Ref: MHL/Sec&Legal/2022-23/73 **Date: November 14, 2022**

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

Scrip Code: 542650

To,
Head, Listing Compliance Department,
National Stock Exchange of India Limited
Exchange Plaza, Plot No. C/1. G Block,
Bandra – Kurla Complex, Bandra (East),
Mumbai – 400 051
Scrip Symbol: METROPOLIS

Sub: Intimation of Transcript of Earnings Call for Q2 FY-23

Ref: Regulation 30 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015

Dear Sir/ Madam,

This is in continuation to our letter bearing reference No. MHL/Sec&Legal/2022-23/66 dated October 31,2022, please find enclosed the transcript of Q2 FY-23 Conference Call (i.e. Post Earnings/Quarterly Call), as organized by BNP Paribas Securities India, Call was held on Wednesday, November 09, 2022 at 09:00 a.m. wherein the financial results of the Company for the quarter ended September 30, 2022, were discussed.

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

Kindly take the same on record.

Thanking you,

Yours faithfully

For **Metropolis Healthcare Limited**

Simmi Singh Bisht

Digitally signed by Simmi Singh Bisht
Date: 2022.11.14 17:55:20 +05'30'

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

Encl. a/a

“Metropolis Healthcare Limited Q2 FY-23 Earnings Conference Call”

November 09, 2022

Disclaimer: E&OE - This transcript is edited for factual errors. In case of discrepancy, the audio recordings uploaded on the stock exchange on 09th November 2022 will prevail.

MANAGEMENT:	**MS. AMEERA SHAH – MD, METROPOLIS HEALTHCARE LIMITED** **MR. RAKESH AGARWAL – CFO, METROPOLIS HEALTHCARE LIMITED**
MODERATOR:	**MR. SRIRAM RATHI – BNP PARIBAS**

Moderator: Good morning, ladies and gentlemen and welcome to the Q2 FY23 Earnings Conference Call of Metropolis Healthcare.

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 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. Sriram Rathi from BNP Paribas. Thank you and over to you Mr. Rathi.

Sriram Rathi: Good morning, everyone. On behalf of BNP Paribas Securities, I welcome you all to the Q2 FY23 earnings conference call of Metropolis Healthcare. We have the senior management team with us today represented by Ms. Ameera Shah – Managing Director and Mr. Rakesh Agarwal – Chief Financial Officer. I will hand over the call to the management for the opening and that will be followed by the Q&A session.

Ameera Shah: Thank you Sriram and good morning, everyone. Thank you for joining us on the Q2 FY23 earnings call. Today I'm joined by Rakesh – CFO and SGA, our IR Advisors. The presentation and press release have been issued to the stock exchanges and uploaded on our company's website. I hope everyone has had the opportunity to go through the same.

The diagnostics industry continues to grow well post the COVID pandemic and has the potential to scale much higher. While earlier companies like us who build businesses in the illness diagnostic space, focused just on illness post-COVID, there is a discovery of a wellness diagnostic category as well which can now together create a larger and longer runway of growth. While the attractive financial metrics have brought many new competitors into the mix, most of them are already realizing that the attractive combination of low capital and high return are only for some specific companies who have created trust over the years and built a business in illness diagnostics, the hard and slow way and is not a given for the whole industry. The unorganized sector has been badly hit post-COVID and as per our internal estimates many of them are degrowing as patient volumes are still not back to normalcy and additionally, they are losing business to more established brands like us and some new age firms. Also, with increasing costs the profit margin has been decreasing.

FY23 and beyond is also a new phase from Metropolis. Metropolis 3.0 which we discussed briefly in the previous calls and we are excited and aligning our strategies and targets to achieve greater heights with Metropolis 3.0.

3.0 is a combination of the following broad strategies; for the illness business we will continue targeting patients with acute illness especially for specialty tests which are highly influenced and recommended by the doctor network across the country. We are in a continuous process of expanding our doctor network alongside penetrating deeper in the cities within our service network. Our inhouse team of pathologists are constantly updating the doctor network about newer tests & technologies available at Metropolis, thus enabling them to rely on Metropolis for accurate diagnostics and hence give the correct treatment.

At Metropolis we do more than 300 medical seminars for doctors every year to share our scientific knowledge with existing and new prescribing doctors. For the acute segment where patients are really sick with a critical illness their first go to is a doctor they trust who then sends the patients to a lab they trust especially for specialized tests. We are also constantly introducing new tests that allow us to stay relevant and important in the doctor's mind. Secondly what MHL will now additionally do which we have not done before is build the consumer brand in our core market, focusing on consumer engagement. Part of Metropolis 3.0 is now focusing on the consumer as much as we focus on the doctor. Part of strengthening consumer connect is to continue to increase the density of our network in our focus cities and along with this continuous communication and engagement with existing customers to increase their and their family's frequency of visits and spend with Metropolis is being deployed. We believe that by empowering our consumers with help on information and tools we will help them make better health decisions for themselves and turn to MHL and Metropolis for the same.

The wellness segment will be primarily used for new consumer acquisition. After acquiring the consumer, the idea is to build engagement and be the preferential brands even when they fall sick. This is being driven by deepening the digital touchpoint and building an experienced consumer focused team. We believe the wellness market is a huge opportunity and post-COVID the growth for wellness industry has only accelerated. Only 6% of the overall population is sick at any point of time where we already have a very strong brand and presence through our focused seeding and other city model. But now we will also target the balance 94% of the population which is open for wellness. This will enable us to focus on the untapped market of affordable wellness and premium wellness and chronic testing which was not a major focus area of Metropolis previously. In the next 2 years our primary investments will be in marketing, technology and automation. The technology and automation investments will be holistic in nature, starting from front end consumer engagement systems like CRM and Point of Sale platform to backend supply chain systems. We believe a lot of our backend testing processes also can be automated significantly which will release inefficiencies in the system in terms of cost and time.

This evolution to 3.0 will require addition of different talent and consumer focused mindset. We have shortlisted a new CEO and expect to fill this position shortly. The new CEO had experience of consumer services background which we believe will help us achieve Metropolis 3.0 objective.

Now let's move on to the business highlight. We are happy to report that the company has recorded highest ever quarterly revenue on a non-COVID basis. Our revenue excluding COVID and allied tests stood at 288 crores, up 16% year-on-year basis. We had 20% growth in patient volume and a dip of 4% RPP not because of pricing pressure but because of Hitech RPP being lower than Metropolis, leading to a net revenue growth of 16% year-on-year.

