

## Vimta Labs Limited

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Listing Centre  
B S E Limited  
P J Towers, Dalal Street  
Mumbai: 400001  
**Scrip Code No.524394**

Asst Vice President  
National Stock Exchange of India Limited  
"Exchange Plaza", Bandra  
Kurla Complex, Bandra (E)  
Mumbai – 400051  
**Trading Symbol: VIMTALABS**

Dear Sir/Madam,

Ref: Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

Sub: Transcript of the Q4-2024 earnings/investor call held on 21<sup>st</sup> May 2024.

Please find enclosed herewith the transcript of the Q4-2024 earnings/investor call held on Tuesday, 21<sup>st</sup> May 2024.

Further, pursuant to Regulation 46 of the Listing Regulations, the aforesaid information is available on the website of the Company i.e., <https://vimta.com/investor-earnings-call/>

This is for your information and necessary records.

Yours faithfully,

for VIMTA LABS LIMITED

Sujani Vasireddi  
Company Secretary



Attachments: as above.



**“Vimta Labs Limited  
Q4 & FY24 Investor Conference Call”  
May 21, 2024**

**MANAGEMENT: MS. HARITA VASIREDDI – MANAGING DIRECTOR –  
VIMTA LABS LIMITED**

**MR. SATYA SREENIVAS NEERUKONDA – EXECUTIVE  
DIRECTOR – VIMTA LABS LIMITED**

**MR. NARAHAI NAIDU – CHIEF FINANCIAL OFFICER –  
VIMTA LABS LIMITED**

**MS. SUJANI VASIREDDI – COMPANY SECRETARY –  
VIMTA LABS LIMITED**

**MODERATOR: MR. VISHAL MANCHANDA - SYSTEMATIX  
INSTITUTIONAL EQUITIES**

**Moderator:** Ladies and gentlemen, good day, and welcome to Vimta Labs Limited Quarter 4 Investor Conference Call hosted by Systematix Institutional Equities. 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 an assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Vishal Manchanda from Systematix Institutional Equities. Thank you, and over to you, sir.

**Vishal Manchanda:** Thank you, Sagar. Good afternoon, everyone. On behalf of Systematix Institutional Equities, I welcome you to the Q4 and Full Year FY '24 Earnings Call of Vimta Labs. We thank the Vimta Labs management for giving us an opportunity to host the call. Today, we have with us the senior management of Vimta represented by Ms. Harita Vasireddi, Managing Director; Mr. Satya Sreenivas Neerukonda, Executive Director; Mr. Narahai Naidu, Chief Financial Officer; and Ms. Sujani Vasireddi, Company Secretary. I'll now hand over the call to the company management for opening remarks. Over to you.

**Narahai Naidu:** Thank you, Vishal. Good afternoon, and a very warm welcome to our Q4 and FY '24 earnings call. Our investor presentation and the financial results are available on the company website and on the stock exchanges. Please note that anything said on this call which reflects our outlook for the future, or which could be construed as a forward-looking statement must be reviewed in conjunction with the risks which the company faces.

The conference call is being recorded and the transcript along with the audio of the same will be made available on the website of the company as well as on the stock exchanges. Please also note that the audio of the conference call is the corporate material of Vimta Labs Limited and cannot be copied, rebroadcasted, or attributed in the press or media without specific or written consent of the company.

Now I would request our Managing Director, Ms. Harita Vasireddi, to provide you with updates on the quarter and the full year.

**Harita Vasireddi:** Thank you, Narahai. Good afternoon, everyone. Thank you for joining us today on our Q4 and FY '24 Earnings Call. I first wish to share a few comments on how the economic and industry landscape has been over the quarter and for the financial year. The global economy stabilizing and turning the corner with inflation being the retaliator.

The critical Europe situation also impacted pharmaceutical testing to some extent particularly in clinical research. Geopolitical issues, the Red Sea crisis slowdown of Chinese economy, impact of tighter monetary policy and stifling environment and investments in global trade have affected the economy as a whole.

