with doctors, are you getting the sense that given how COVID has kind of flummoxed many of them in terms of how to diagnose, do you see that as a structural tailwind picking up?

Ameera Shah: In terms of more tests per prescription?

Shyam Srinivasan: Per prescription, yes?

Ameera Shah: Not really Shyam, honestly because you know how they treat COVID, is going to be different from how we treat other diseases so for example, if we sees a neurologist it is not like everybody is going to just start randomly adding a COVID test to the prescription or any other tests in the prescription now because COVID has happened, we also have to remember that a large number of people have lost jobs then and has been badly impacted economically and I think doctors will be all cognizant of that and not try to add tests, which are unnecessarily they feel for the diagnosis so I do not see any structural reason why suddenly the number of tests with the prescription should go up in terms of recommendations, it may go up because only test if it increases in your strategy then it may increase the number of test per patient.

Shyam Srinivasan: Got it, thank you and all the best.

Moderator: Thank you. The next question is from the line of Cyndrella Thomas from Centrum Broking Limited. Please go ahead.

Cyndrella Thomas: Thanks for taking my question. I just wanted to understand in terms of you highlighted that this year the EBITDA margin would be higher and you also commented that commenting on the next year EBITDA margin right now would be slightly difficult, but from an improvement aspects because we are in the expansion mode also given that we have already announced, so how do you see from our beyond 2022 adjusting for the acquisition as well as for the expansion plan, do you see we would be able to at least maintain these EBITDA margin level or you see certain risk or if you could highlight the way to look at it?

Ameera Shah: I cannot comment on each toward at this point of time because we have ability on that and as we said in H2 we will be expanding our network and that will add some addition cost not only network expansion but digital initiatives, marketing increase all of that will add some cost hopefully all of that will also give us some better revenue growth if not immediately then over the next few quarters, so all of this is being done more as an investment versus just an increase in underlying cost and we mentioned that despite these increased costs our overall EBITDA for this year should still be equivalent or incrementally higher than what it on August 2021, so I think that is a pretty fair direction, I think like I said 2022-2023 I mean we have to come back to you may be towards the end of the first year.

Cyndrella Thomas: Would give the broad understanding of increased volume growth coming either way of the acquisition or the volume expansion plans, should enable us the growth right at the top line?

Ameera Shah: Of course, I mean the acquisition will definitely be consolidated and then there will be organic growth on top of the acquisition as well, so that will definitely come in, but if you are talking about EBITDA margin expansion even Hitech margin is very similar to Metropolis', so just by arithmetic it is not going to expand, it will only expand when synergy outcomes actually start to be seen in numbers.

Cyndrella Thomas: How long would you think for the synergies any timeline on that?

Ameera Shah: As we mentioned in the last call, synergies will happen over the next with three-year plan, the first year will be more gradual, it will pick up in the second year in a more significant manner and then obviously peak in further.

Cyndrella Thomas: This is helpful and just one more question on the side of how do you see the wellness versus illness? Do you see any change in it post-COVID scenario or are any increase in demand specifically in the metro regions versus the other part of India, do you see any trend emerging here on the side?

Ameera Shah: Yes, we are definitely seeing budget wellness grow quite quickly and that is something which has then hastened by COVID because a lot of pre-budget wellness more digitally driven and then people have been on line that is an area which is growing quite quickly, so that is definitely I would say one change which has happened because of COVID.

Cyndrella Thomas: If I may just ask the follow on that, if we look at the digitalization to be an important aspect going ahead, would that like do we have any figures in mind which would give us some idea over a kind of cost savings that we can expect?

Ameera Shah: Because of the digitalization?

Cyndrella Thomas: Yes.

Ameera Shah: So, digitalization has to pass right, one is the internal digitalization, which brings about better productivity and efficiency and the second digitalization is consumer engagement towards digital, so while we are working on both of them and the internal digitalization which is giving us the efficiency and productivity benefits, which is exactly what is balancing out all the new investments that we are making whether it is in network and distribution and marketing and therefore we are able to see margin still come out at similar levels of last year or a higher only because of these efforts that we are making on digitalization, so we are definitely seeing good cost savings when we are doing all these efforts internally and on external side in terms of engagement with customers and consumers at this point this is an investment right because it is not going to give any savings, but we are hoping that as you make engagements with consumers much easier and more convenient for consumers this will lead to hopefully more consumers coming to you.

Cyndrella Thomas: Great, I think this is very helpful, thank you so much 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: I have just one clarification, can you give us what is the growth in pure non-COVID tests what the revenue, PAT revenue QoQ, non-COVID as well as allied test?

Rakesh Agarwal: So that is approximately 19% quarter-on-quarter

Prashant Nair: Alright, thanks a lot.

Moderator: Thank you. The next question is from the line of Amit Kadam from Canara Robeco. Please go ahead.

Amit Kadam: Madam, I have two questions, so my first is on this network expansion plan of 1800 centres is this like a topdown number, which is given or stated management or is that maybe you number which has like been identified maybe from the ground level that these are the gaps and these are the areas where we need such centers in hence in the next three years, the need will require such things to further meet our growth numbers, so wanted to know from where this number comes and why like this big number instead of like coming out via regular 15% odd of network expansion plans because last time also we had done a similar network expansion and then we had to trim down or do that exercise of proning it to by almost 10% as such?