Let me give you a perspective on our core diagnostics business. Now this is the business where if we separate Hitech and we also separate the government contracts so that we can understand in the core business B2B and B2C what's going on and are there any potential impacts by competition and market changes. The core revenues grew by close to 12.5% on a year-on-year basis. This is removing Hitech as well as the government contracts. This was driven by a 10% volume growth and 2.5% revenue for test growth contributed by specialized tests and the wellness category. This growth in volumes and value is a testimony of the trust, brand and strength of the business in Metropolis. The government contracts tend to be contracted for the year in terms of annual volumes and have been stable for the past 2 years with not much growth. The quarterly contribution of this however is lumpy. Last year the government contract gave us much higher contribution in Q2 which in this year is 40% down in volume. However, the government has committed to its annual volume targets which means this revenue should be covered up in H2. Because of this lower proportion in Q2, it shows our overall growth is lower even though core business grew at 12.5% year-on-year in Q2 without Hitech and government contracts. While we are seeing double digit growth on the B2C front if we look deeper growth is better on the brick-and-mortar side and lesser on the lab at home services. Some of this can be attributed to a change in consumer behavior post-COVID where people have gone back to brick and mortar and some of it can be attributed with patients moving to some new age players due to aggressive pricing and easy technology usage.

As we launched Phase-2 of our app this month, we are hopeful to offer better technology engagement for existing and new customers of MHL. On the B2B side while the specialized segment is growing well and we continue to be the top choice for doctors and top hospitals, there is heightened competition in the common 20 to 30 tests in the semi-specialized testing segments which are tests which are usually outsourced by unorganized labs. This segment for B2B which will be 20 to 30 tests for Metropolis currently is at a high single digit revenue. There is pricing pressure in this segment and we expect this to continue for some time. As for new players B2C is a very difficult business to build and therefore they usually rely on this easier business which is coming from unorganized labs in the 20 to 30 tests in the fairly semi-specialized segment for them to build volumes and they try to use price as a tool to enter these markets.

From a geographical perspective we have seen positive growth in our focused cities and the newer cities we are entering. We are now expanding our efforts beyond just the focus cities, the states they are in. We believe the state of Maharashtra where we are already leaders continues to have large opportunities for us from a B2C and a B2B basis. Similarly, the states of Tamil Nadu and Karnataka offer the same for faster B2B and B2C growth. We are executing a strategy to take advantage of these opportunities as we already have a strong brand and an ability to cater to these markets deeply with robust lab infrastructure with an extensive test menu on the ground. Markets of north and east are also growing well for us, specifically the markets of Delhi NCR, Punjab, West Bengal and Assam are the markets we are investing more in.

In terms of network expansion, we added 9 labs and 227 centers in H1 of this year. We will be adding another 12 labs and 380 collection centers in H2. We will stick to our target of adding 90 labs and 1800 centers by '25. We have been able to grow our wellness segment by 40% on a year-on-year basis in Q2. Overall contribution from wellness has increased from 8% in Q2 last year to 12% this year, without hurting margins. At Metropolis 3.0 we continue to focus on growing our wellness business and our target is to take the contribution closer to 20%. We are deploying multiple strategies to grow this segment with premium and value driven packages as per our brand strength in the respective markets we are present.

Last quarter we have communicated our confidence on improving margins. Accordingly on the margin front we have progressed to our pre-COVID level of margins are at 27% EBITDA for Q2. While we are investing in marketing and talent and distribution and network, we are saving to various cost efficiency programs. The biggest current concern for the industry is the cost increases on material cost due to depreciation of the rupee which has currently impacted our margin by 0.5% in this quarter.

Moving to our integration with Hitech Diagnostics. Hitech has grown 18% quarter-on-quarter in revenue and 19% in patient volumes. This has happened through adding 14 collection centers in Chennai and standardizing the home services and scaling them up and growing our wellness business. In the labs outside Chennai, we have merged the Hitech and Metropolis Labs which are approximately 9 in number which has allowed us to consolidate the revenue while optimizing the overhead. As we move further into integrating operations the synergies will flow through lower procurement costs, lower operating expenses complemented by higher revenues eventually leading to margin expansion. In Bangalore also we have merged the brand of Hitech with Metropolis under the brand Metropolis and integrated the operations. We are in the process of implementing operational synergies as well. Although this acquisition has a short-term impact on our ROCE, our ROCE continues to remain healthy at 26% post acquisition. Assuming organic growth, we believe in 2 to 3 years our ROCE can improve further given that we have no sizeable investment.

Overall, the business remains healthy and we are confident to beneficiaries of the shift in the market share from unorganized to organized given the huge mindset shift of consumers and medical fraternity towards trusted and quality focused scientific labs.

That's all from my side and I will ask Rakesh – our CFO to now take you through some of the operational parameters and financial heights.

Rakesh Agarwal: Thank you Ameera and good morning, everyone. Let me talk about the key performance metrics and operational numbers. Revenue share with B2C business in focused cities for non-COVID stood at 60% in H1 financial year '23. Our near-term target is to reach 65% contribution. Revenue contribution from specialized test for revenue excluding COVID PCR and Allied is similar at 40% in Q2 financial year '23 as compared to 43% last year. The change in mix is measuredly attributable to increase in the share of business from wellness testing which has increased from 8% last year to 12% this year. Excluding COVID PCR and Allied tests, number of tests have increased by 21% Q2 financial year '23 on a Y-on-Y basis and number of patients have increased by 20%. We would also like to highlight that test per patient has increased from 1.9 test per patient in Q2 financial year '20 to 2.1 in Q2 financial year '23.

Our revenue profile amongst focused, seeding and other cities stood as follows; focused cities which comprised of 5 cities including the city and peripheral areas of metropolitan regions contributed 61% to the revenue in Q2 financial year '23 as compared to 59% last year excluding COVID PCR and Allied. This shift of 2% is due to Hitech acquisition which has large revenue in Chennai and Bangalore, two of our focus cities. Seeding cities which are 8 cities contributed 18% to the total revenue in Q2 financial year '23 as compared to 20% last year. Rest of the other cities contributed 21% of revenue in Q2 financial year '23 which is similar to last year. With respect to geographical distribution, revenue contribution excluding COVID PCR and Allied test from west region was 51%, south contributed 30%, north contributed 8% while the rest was contributed from east and international locations. Revenue from south has increased on account of acquisition of south based Hitech Diagnostics.