Over the quarters, we did see certain improvements that also helped our business to get back on track, such as the easing of supply chain. Europe also showing resilience compared to the initial years of war. Within the testing, inspection, and certification industry, we call this the TIC

industry. We have witnessed a growing landscape of opportunities due to the implementation of stricter regulations worldwide.

These ongoing advancements create a dynamic and expanding workload for businesses such as ours. Despite a market slowdown due to economic factors, the TIC industry remains well positioned for future growth driven by the strengthening global economic climate. To address the rising demand within the TIC space, we are nearing the completion of our new life sciences expansion project at Genome Valley campus in Hyderabad.

Once the accreditations and validations are in place this facility will be operational and will contribute to the growth of multiple service segments across our company. Coming to the services we provide and how they have been performing for us. Our pharmaceutical testing services are experiencing growth momentum. India's robust clinical research industry fuelled by cost competitive, operational environment it presents a fertile ground for expansion.

Established players like us are well positioned to capitalize on this landscape, enabling us to steadily expand our market share. Our clinical, preclinical, and analytical services saw a good uptick during the year. So despite being a very flat year FY '24 for Vimta has been a very productive year. It was a year of investment. Not only has the company invested in its infrastructure, we have also invested significantly in building new partnerships.

Projects have begun, which will scale up during these immediate years. The compliance bar is raised, a lot of improvements have been taken up and opportunities are big, even though the customers are very demanding, the opportunities are very big. We are yet to provide adequate space for some of our new customers. From Q2 onwards, we will be able to allocate more space to them.

So over the year we have initiated long-term partnerships with global leading pharmaceutical and animal health companies. And also, we are excited about our recent foray into clinical trials, which we anticipate will be a significant growth driver of our future.

Food testing, our second largest segment, hold significant potential due to Indian government's increased focus on food safety. While economic and environmental challenges impacted our business in the first half, we would set a decent rebound in the second half due to improved supply chain, resulting in better sample volumes. Notably, our national food laboratory located at JNPT, Mumbai. It is a PPP established in collaboration with FSSAI. This lab has successfully completed its second year of operation. Given the volume growth experienced in H2 of FY '24, we anticipate growth in the coming quarters.

Our electrical and electronics testing division encompassing EMI and EMC testing, represents our third largest service segment. This strategic expansion was facilitated in March 2020 after the acquisition of Emtac Laboratories which has significantly bolstered our capabilities. Hyderabad position as a prominent hub for defence industry positions us ideally to serve this sector while also opening doors to opportunities in other industries. Given the rising demand within the E&E testing space, we plan to strategically expand our existing facility by adding

new testing chambers in the coming quarters. Furthermore, we anticipate increased traction in this business segment due to the influx of foreign investments.

The second half of the year witnessed improvement in sample volumes translating into better performance compared to H1. Our quarterly total revenue reached INR802 million while for FY '24, it totalled to INR3,223 billion. We have maintained our margins and wish to continue the same going forward.

In summary, I want to express my sincere appreciation to the Vimta team for their strong commitment and resilience during the challenging period. Their dedication has been instrumental in propelling the company back to its earlier performance level. Additionally, I commend the team on their success and regulatory audits by agencies such as USFDA, EMA, WHO, NGCMA, FSSAI and DCA. These achievements demonstrate Vimta's commitment to quality and excellence.

To conclude, we remain focused on the growth drivers going forward and are confident on achieving our revenue goal of INR500 crores by FY '25, '26.

With this, I hand over to our CFO, Narahari, to discuss the financial highlights for the quarter.

**Narahai Naidu:**

Thank you, Ms. Harita. I would like to walk you through the consolidated financial performance for the quarter as well as year ended 31<sup>st</sup> March 2024 after which we can open the floor for question and answers.

I'll start with the consolidated financial highlights for the quarter,

Revenues from operations for quarter 4 FY '24 stood at INR797 million as compared to INR818 million in Q4 of FY '23. EBITDA stood at INR249 million in Q4 FY '24 as compared to INR248 million in Q4 FY '23. EBITDA margin for the quarter improved sequentially by 353 basis points to 31.1%. And on a Y-o-Y basis, the improvement is about 95 basis points. Profit after tax in Q4 FY '24 stood at INR123.5 million as compared to INR127 million in Q4 FY '23. PAT margins for the quarter improved sequentially by 310 basis points to 15.4%, and on a Y-o-Y basis, PAT margins remained stable.