Ameera Shah: Vijender, you want to take this?

Vijender Singh: I think there has been a proper systematic reasons around it and as I said this would based on past data and then GAP analysis and basis that only we arrived on this number so this is first of all has a bottoms up approach and derived number because in India wherever there is a patient, there is a consumer or there is human being there is blood that does not mean that we have to go to every town and city so we have to look at you strength in backend presence and then accordingly look at your gaps and then create a team to go for it. As far as the past is concerned, we have been quite rampant in last four to five years in terms of opening collection centers, now we have a better experience and learning behind us and for this particular job we have identified a separate team, in order to focus upon the quality of collection centers and good quality of laboratory including our staff also, so a lot of work has been done and I am sure that in coming days we will not get too much of churn but let me tell you that this churn basically was on the performance also because at every time when you go rampant and you choose the wrong partner and we believe in our quality, Metropolis philosophically we want that our quality has to be always in top of line even through our franchisees also, so there we place the corrections but henceforth creativity team or there is a proper SOP, there is a proper check list which is also kind of verified by our Chief Quality Officer so we are already creating a team called Pre-Analytical Care Team whose job is to actually visit these collection centers and assist them on the ground and basis that we kind of you know sign an agreement with them, there has been a lot more rigor around this.

Amit Kadam: Thanks for that and my second question is just wanted to understand because as we are ramping up home visits and we are actually banking on our franchise or networks to cater to that particular rising demand and we are also positive on that particular thing which is happening, but for that or maybe because we are banking on franchisee and it is their people to do that particular cater to that particular thing, just wanted to know how we are going to tackle like this maybe just mitigate maybe any mishaps which could happen because for example there the guy who is going to visit the patient and patient home and who will be entering the patient home, the safety, safety norms and do all the things because he will be acting as a representative, because this is the first thing which is happening across the industry and similar things which are happened with Uber or someone like guys who had used the maybe third party things to drive a certain things and when the scaling is happening at a very large pace from like to now or leakages or mishaps because represent is acting as representative of us and entering a patients home and then how do make sure that our brand image is not damaged?

Rakesh Agarwal: See, as I said that you know there is a lot of rigor also and what I just mentioned is we have created a Pre-Analytical Team, PAT team and this team directly reports to our quality team so that there is no interference from other parties, so their job is to actually visit the centers, assure them and do on job training also. Now as far as collection services are concerned from third party, first of all if he is interested, he is keen to do home collections he has to first register with us and as soon as he is registered in our team actually looks at the phlebotomist, about his training, about his experience stuff and then only he is allowed to do home visit through a home visit app. Now we have created this home visit app in order to have better controls and monitoring and if you look at our home visit application, it is a wonderful application end-to-end services. It also gives us a lot of visibility in terms of live movement of phlebotomist, sitting at central position, our chief customer experience head can monitor day to day what is happening around in the country as far as home collections are concerned, in terms of in terms of their punctuality, in terms of their experience and then there is a feedback mechanism also. So basis that we track our NPS so these are some of the processing and systems which we put in and there is a huge focus team which actually looks into the experience and this team is headed by one of our senior person in the company.

Amit Kadam: Those things also consist of person identification?

Rakesh Agarwal: Yes, basically there are two to three things which we do just to give you understanding, one is that obviously there is a mix of our own phlebotomist and third party phlebotomist so it is not that 100% we are going with the third party so there is a mix of it. Second is whenever we are going with the third party phlebotomist, so we are going with very, very reputed organizations which provide very quality people and they have good background and they are providing the services for a long period. Third is that there is a verification of this people, back background verification and everything is done and only once everything is cleared then only we take them in our stride. Obviously, the agreement with the third party is very tight where we ensure that the third party is responsible for everything if anything happens a visit that also gives us with our cushion and obviously the training part which Vijender mentioned to the phlebotomist at least one month or one and a half months there is a phlebotomist academy which we have created internally and this academy will give absolute training to phlebotomist before they really go and start doing the collections, so all these things obviously is to just take care that we do not have a mishap, but as you rightly mentioned obviously there can be something happening but we are keeping a very, very tight vigil and control over it.

Amit Kadam: Fair enough, thanks, and that is it.

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

Ameera Shah: Thank you and thank you to all of you for joining us today. We had a good healthy quarter with non-COVID rebounding in a very good way and we want to continue to see us building on the non-COVID side in terms of volumes and in terms of revenue as we go forward. We believe on network expansion as we have already in cited and detailed, our digital efforts, our team building and strengthening, all put us in a very positive foot to be able to really continue this growth first and with all the internal management and cost controls and automation and digitalizations we are doing, we hope to continue to balance the new investments with better cost management to be able to continue to deliver industry leading EBITDA margin. Again, thank you all of you and hope to chat with you in the next quarter.

Moderator: Thank you. On behalf of IIFL Securities Limited that concludes this conference. Thank you for joining us. You may now disconnect your lines.