Now let us come to Q2 and H1 financial year '23 financial highlights. Total revenue was almost flat Y-on-Y at 300 crores for Q2 financial year '23. Most importantly revenue excluding COVID PCR and COVID Allied for Q2 financial year '23 increased by 16% Y-on-Y Rs. 288 crores, an increased by 21% YOY for H1 financial year '23 to Rs. 549 crores. Q2 financial year '23 COVID PCR revenue dropped 84% Y-on-Y to Rs. 7 crores while COVID Allied revenue dropped 50% Y-on-Y to the Rs. 6 crores in Quarter 2 financial year '23. Contribution from COVID and COVID Allied test came down to 4.3% of revenue in Q2 financial year '23 versus 17.9% of revenue in Quarter 2 financial year '22. EBITDA before CSR and ESOP is at 83 crores in Q2 financial year '23 as compared to Rs. 93.2 crores in Q2 financial year '22. Sequentially the EBITDA before CSR and ESOP has grown by 16%. EBITDA margin before CSR and ESOP stood at 27.6%, up by 200 basis points sequentially and reported EBITDA margin for Q2 financial year '23 stood at 27% again up by 200 basis points sequentially. Profit after tax stood at Rs. 41 crores in Q2 financial year '23, PAT margin has been impacted on account of higher interest cost because of acquisition of Hitech Diagnostic in impact of foreign exchange devaluation and higher depreciation on account of investment than to fuel the future growth engines.

Coming to our working capital ratios; our debtor days as on September '23 stood at 32 days and that is similar to as compared to March '22. Overall, we have seen improvement in working capital days which stood at 11 days as on September '22 as compared to 14 days as on March '22. OFC-to-EBITDA is strong at 113% for H1 financial year '23, improvement from 96% in financial year '21-22 basically owing to improvement in working capital. Cash and cash equivalents stood at 137 crores as on September '22. Gross debt stood at Rs. 138 crores as of September '22. We plan to repay the external debt by mid financial year '24. In financial year '23 our efforts will go towards cost optimization through the digitization of processes, efficient manpower allocation, improvement and better breakeven of newly expanded networks. That is all from my side. We now leave the floor open for Q&A. Thank you.

Moderator: Thank you very much. We will now begin the question-and-answer session. We have the first question from the line of Rahul Agarwal from Incred Capital.

Rahul Agarwal: I have three questions. Firstly Ameera, in your own internal assessment was 2Q good or bad like ex-Hitech, ex-COVID, ex-government? We're talking about 12.5% YOY, 10% volume growth I think is decent versus when I compare it to some other listed peers. But the question essentially is if you could share your own expectation because it was monsoon, I think it should be seasonally stronger. How are focused markets behaving with respect to competition? You mentioned that top 20/30 semi-specialized tests basically contributing single digits on top line and there is some pricing pressure there, how are we responding or tackling that situation in terms of maintaining our EBITDA coming from that business? That's the first question.

Ameera Shah: Thanks for the question. Look I think the core business, if I look at the growth of almost 13%, 12.6%, I would say is a fair growth for Q2. Normally from Q1 to Q2 we see anything between 7% to 10% kind of an increase. We've seen a similar number around 9% from Q1 to Q2 which I think is reasonably in line with historic trends. I think the growth is fair and growth is reasonable. I think your company has done well on that front. As far as your question around competition on the 20/30 tests in the semi-specialized segment, again I've often said this that the competition is not only in the test it's actually from the channel. So, for example if you see from B2C, our semi-specialized continues to grow well but it is in the B2B segment. That was specifically coming from smaller labs where the pricing pressure is increasing. We are seeing that in some cases the prices offered by competition are just unviable. It is not because their cost structure is better, in fact their cost structure is worse than the incumbent. But they are just choosing to burn cash. In those situations, for larger clients with larger volumes we are being price flexible to ensure that we retain our business, in cases obviously of very small customers with small volumes we don't necessarily make that exception. But the idea is to fight the market and to ensure that we retain as much of our business on the 20/30 test and work at the same time on the backend to ensure that we are able to keep our margins intact.

Rahul Agarwal: Secondly on Wellness, obviously post-COVID we are seeing much more traction. My understanding is that in terms of percentage EBITDA margins, Wellness should be making lower margins versus individual testing. Please correct me if I'm wrong here. Because we're talking about this going up to like 20% of overall business, does it impact our margin profile as well or we are focusing on absolute EBITDA numbers here? That's my second question.

Ameera Shah: It's a fair question. See I think the protection of Wellness is what the new age players do which is to use very low-priced Wellness as an entry into the market and trying to get consumer base based on that. That is one strategy. But there is also another strategy which they are not able to do but incumbents are able to do which is using their brand to actually be able to also sell more premium wellness and higher ticket size wellness which they don't have the ability to do because of a lack of brand in health care. It's a combination of using smaller, lower ticket size bundles and packages to attract new consumers and at the same time an ability to sell premium higher, priced bundles to existing and new customers. That gives us the ability to still have good growth in wellness but still be able to make good margins on wellness and not have it diluting our overall EBITDA margin.

Rahul Agarwal: So, Wellness does make like a lower EBITDA margin versus individual testing, is that understanding right or wrong?

Ameera Shah: No. If you are at a very low price point of wellness package where you are selling 50 tests for Rs. 400 then your EBITDA margin on that particular package is not going to be great. But if you're selling packages which are higher priced, more value for money at a different price point then yes, they do make a very positive EBITDA margin. It's all about the dependency on your brand and what you are able to sell.

Rahul Agarwal: I get that. Lastly on receivables, I think there has been consistent improvement by the company since almost like 2-3 years now, below 40 days is a great number to achieve. Is it more to do with government being lower or is it more sustainable here? What are we looking at in terms of long-term numbers here?

Rakesh Agarwal: Rahul, just to answer you, I think nothing to do with government here because our government business is very small and the government receivables were never an issue for us in past also. I think it is more to do with the disciplines which we have brought in the ground. We have done a lot of automation in this front where there are visibility of debtors, anybody going beyond the credit limit, we are also looking at people coming in new people coming in, joining us credit parties, how can we reduce that debtor days? So, I think it's an overall effort and discipline which has been brought in which has helped us to come to 32 days of debtors. We have a target of 25 days of debtors in mind which we are targeting next 1 year for sure. I think that is a good space to be in from a debtor point of view. Right now, we see good improvement happening and it's improving every quarter. So, we are expecting that the three-four quarters also will be good for us and we'll continue to improve our debtors.

Rahul Agarwal: My sense Rakesh was given the competition, I thought B2B customers would be more demanding. In this situation are you losing business here because of your own internal discipline and credit tightening?