Moving on to full year performance.

The revenue from operations for FY '24 stood at INR3,183 million as compared to INR3,182 million in FY '23 showcasing flat performance. EBITDA stood at INR908 million in FY '24 as compared to INR984 million in FY '23, translating to an EBITDA margin of 28% plus. Profit after tax in FY '24 stood at INR410 million as compared to INR482 million in FY '23, translating to a PAT margin of 12.7%.

On the balance sheet side, we continue to have net debt free balance sheet with cash and cash equivalents, including other bank deposits of INR258 million.

In summary, focus on margins has led to strong cash flow generation of INR 609 million during the current financial year. I believe we will continue to generate strong cash flow in the coming years. Capex for the year stood at INR763 million.

Coming to update on life sciences project capex as you all know we are doubling our capacity. We'll be inaugurating our new life sciences facility as well as the certifications and validations are received. The capital expenditure on the new project was close to INR370 million for the year ended 31st March 2024.

Before I conclude, I would like to highlight that we have paid back INR52 million debt during the year. And current total borrowing stands at INR192 million resulting in a debt to equity ratio of 0.06x. With that, we can now open the floor for Q&A. Thank you.

**Moderator:** Thank you very much. We will now begin the question and answer session. The first question is from the line of Rahul Jain from Credence Wealth. Please go ahead.

**Rahul Jain:** Ma'am with regards to the capex on the pharma side, it was supposed to start this facility somewhere in March. So, as we speak today, when could this facility basically start commercial?

**Harita Vasireddi:** The starting got delayed by a couple of months. So we will be ready to move into the new facility early June. During June, we will do all the shifting because we are moving from the existing premises to the new building in the food and preclinical business units. So that will start in June. Once we start doing that, then the equipment qualifications, validations, will also need to get NABL accreditation for food lab for the new location, all going to the same premises. All that might take a couple of more months.

**Rahul Jain:** So that means this commercial operation could start in full-fledged by somewhere around September, October?

**Harita Vasireddi:** Commercial operations, I think we can begin in Q2.

**Rahul Jain:** Okay. And ma'am with regards to our guidance of about INR500 crores by FY '26, what gives us confidence that we can still reach that number given that FY '23 has been flattish, our pharma capex which is a major driver or the major segment contributing to the top line, the capex also has been delayed. So how do you perceive this INR500 crores to be achieved?

**Harita Vasireddi:** The confidence comes from our visibility of how our partnerships are scaling up on the pharma side, especially and also some new services that we have, I would say, capabilities that we have added during the previous financial year. Now, we have had good traction there. And although these are the preliminary projects that we are into.

I think once we have a track record of doing those projects well, they can scale up quite nicely for us. So, pharmaceuticals will continue to be a major growth driver for us. Food and electronics also because the environment are very promising, new investments are happening in and around where we are. So that's where our confidence comes from.

**Rahul Jain:** So do I anticipate or assume there are certain big companies, big clients who probably have given some kind of assurances that once the lab starts, we are in from some large volume businesses.

**Harita Vasireddi:** No. These don't come in the form of assurance as such. It all depends on how well we are able to service them, like I mentioned in my commentary, we have initiated a relationship with some large companies. And that was done early previous year itself. So, whenever such large companies come, it takes time, proof of concepts have to be built. And then there is an expectation on the compliance level we have to bridge those expectations.

So, we took about not only this last year, we took close to 18 months working on that. And now it has come to a place where we can pick up speed once we are able to provide them more space.

**Rahul Jain:** Can this delay in capex somewhere, is it also due to some specifications when you were talking to your large clients based on their needs, maybe you have changed some plans compared to the initial plans in terms of the lab specifications, quality, various other stuffs, which would probably be in the interest of these large customers who we have been talking to for the last 18 months?