Rakesh Agarwal: I think the number of credit days is never an issue because good pay masters are keen to give a credit issue. We also have a turnover discount and timely payment discount policy where customer pays us in time and they get some benefit out of it. I think it's a combination of choosing right partners who are good pay masters and then incentivizing them to pay early so that they also get benefit and we also don't have the carrying cost of the debtors. Competition is more in the pricing front, I think it's not to do much into the debtor days but yes we are balancing it out by incentivizing as well as choosing the right partners.

Moderator: We have the next question from the line of Shyam Srinivasan from Goldman Sachs.

Shyam Srinivasan: Just the first one on Hitech, what is the absolute contribution? I think Ameera you mentioned growth numbers. If you could also repeat that it will be helpful, but what's the absolute contribution on revenue as well as if you can also share a volume number there?

Ameera Shah: Sure. I mentioned that Hitech grew 18% quarter-on-quarter in revenue and 19% in patient volumes. Overall Hitech is about 8% of our overall Metropolis Group revenue.

Shyam Srinivasan: Given lower realization it would be higher in terms of volume contribution, would that be…

Ameera Shah: That's right. It's a lower RPP, revenue per patient than Metropolis but higher in volume.

Shyam Srinivasan: You talked again briefly about the merging of the brands and stuff. So, is it going on track with whatever your internal aspirations were, integration?

Ameera Shah: It is on track. We had planned that in the first year. Usually in the services business unlike product a quick integration can be harmful. Actually, it has to be done slightly more gradually and slowly because it involves people and external and internal relationships. Therefore, we had always planned that in the first year actually we are slightly ahead of our plan on the backend operational synergy and also slightly ahead on our plan on the merging of some of the labs. I would say and technology changes have happened as we had planned for, team changes had happened early upfront when we did the acquisition a year ago. Brand changes have also happened whenever we had planned for them. I would say there are probably other 2-3 major changes that we have planned for early next year and hopefully we'll be able to get through those on time.

Shyam Srinivasan: Just second question on the volume growth number that you shared excluding Hitech and government which is 10% volume growth. Just give us some historical sense because we don't split out government before in the past quarters. If you can help us is this a good number? Is it slower-faster than historical levels? I know at an optical level it seems like a double-digit growth but help us contextualize please.

Ameera Shah: I would say if I compare it to a pre-COVID time, I would say that the volume growth maybe that we would have normally seen would be closer to 12% which we have seen at about 10% in this quarter. Honestly, it's very difficult to gauge exactly what the reasons are. We think it's also a combination because when we talk to doctors on the ground, the feedback still that comes through is that they are not seeing the same number of patients walking through their clinics as they saw pre-COVID. How much of it is not a full normalcy of the situation is slightly difficult to gauge at this point in the absence of any third-party data. We can only go by informal channels of information collection. But we felt that the 10% volume growth is very positive and the 2.5%, almost 3% RPP growth is also very positive and we are quite encouraged by that finding.

Shyam Srinivasan: Third question is on your slide #16 wellness. I think you also mentioned in opening remarks that we're starting to look at those segments like value wellness, chronic testing. So, what's driven this change? Are you seeing a lot of tailwinds and feedback through your customer network that there is kind of emerging demand in these regions, in these segments? What's driving this change in strategy?

Ameera Shah: I would say that basically during COVID, there's been one big change which has been that, suddenly health has become more important to Indians, educated affording Indians in metro cities and like many other industries or AGTECH and other industries health-tech also saw a huge hockey stick for the growth, whether it was teleconsultation, diagnostic, e-pharmacy during COVID and from what we are seeing on the ground that is not sustaining. Also there seems to be some sort of capping of demand that is coming through in the e-diagnostic space in the metro cities. This is not an ever-growing category. But what we have often seen is that in industries where new players come in and spend a lot of money to build a category, obviously they get some benefit of it. But a good amount of benefit also comes to the incumbents because the category is built and there is already trust with the incumbent. So as this market has been created as we have put in levers in place our wellness has grown and we believe that we have actually just started this work, I would say two quarters before, two to three quarters before and there's a lot more we can do on it. So, in many ways we are inspired by the competition and we believe taking those ideas, we can build this category much larger for us also.

Moderator: We have the next question from the line of Anjana Shah from Shah Investments.

Anjana Shah: A couple of questions from my end, if you could just throw some light on what is the competitive intensity for the overall diagnostics industry and also if you could throw some color on the competitive intensity again on our core market and non-core market. That's question one. And second question that I had was what are the key initiatives we are taking to increase the wellness business?

Ameera Shah: Sure. If I start with your first question of competitive intensity. So, as we know there have been something like 7 to 8 new players that have come in on the brick-and-mortar side, from hospital, pharma, pharmacy spaces. We've also seen about 4 to 5 competitors come in on the health platforms on the health tech side. I think what we are beginning to see and what we've been seeing in the last many months is that obviously the biggest outcome of all of this is actually on talent because there is obviously a need for these guys to try and hire trained people and they obviously come back to the incumbents to try and hire trained people. That's why I would say the biggest nuisance value at this point of time. So that's number one. As far as business on the ground go, there was always a large business to be acquired by incumbents. But incumbents took a decision to say that look poor quality business either which is non sticky or poor-quality business because people don't want to pay you or they want to pay you after 300 days or to have incredible discounts is not a business quality we want to build. Therefore, there was business that we were choosing not to pick up. A lot of the new players that have come in are actually going after that business and therefore the quality of the business that's being built may or may not best in class. I think these are tradeoffs that as leaders in the industry we can choose to make. While there is competitive intensity in certain pockets of the business as we can see from the results, it doesn't stop us from growing and going ahead on our journey and on our path. That's what we are focused on doing. On your question on core markets and non-core markets the kind of business we build in both is different. As you know, in core markets, we focus more on B2C and in non-core markets we focus more on B2B. They both are different ways of building business and even in B2B we have to remember there are different segments. So, it's a choice on whether we go after the more price sensitive semi-specialized or a choice whether we go after the more accuracy driven specialized tests. As you know focusing on specialized tests has always been more up sort of our rally than only on the price of just test. There's a lot that goes behind it. It's not as simple as just starting the test and offering it. It's about having the science, the expertise, the knowledge to convince the doctor to send that specialized test to you versus anybody else and that is the moat that we have already built in our business. Both the areas focus and other cities are going well for us. There are certain markets which we feel there is an opportunity for us to grow better and we are putting the necessary resources and infrastructure to grow those markets in a more significant way.

Moderator: We have the next question from the line of Praveen Sahay from Edelweiss Wealth Management.

Praveen Sahay: The first question from me is related to the government business. Can you elaborate more on that? Is that mostly in the non-focused city where your B2B contribution is on the higher side or is it a some legacy from the focus cities that's going on?

Ameera Shah: The government contracts come from all across the country and across every region, across focus cities, other cities and seeding cities and volumes change like we said every quarter, distribution changes from every location and the government gives us annual contracts for volumes and then they decide from which geography and in which quarter they want to give more or less. We do tend to see that since these are a large number of cities, I would say the majority number of towns and cities that we receive samples will fall in the other category between focus, seeding and other cities.

Praveen Sahay: It's a centrally distributed contracts, government contracts which nothing to do with the location?

Ameera Shah: That’s right.

Rakesh Agarwal: So, it's a central contract. We pick up samples from all the cities, almost 300 and then bring it to our main lab for processing.

Praveen Sahay: The next question is related to the realization. If I look at on the specialized testing the realization has for the last some four- five quarters has improved significantly. What’s the reading that as compared of the others like a routine test or a semi-specialized? There the realization is somehow on the similar level or little improvement but the specialized testing realization has improved significantly?

Ameera Shah: The realization which is the revenue per patient is influenced by multiple things. It's mostly influenced by product mix. Obviously if you are able to increase your specialized test basket that improves your RPP and assuming not only is the specialized test but the channel you get it through. If you're getting specialized tests more through the B2B channel it comes on a net revenue basis that the RPP is lower. If you get more specialized from a B2C channel then your RPP is higher so that's one of the things that influences it. The second thing that influences it is if you sell more premium wellness versus more budget wellness and if that wellness category is increasing and you are selling more premium wellness then that impacts the RPP as well. The third thing that impacts the RPP in our system is our international business which also tends to have a higher RPP. These are the three levers that we use to improve the RPP in our system.

Praveen Sahay: The last question related to the Hitech. What sort of a mix in the Hitech business is more on the specialized or more on the routine?

Ameera Shah: The mix in Hitech is actually more of routine business. It's mostly as you know a largely B2C business with almost 70% of the business is B2C. People, patients walking in directly into center and therefore it tends to be much more routine in nature. As we continue to expand the locations for Hitech and create more access and for consumers to access our services; we've also obviously increased our lab-at-home and we have started accessing markets in which earlier people did not have the lab-at-home service from Hitech as well. Along with that the 30% which is B2B, we also continue to grow and there is an opportunity for us also to now say that look can we sell more specialized test to Hitech consumers and doctors and that is one of the levers that we are also looking at.

Praveen Sahay: Is it possible for you to give bifurcation in the Hitech like how much is the Chennai contribution?

Ameera Shah: How much is the Chennai contribution, is your question?

Praveen Sahay: Yes.

Ameera Shah: About 80% of the business of Hitech is Chennai, some part of outside Chennai which is in Tamil Nadu and a percentage around 10% is Bangalore.

Moderator: We have the next question from the line of Monish Shah from Antique Stock Broking Limited.

Monish Shah: I have a question on gross margin. With wellness being higher and COVID the contribution being lower; aren't the gross margins on the lower end as per the assumption and how do you see the margins going forward?

Rakesh Agarwal: We are more or less stable in the gross margin. If I look at my gross margin year-on-year, we are more or less stable I think bit beneficial because of the COVID contribution going down. Obviously the COVID margins were also not very significantly higher than the normal margin for us because of the volume and because of the pricing. So, overall gross margin remains more or less same for us right now. While we are seeing a pressure of dollars which is impacting the margin by 0.5% but there are certain efficiencies which we are bringing in which are helping us to mitigate that. In a short-term point of view, I think next 1-year we don't see much changing in the gross margin. COVID being now almost at their lowest level, I think this will continue and there will be some pricing pressure because of the exchange but I think we have some plan of efficiency which can come in and negate that price increase. So maybe 0.5% here and there. That's something which I feel we will see a change in gross margin in next 1-year but nothing significant.

Monish Shah: And lastly how do you see the core market of West and MMR growing going forward?

Ameera Shah: MMR means Bombay?

Monish Shah: Yes, Mumbai and neighboring regions and also the Western India for you?

Ameera Shah: I think Bombay remains positive for us and so as Maharashtra and Western India. We are going deeper into these markets so Bombay as we had mentioned we are adding another 120 more centers in Bombay; by the end of this year, we should be closer to 500 centers in Bombay. We believe that the city continues to hold the potential for us to keep expanding our B2C and that we don't see as a challenge and we are very much on track for that and that includes Bombay and the MMR region. The rest of Maharashtra, as we had mentioned we are already leaders but there are many areas that we believe we can push stronger. As we said that we usually have been in Metropolis we have always been going to doctors and getting prescriptions but now we are also starting to build a stronger consumer connect and that will be picked up in rest of Maharashtra first, all across the state so in Bombay and in Pune and in Nashik; these three markets we are the leaders overall but we are specifically also the B2C leaders. In other parts of Maharashtra, while we have B2C but B2B was larger so we believe that we have an opportunity to drive much more B2C in the Maharashtra market as well as we have all the infrastructure in place.

Moderator: We have the next question from the line of Harith Ahamed from Spark Capital.

Harith Ahamed: The intangible assets that's there on the balance sheet of account of Hitech acquisition; over how many years are we amortizing this? Just trying to understand if how much of an impact this has on our profits?

Rakesh Agarwal: We are taking it perpetuity right now. I believe that brand Hitech will be there for a longer period with us and for Chennai this is something which we can build over a period of time. So, from a brand point of view, we are not amortizing the brand. That is the stand which we have taken internally and this is looked in perpetuity for us. So that is how it is placed.

Harith Ahamed: This your adjusted growth of close to 13% excluding Hitech and government contracts; can you give some color on these government contracts? Is it just NACO or are there more government contracts that we have? On an FY22 basis what percentage of our revenues came from government contracts?

Rakesh Agarwal: We have only one major government contract. There are some small contracts which are very miniscule and may not be meaningful. There is only one contract which is meaningful which we always mentioned that this is a mid-single digit kind of number for us from revenue point of view. As you mentioned that the overall number remains more or less same for the year because there is a volume commitment from the government but the quarter-on-quarter numbers tends to change basis the need and requirement and obviously the government's decision making. What we have seen last quarter, Quarter 2 was bit lumpy on that and the last year Quarter 2 was very good for us on that. That is the reason why we are seeing bit of a degrowth there and what we believe is that H2 will fill up that gap and we'll come back to the normal contracted value which we have done with the government. That's how it looks like but it's a mid-level, single-digit level of revenue contribution.