**Harita Vasireddi:** So, nothing of that nature. In fact, this project is a very fast-track project. I think other than Vimta, there would be a few other companies who can build and commercialize such a large facility in a short period of time. We are obviously always more ambitious than our previous track record. So, we were targeting March, but the 2 months extension is not a big deal. So, I think we are still doing at a great speed on that project.

**Rahul Jain:** Sure. And ma'am, on the capex side, with this capex getting completed and also some INR4 or 5 crores to be done on one electronic chamber, do we need any further large capex to achieve that INR500 crores?

**Harita Vasireddi:** Capex will be a continuous requirement. It all depends on the opportunities that come our way. Typically, and I say this as you know in almost all the interactions with investors. Typically, our capex is equivalent to the depreciation amount in our P&L. Over and above that, we spend wherever we think more capacities are needed to push growth or new capabilities require some special technologies.

**Rahul Jain:** No, ma'am. My question was, is the current capex, which is getting completed in, say, next couple of months and another INR5-6 crores, on electronics, does that give you capacity which can give you a top line of INR500 crores?

**Harita Vasireddi:** It definitely gives us the capacity. But what I was trying to say is we have a certain product mix in our mind, especially when you're talking electronics and electrical testing segment. We have a certain product mix. The chambers and the testing tools that we have will not cover everything that is manufactured.

So if we cover a certain scope and we anticipate that certain industries will move faster for us in terms of conversion into customer base. But if some new opportunity comes up and that

technology, that instrumentation is not available with us, we might want to invest at that time. So, at this point of time, I can't really specifically answer that question.

**Rahul Jain:** Got it. Two quick questions. One on the labs, the number of labs in the current presentation stands at 17 compared to 19 in the previous quarter. So have that has reduced from 19 to 17?

**Harita Vasireddi:** Yes. I had indicated that we will be retrenching some of the expansion that we have done on our diagnostics side. So that is what has happened. Kolkata and Delhi, we have removed our operations.

**Rahul Jain:** Sure. And one last thing. Ma'am, in your initial commentary, you did mention that opportunity is big, but the customers are demanding. So just to understand the statement much more in-depth. When you say customers are demanding that would relate to the pricing part, the quality part. And will this large opportunity come at a lower margin or is that the way to think? That's my last question?

**Harita Vasireddi:** Good question. The large opportunity will not come at a lower margin, will come at a good margin. But we work in a regulated environment. And when you work with large companies, especially on the pharmaceutical side, their expectations in terms of data security compliance are much higher than what a regulator like USFDA or EMA would expect. So there will be investments on strengthening our systems. We have done a lot of investments on the IT infra side to provide more confidence on data security and availability. So those are the kind of stringencies that I was referring to when I made that statement.

**Moderator:** Thank you. The next question is from the line of Ankit Gupta from Bamboo Capital. Please go ahead.

**Ankit Gupta:** So I was asking about in our press release, you mentioned that we have started clinical trials as well, and we expect that to be a major growth driver for us going forward. So if you can expand on that. In our earlier calls, we had mentioned that clinical trials was difficult to do in a city like Hyderabad. So what has changed now? And if you can elaborate more on this.

**Harita Vasireddi:** Clinical trials were difficult to do in Hyderabad. And this statement, I think, relates to our experience with our first foray into this service segment almost a decade back, ever since then, there's been a lot of change. The ease of doing clinical trials in the country has also improved. So, we have revisited the idea of doing, getting into clinical trials, and we were able to win our first contract late last quarter.

And these projects, although they are long term, some finish off in 12 months, some take even 3 years. They are very large projects in terms of their value also. Once we are able to build a good track record and establish ourselves as a reliable partner for the pharma company, then this can be a good, a strong revenue adding stream for the company.

**Ankit Gupta:** So can like what kind of opportunity size we can look at in the clinical trial segment? And how much revenue do we expect from this segment over the next 2 years, 3 years, given we have started getting contracts from our clients, from our customers?



**Harita Vasireddi:** Revenue projections, I will not make because we don't do that. It's a part of our clinical research business unit. So we are unable to put a number on that during the call, but the growth opportunities are good because if you go and look at the DCTI side. You can see the number of clinical studies that are registered there.