Harith Ahamed: This network expansion or business service center expansion of around 1,800 centers that they have undertaken; how should we think of the timelines for these new centers to reach maturity? Looking at the previous phase of expansion that we had in terms of patient service centers network, have those centers and that period in the centers that we have added till maybe around FY21; have those centers reached their maturity in terms of patient footfalls or revenues?

Ameera Shah: Currently if you look at for the network that we have built, you have to always keep looking at as an ageing analysis and unfortunately obviously in the middle there were a couple of years of COVID where it was very difficult to grow the centers. But if I look at the pre-COVID, I would say that our existing network is still not mature. The centers which were built before 2016 would be very mature but the ones which are post still have an opportunity to grow and we believe that the productivity per center can definitely increase. We are still we believe at low productivity numbers for the existing network and that continues to remain on opportunity. For the new network, I would say an average usually you look at a 4-to-5-year period as far as the maturity of a network and therefore keeping on starting the centers and growing the old ones and the existing ones becomes an important part of the strategy.

Moderator: We have the next question from the line of Prashant Nair from Ambit Capital.

Prashant Nair: Yes, my question related to the government contract which you just answered. So, no further questions.

Moderator: We have the next question from the line of Cyndrella Thomas Carvalho from JM Financial.

Cyndrella T Carvalho: Ameera just wanted to understand if we look at the focus cities and our B2C share, how are you seeing the competitive intensity here? Any color, any moderation in it that you are observing recently, any trends that you can highlight? And if there are any competitive intensity which are higher than expected, what is strategy that we are following? How are we maintaining the market share? If you can help us understand these two aspects on the volume and the price side both?

Ameera Shah: Sure. If you have to break up the competition into two sides, one is the brick-and-mortar competition that is really coming more after the B2B business and on the semi-specialized side and as I already mentioned there is some price competition intensity there and there are on 20 to 30 tests. Pricing, there is pricing pressure. Now it's up to us on how we react and like we said we are reacting on protecting that business without trying to just overall destroy prices case-to-case basis. So, it all depends. If there's a customer with large volumes, we'll have a more aggressive approach. If it's somebody with very small volumes we'll have a less aggressive approach. But then you can also balance that out by adding new customers and therefore overall, the business is growing. It's not obviously growing super aggressively but it still continues to grow but more growth come from the specialized segment and less growth from the semi-specialized segment so that's on the B2B competition side. On the B2C side, as I mentioned the new players are not finding it so easy to really break in or even existing players to really break in with doctors because there's a lot that has to happen behind the scenes for a lab chain to get trust from doctors if you are going and selling specialized tests. If you are going and selling a normal cholesterol then the doctor will take their decision based on multiple factors. One is of course whether they trust the lab but that trust is easier to get when it's a routine test. They also look at servicing from the lab, they look at turnaround time, they look at price, they look at experience of the customer, they look at convenience for the consumer, safety. These are all aspects that go into it. And for a routine test, their forward would have more options that they would be accepting from if a patient goes to five or ten different labs. But for a specialized test, doctors are more picky because the specialized test becomes very important for the doctor to make the diagnosis for a critical illness and if the test is wrong their diagnosis and their treatment goes wrong. Therefore, doctors are less willing to take chances and risks for a specialized test with a lab that they don't trust completely and they also understand that specialized tests are far harder to do. They are more advanced, more complicated, you require more expertise and it is not in everybody's ability to do it. So what Metropolis's strategy is always to go to critical doctors which are specialist and sell to them specialized tests even for their patients which means that our volumes are lesser because less patients need specialized tests but the RPP per patient is higher because the specialized tests are more expensive. Along with the specialized test we also get the routine and the semi-specialized that comes as part of the same prescription because the patient will come to one lab, give sample one time and will give you the entire prescription. So that is our strategy in terms of sales, which is working well for us and therefore when we see companies come in and sell tests at low prices; it doesn't impact our business too much because we are not selling on that positioning in the first place. If there were customers that were coming to us only for routine tests and some of them are getting tempted by the bundles or the prices or the technology, there might be some customers which are moving; I'm not saying there are zero but that is a much smaller, very small number for us compared to probably other players.

Cyndrella T Carvalho: Just a little bit more in terms of, if you compare the volume are you able to make some trends, understand any trend wherein we are losing or we are gaining in terms of maybe not on the specialized side but on the routine side? Is there any market share that we are losing to these people or are you seeing any softening of that intensity which was there two-three quarters earlier? That is what I just want to have your opinion on.

Ameera Shah: I think with the health tech players there is some softening because obviously there are funding challenges. As you know all these guys burn a lot of cash to grow and therefore if there are funding challenges then that lowers their aggression in the market. We are seeing that a little bit with some of the new age players. We also have to remember that when these new age players sell these prices, low prices what was happening in the market earlier. It's not like these price points were not available in the markets, right. The cholesterol test can be found in India from Rs. 50 to Rs. 500 for the same test much before these players came into the market. So, companies like us have been used to having many other companies with lower price points available and customers always had a choice to say look can I go to somebody with Rs. 50 or come to Metropolis at 120 or 130 for a cholesterol. And they still chose Metropolis because they felt the service, the quality, the accuracy, the doctor's acceptance that they were getting was valuable enough that, that one time a year that they are coming for a pathology test, they are not super interested in saving Rs. 50 but they are more interested in ensuring that, that report is accepted by doctors. And usually, you find that with the new age firms from the surveys that we have done, specialists are still not accepting largely reports by the new age firm and it's mostly the general practitioners who are accepting reports from new age firm because the trust levels are just not there yet in terms of the quality of the result. I think we will have to still wait to see how this develops. On our side as I mentioned in the speech, we are seeing some tempering of demand on the home services side. A part of that like I mentioned is because post-COVID as things have gone back to some normalcy, not everybody prefers home visits as much as they preferred it during COVID because they were immobile and they were stuck at home. People like to go to physical brick-and-mortar as well and I think some percentage there is a leaky bucket from home services to some of the new age players especially because our technology may not still be as robust on the front end as some of the new age players which is something that we are working on. We believe that as our Phase-2 of our app comes out which would be this month to next month, this would then be almost equivalent in engagement with the consumer.

Moderator: We have the next question from the line of Alankar Garude from Kotak Institutional Equities.