And because of the ease of doing clinical trials, other countries are also looking to expand their multi-country trials into India. This has already begun not that this is something new that is happening. This has already begun, and I think the pace is good at which the studies are getting added into the country. It's a good pace. And I think although we are a late entrant, we have very strong brand for quality in this industry. We will be leveraging the brand that we have, and we hope to make speedy progress.

**Ankit Gupta:** And on the food testing side, of late, there has been a lot of things going on in the media regarding the kind of ingredients, which are there in many of the packaged food. So does that lead to an increased opportunity for us or are we seeing more traction with increased pressure on FSSAI to be more stringent on the ingredient side, especially for packaged foods?

**Harita Vasireddi:** Yes. I think the regulators already stepped up their vigilance on that particular segment of food. And we see the sample inflows also increasing for us in those spices.

**Ankit Gupta:** Spices as well as other packaged foods, where large multinational companies have been, there have been some issues regarding the ingredients which are there in those products.

**Harita Vasireddi:** Yes. Right now, I think spotlight is on the spices. EPO has been on the spotlight earlier to this. So these things keep coming up something or the other thing coming up continuously in the food industry.

**Ankit Gupta:** Sure, And ma'am any update on the JNPT lab. Any improvement there? Any clampdown by the authorities on samples, which are getting diverted to other labs?

**Harita Vasireddi:** The last month has been pretty encouraging. The sample volumes have really picked up, but there have been dull period where we are experiencing extreme in terms of volume. So, I don't know if we are at a steady stable state yet, very early to comment. I think once we go through a couple of more months, we'll understand where this is going.

**Moderator:** Thank you. The next question is from the line of Madhur Rathi from Countercyclical Investments. Please go ahead.

**Madhur Rathi:** Ma'am I wanted to understand the Q2 commercialization of our pharma facility. So, ma'am, this will be including the certifications and approvals we need that will take additional time for this?

**Harita Vasireddi:** By Q2, we will begin and almost complete all our validation and qualification. As soon as we have done with that, we have to apply to NABL, and we can request them for speedy review because we are on the same facility although it's a new building. So that's a request that we will make.

**Madhur Rathi:** Margin also like, revenue should start coming from Q3 onwards?

- Harita Vasireddi:** Revenues per se, there is no new revenue coming because of the location shift. Because food business, we are only moving from one building to another. So, during this shift, there will be a time where we will take some few weeks to transition. But for food as such capacities were not a great constraint even during last year.
- Madhur Rathi:** No, I was talking about the pharma facility that we are coming up.
- Harita Vasireddi:** Yes. So pharma, we will not need any additional approvals or certification. We already have them. So this is just an expansion of the pharma facilities that we have especially on the preclinical side. Analytically, yes, we will have to redesign some of our laboratories for better flow, and that will happen throughout this new financial year. As and when we need, we will quickly do those quadrants and move into them.
- Madhur Rathi:** Okay. And ma'am, margins are very encouraging for this quarter, like as you have guided in the previous con call. So do we see our margins having some kind of pressure as the new facility comes up and the operational costs go up. So can you like will there be a margin pressure kind of a scenario for FY '25?
- Harita Vasireddi:** As a company, we have put a lot of thrust and focus on the margins of our various services. So during the year, we have actually restructured our service portfolio. We have dropped some services, although now, we had may be decent business from those services. The margins were very low sometimes, not even existing.
- So those are some calls we have taken, and we will continue to take them because you cannot transition so quickly on all of them, but that transition has become where we will be very actively looking for increasing our margins. So therefore, wherever we are not able to grow the volume for that service and where we see diminishing returns, then that is something we'll probably take a hard call on as we have done during the last year.
- Narahai Naidu:** So just to add to what our MD has said, in terms of margin in the current financial year i.e. FY25, we don't see any significant impact when it comes to margins because what we are adding is the building. So all other operational expenditure will be in proportion to the revenues. So we do not have significant impact in terms of EBITDA achievements. PBT also will be able to maintain with the current year achievements.
- Madhur Rathi:** Okay. And what kind of timeline do we see to scale up this facility and what will be peak revenue potential like based on the ideal mix that you would like from the services that we provide, just the ballpark number would work as well?
- Narahai Naidu:** When it comes to facility scaleup, our revenue guidance whatever we have given till FY '26 holds good which is INR500 crores. That is after factoring in the new facility capacity. Probably, with the addition in the capacity we may achieve revenue levels of around INR600 crores to INR700 crores when we occupy the full capacity.
- Madhur Rathi:** This is total -- on our total gross assets, right?

- Narahai Naidu:** Yes.
- Madhur Rathi:** Further the new facility?
- Narahai Naidu:** That is for the total.
- Madhur Rathi:** Okay. Thank you sir and all the best.
- Moderator:** Thank you. The next question is from the line of Keshav Garg from Counter Cyclical. Please go ahead.
- Keshav Garg:** I'm trying to understand that who would be your nearest competitor and also, sir, is Eurofins present in India as your competitor?
- Harita Vasireddi:** We have different competition for different service segments. For pharma, on the analytical side, there are several laboratories, but nobody at our scale. Eurofins is one of the competitors for preclinical. They're not as big as us on the analytical side. Clinical research there are several CROs. The large ones will be Lambda, Veeda, Cliantha. And food, again, is a very busy industry with hundreds of food testing labs, but the larger ones are mostly MNCs and we still lead in the food segment.
- So in that industry you have a SGS and Eurofins is also a competitor. You have Euro Veritas, you have Intertek, and there are many. On the E&E side, electronics and electrical testing side, again many small laboratories but the large ones belong to again MNCs. You have Wipro, which is an Indian company, SGS, Intertek, they are mainly our competitors.
- Keshav Garg:** So madam, basically, what I'm trying to understand, Madam since pharma industries our biggest customers, so madam, is there any threat that as the industry keeps on growing and the players get bigger and bigger, they might shift some of the lab work in-house, which they are currently giving to us? Is that a reasonable threat?
- Harita Vasireddi:** It's not a threat uncommon to any business, I would say. Competition is always there.
- Keshav Garg:** What is our USP that is we have so many different verticals, pharma, food, electronics, et cetera, whereas most of our competitors would be in a single vertical. So madam, is there any synergy between our various verticals? Is there some common manpower? Or madam, what would you say is our USP wherein we score over the competition?
- Harita Vasireddi:** The idea behind going into several subsegments is to basically have a strategic mix where the business itself is highly derisked. So sometimes, industry go through peaks and trough. And when you have such a mix as varied as what we have like food, pharma, electronics, environmental testing and so on and so forth. This mix takes good care of any shocks that some of the industries might be going through.
- So it's a very good model that way. I wouldn't call it a USP, I would say it is a strategy. And it also mimics the large global companies in this industry. If you take Eurofins or SGS of the

world, their mix is similar. So we are not unique in that aspect because we are one of the largest in the country and our mix is also similar.

Coming to our USP, I think the largest USP we have is the integrated pharmaceutical services that we have end-to-end right from the preclinical to clinical research and our entire analytically, there to support the entire drug development or discovery process from preclinical to clinical research. That's one of the major USPs. The second most valuable USP that we have is our culture of quality and excellence.

**Keshav Garg:** Are we able to command any premium over the competition? And madam, on the cost side, is there any advantage that we enjoy like going back to the previous question, is there any synergy as far as manpower or other costs are concerned between our various verticals, which give us some kind of cost advantage vis-a-vis the competition?

**Harita Vasireddi:** Coming to having common resources, normally, we don't. That's not how we normally operate. But if something is experiencing high volumes, one particular segment, then we are actually able to push more resources there. So that's the advantage we take off the commonality of technologies that we have, cutting across various services. Coming to the price advantage, definitely, but in services that are commoditized, we are actually competing, but definitely a price advantage is there, a premium is there for the quality that Vimta provide.

**Keshav Garg:** Lastly, the clinical trials that we are planning to enter. Madam, in the initial few quarters, will there be some losses from that new business vertical or it will break even since the beginning itself?

**Harita Vasireddi:** This year, it will breakeven, but we have set up the team almost 1.5 years ago. So this year, it will break even.