Alankar Garude: Ameera one of our peers recently highlighted about witnessing slower volume growth in the metros. Now you have alluded to core business volume growth being 200 basis points lower than the pre-COVID levels. Would you concur that we are reaching some kind of saturation in the metros and hence the pressure on volumes is more on the metros?

Ameera Shah: I would not agree to that fully because I think it depends on the market share that you have already built in a metro. If you have built a large market share in a metro then yes volumes could be or growth could be stagnating. But I think for us for example in cities like Bombay, in Pune, in Surat and multiple other locations; we don't see that outlook and we feel that there will continue to be opportunities for us to grow our B2C business.

Rakesh Agarwal: For that matter in Quarter 2 also we have seen that our focus cities have grown much faster or equal to the other cities so it's not like that the growth whatever we are seeing 12.5% overall on the core business; I think the fair contribution is coming from the focus cities.

Alankar Garude: If I have to just call that out for the industry; broadly what would be the difference in growth, very broadly for the industry in terms of volumes in the metros versus some of the non-metros?

Ameera Shah: I think in the metros honestly the unorganized players as I mentioned are really struggling, they're seeing degrowth. So overall as an industry I think the growth in volume is not naturally, organically coming for the unorganized sector as it was. If you see pre-COVID I think the volumes were closer to 5% for the unorganized sector from our estimates and then they would increase prices every year by another 2%-3%-4% and we would get sort of an 8% kind of a growth for the unorganized segments. I think what's happened now is that the volumes are degrowing and the pricing ability is gone for the unorganized segments and therefore they are seeing a shrinkage in their revenue. Now is this because things had not come back to complete normalcy at post-COVID. I think it's a combination of that and some combination of the unorganized sector losing to some of the newer firm because the newer firms offer convenience that the unorganized sector did and they offer the same prices that the unorganized sector did and therefore there is some leakage from the unorganized sector to some of the newer firm.

Alankar Garude: The second question is we have been highlighting higher attrition for the past few quarters now. It appears that we are getting impacted slightly higher on this front than some of our peers especially at the senior to mid-management level. Firstly, is this true and if yes what are the reasons?

Ameera Shah: Actually, that's not true. I think except for the CEO who's exited and we have a new CEO coming in, we have not witnessed any significant attrition at the senior or middle management levels of Metropolis. I think at the junior levels across the industry not only in diagnostics but in hospitals, there has always been a high attrition because people move for Rs. 1,000-2,000 etc. and minimum wages have been constantly obviously increasing in states across the country. So, I think in fact, I would say in this last quarter the attrition has come down compared to quarters before. We believe that it is largely stabilized and it's only in pockets and specific segments that we are seeing a higher attrition.

Moderator: We have the next question from the line of Rahul Agarwal.

Rahul Agarwal: Ameera, just on the international side, we never talk about it due to lower revenue salience. Obviously, India has to do a lot more but any meaningful effort being taken there to grow, or it just stays as part of overall Metropolis. And is this more profitable than India right now at EBITDA level?

Ameera Shah: I would say overall it's in a similar margin profile as India because it's a combination of some more mature labs and some newer investments that we've made. But the profitability that we see on the international side is actually quicker in some cases than we see in India. As we know RPP is also higher, and we are able to actually do a similar business model that we do in India in these markets. So, it's not like we are creating some very new business models. The copy-paste of the B2C B2B that we do in India, and we do it there. We have figured out a way to operate in these markets and make a success of it, which is why I think we are already the number two player across the African markets. And while international continues to show a single digit contribution in our overall revenue that's not because the business is not growing actually in local currency it's growing very well but because of the depreciation of the local currency versus the dollar it's only a FOREX loss because of which it shows at a single digit. Otherwise, it would have been shown as a more significant part of the revenue where you would have seen the growth playout in the contribution. But this is a business that is very strategically done. It's not the idea of saying let's just go to different countries just for random reasons. It's actually done for a strategic reason which is that like how we set up routine labs across India and we use those labs to also then gain specialized tests which we bring back to our regional reference labs and our global reference lab to sweat our assets in our main locations like our Bombay Global Reference Lab. It's the same model that we do from Africa. It's about setting up more routine semi specialized testing there using our scientific expertise to be able to get specialized tests back to India which sweats and increases our volumes in our global reference labs. So, it's a very deep connection between the Indian and the African business. We are able to use the compliments and the strengths of India to complement the inherent weaknesses in the industry there.

Rahul Agarwal: Do we anytime see that business basically contributing meaningfully to overall Metropolis or do we see some ramp up there? Because generally we're not tracking it because numbers are not quarterly disclosed. But my sense is as you said it's strategic for you, but does it make any meaningful sense to put time and effort and grow that business or how does that happen?

Ameera Shah: It's something we're definitely looking at and I think when we come back next year and sort of tell you our plan for 2023-2024, we'll be sure to go into a little bit more in depth on our plans for the international front.

Rahul Agarwal: Lastly, Rakesh one question for you. Staff cost at 62 crores flat Q-O-Q typically based on past trends it goes up in second quarter. Was this normal?

Rakesh Agarwal: We have increased our, increment was given in Q2 for us, so that increase has come. But yes, there are a lot of because of the COVID period we have had some hiring into this bucket which we also mentioned last quarter that we are actually sequentially reducing that side because there were a lot of manpower being build up for the third wave which came, and which substantially was not much. So, there are some corrections which have been done in last quarter and obviously the increment has happened. So, both have nullified a bit and then therefore we are seeing a bit of a flattish kind of a manpower cost.

Moderator: We have the next question from the line of Sayantan Maji from Credit Suisse.

Sayantan Maji: I just have a few clarifications. This 22% year-on-year B2C growth does this include high tech and most of the wellness revenues?

Rakesh Agarwal: Yes. This 25% includes the high tech and wellness.

Sayantan Maji: If I exclude high tech and the wellness revenues that you have reported then excluding that the business needs to be flat. So, is that right?

Rakesh Agarwal: I'll tell you if you exclude the high tech and exclude the wellness, wellness obviously is a part of B2C. You cannot exclude that. But if you exclude high tech, our volume growth as we mentioned will be around 5%. But that is basically because of the government business which we mentioned earlier that it has bit of bumpiness in a quarter-on-quarter basis. So, we have seen a 40% volume degrowth in this government business, last year quarter two to this year quarter two. And if we remove that part because that basically is a seasonal thing and quarter-on-quarter it changes so if we remove that part then our core business on B2C is growing by approximately 10%. So that's what we have mentioned in the overall…

Ameera Shah: I just want to add something, I say removing wellness is not logical because you have existing patients that are walking in who have been older customers of yours, who came when they were sick and now, they're coming to you when they are healthy. So separating wellness and illness is not possible because sometimes it's the same patient or the same consumer and sometimes it might be a new consumer. So, these two numbers would be very overlapping and have to be seen together as a B2C and not separated.

Sayantan Maji: That's fair enough. But this government contract is you are including it in B2C is it?

Rakesh Agarwal: No, that's not part of it, B2C. We do it separately. B2B is separate, B2C is separate, and we are tracking a third element which basically gets in government and some clinical trials and institutions and all, so that's separate.

Sayantan Maji: What will be the pre Ind-AS EBITDA or what is the Ind-AS benefit to the EBITDA for this quarter as percentage of sales?

Rakesh Agarwal: Overall, I think there's a 2% margin which gets into Ind-AS so that is basically from the starting itself so there is no change in that.

Sayantan Maji: And when you mentioned in the presentation that your EBITDA margin was sustained at the pre-COVID levels, so do you compare it on a like-to-like basis or is it on a reported basis?

Rakesh Agarwal: It's on a reported basis.

Moderator: We have the next participant, and the question is from the like of Rajdeep Singh from ASK Investment Managers.

Rajdeep Singh: Ameera Ma'am, just that we have embarked on the journey of Metropolis 3.0 and our network expansion both on the labs and service center side will be expanding heavily till FY25. My question is not from a quarter on perspective but from a more longer period perspective. Can we see an acceleration in growth rate from 10%-12%-14% maybe kind of mid high teen kind of levels post our network footprint is in place. That's one question.

Ameera Shah: I think I definitely don't see if there's any cap on growth. I think growth is a reflection of the investments, the inputs, the ingredients we put in. In our own minds we are not putting any cap on where it can go and what it can become. We believe that with all the investments that we are doing, the centers that we are building, the categories that we are building, we definitely do aim to have higher growth numbers. So that's definitely our aspiration.

Rajdeep Singh: And this confidence is on the back of the kind of since we are exploring into newer geographies and the kind of location that we are selecting in terms of opening of service collection centers and given the potential of that catchment area, that is what stems the confidence in.

Ameera Shah: That's right, I think the confidence comes from the core DNA behind the business which has always been more about science and expertise and knowing that that is not so easy to replicate for others and having strengthened that to be able to take that to more geographies, more customers all across the country and internationally.

Rajdeep Singh: Thank you that is helpful. One second question was on the mid-level management given that the hiring we have done over last quarter is it sufficient enough to embark on this 3.0 journey or we would see some more additions to the team?

Ameera Shah: I think that we have filled most of the positions. There are still a few positions which I would say are to be filled. So, definitely some more talent that we want to bring on board and we are in the process of doing that.

Rajdeep Singh: And one clarification. Our digital spend was 4-5 crores per quarter, is that the level it should stabilize at?

Rakesh Agarwal: We are spending approximately in that line only, maybe 20% higher than what we were spending earlier. That is how it is right now. It is not a significant change in that.

Ameera Shah: I just want to add one comment on the last question regarding Ind-AS. There is sometimes a perception that the industry has seen a lot of pricing pressure and therefore margins have come down. But that actually is not the reality that we have seen. What we have actually seen is that margins have been sustained and the point is that pre Ind-AS and post Ind-AS there is a 2% gap.

I think what is missing in this entire piece is the acknowledgement of GST which also came in around 2018. In healthcare GST is not something that can be offset which means that we have to pay GST and all our input costs, but we are not able to charge the customer for that and therefore that is a new cost that has been borne by at least compliant well governed companies which are listed and therefore that is an additional 2% cost that has come into the P&L. And as we know in 2019 Ind-AS had already been adjusted and therefore the GST impact and the Ind-AS impact had already happened. And our margin in 2019 on a sustainable basis was between 26% and 27%. So, when we are currently back at 27% it means we are back at pre COVID margins or a little higher than pre COVID margins and therefore this theory of the pricing pressure in reducing margins in our industry or at least for Metropolis may not be completely accurate without this full information.

Moderator: We have one more participant, his name is Prashanth Nair from Ambit Capital.

Prashanth Nair: I just wanted to check is the impact of rupee depreciation on input cost fully reflected in this quarter or do you think some of it will actually reflect more on the second half?

Rakesh Agarwal: See we don't know how things will fare in the next coming quarter. Whatever has happened till now changes have taken place so that impact has already come in so that we have already done. We believe that maybe this pressure on FOREX and the currency will not be a very long term. Maybe this year we'll see a bit of more here and there but next year it may stabilize. That's the internal understanding. But whatever impact we have got till now on currency we have already taken into account and therefore you see a bit of a FOREX loss coming into the books. And going forward if there is any further devaluation obviously, we can't predict right now and that will be taken either positive or negative. So that's the situation right now.

Prashanth Nair: So, essentially if the rupee stays where it is then you will not see any further input cost inflation on account of currency, that's a fair…

Rakesh Agarwal: Yes, that's fair.

Moderator: As there are no further questions from the participants, I would now like to hand the conference over to the management for their closing comments.

Ameera Shah: Thank you and thank you all for attending this call and asking so many clarifications and questions. We're always happy to answer. I think generally we know there's a lot of noise around the industry and a concern around margins, concern around growth and a feeling that the competitive intensity is going to reduce prospects for the incumbent. As you can see from the numbers that's not necessarily the case. We believe that with our core DNA and our values of building the business with science, expertise, knowledge, distribution and now with having new opportunities of really building the brand also with the consumer mindset, expanding categories like specialized expanding categories like B2C and wellness, we believe there continues to be an opportunity for Metropolis to grow well in our focus cities and in our new markets as well.

As you know we also have a plan of expanding our labs and our collection centers into smaller towns and all these 90 labs that we are establishing are in small Tier-2, Tier-3 towns of India which will give us new engines of growth as well besides the cities that we are already present in. On the back end, we believe that using technology automation will release a lot of efficiencies and if there are any pricing pressures on the B2B side this can be offset with the inefficiencies that we release in the system and therefore being able to continue to target for the pre COVID margins at the aspiration. We continue to be optimistic about the industry and our prospects in it and look forward to chatting with you guys in the next quarter.

Moderator: Thank you. On behalf of Metropolis Healthcare, that concludes this conference. Thank you for joining us and you may not disconnect your lines.