**Keshav Garg:** So madam, there should be no adverse impact on the margin since like you mentioned already, we have the manpower, etc since the past one year which must be already accounted for in the expenses.

**Harita Vasireddi:** No, there will not be any impact of that on the margin.

**Kesha Garg:** Great ma'am. Thank you very much and best of luck.

**Moderator:** Thank you. The next question is from the line of Ravi Agarwal from Agrawal Investments. Please go ahead.

**Ravi Agarwal:** I'm totally new to this company and I wanted to understand exactly what we are doing at JNPT that we are doing rest of food items which we are importing from other countries?

**Harita Vasireddi:** JNPT, it's a food testing lab. We are operating it for the government.

**Ravi Agarwal:** And whatever the food item we are importing from other countries, so we are doing testing of that?

- Harita Vasireddi:** We don't import. We just test the samples.
- Ravi Agarwal:** Okay. And whatever the food items we are exporting in India is exporting whether we are doing any test, means our company is doing any test for that?
- Harita Vasireddi:** We do testing for exports also. Yes.
- Ravi Agarwal:** When FMCG type of company launch any food drink or snacks type size. Do have any opportunity for our company from the government agency who have any role to play?
- Harita Vasireddi:** We support FMCG companies for their quality testing. Yes, we do.
- Ravi Agarwal:** And ma'am whether we are doing only preclinical or clinical works in Phase 1, Phase 2 and Phase 3 for the innovator or biotech company, do you have any joint venture for any CDMO type of company in India and abroad?
- Narahai Naidu:** Which type of some companies you said preclinical and preclinical for what?
- Ravi Agarwal:** Sir, we are doing we are doing only preclinical and clinical work, but after clinical work, whatever the manufacturing or development is required so do you have any joint venture with some other company?
- Narahai Naidu:** No, sir. Currently, we don't do any manufacturing and development of products. We only test the products, no manufacturing and all.
- Ravi Agarwal:** What is the Business prospect of our company in Genome Valley?
- Satya Neerukonda:** As Harita already communicated earlier. I mean this is a testing organization and Genome Valley is one of our largest laboratory site. We have a total of, I mean after we commenced our new facility, we will have 6 lakh square feet of testing area. Out of that 50% of the space is in Genome Valley. So, all the pharmaceutical products testing, our major food product testing and electrical and electronic testing happens out of Genome Valley.
- Moderator:** Thank you. The next question is from the line of Ankit Gupta from Bamboo Capital. Please go ahead.
- Ankit Gupta:** Sure. So I was asking, we have been stuck in the INR70 crores to INR80 crores kind of quarterly run rate for the past 10 to 11 quarters. With this new capex coming in, can we expect a breakout from this revenue range over the next -- if not Q1, at least from Q2 onwards, then this the new facility comes online?
- Harita Vasireddi:** Yes, we can expect break from that INR80 crores level, definitely.
- Ankit Gupta:** As you have highlighted in our earlier calls as well, with the scale-up in revenues, we can definitely see improvement in margins. So does that all do with new services like clinical trials also being included in our Q2?

- Harita Vasireddi:** Margins, the ones that you've seen in Q4 were pretty good. What we aim to do is maintain those margins in this new financial year as well.
- Moderator:** Thank you. The next question is from the line of Chirag Jain from Yogya Capital. Please go ahead.
- Chirag Jain:** How much land bank would be available post our expansion has been complete.
- Harita Vasireddi:** No, we have capped it. No more landmark.
- Chirag Jain:** So we will be -- in future, we would be doing only Greenfield?
- Harita Vasireddi:** Or Brownfield it could be anything depending on the opportunity.
- Chirag Jain:** So you mentioned that we don't have any land bank any further. So it would be only Greenfield ma'am?
- Harita Vasireddi:** We could buy an existing business also.
- Chirag Jain:** Okay. So are we looking at any inorganic opportunities?
- Harita Vasireddi:** Nothing as of the moment, but if something comes up and definitely will speak to you.
- Chirag Jain:** So we would be expanding in the current segment or in the segments we don't have revenue from?
- Harita Vasireddi:** Possibilities are there in services that we don't currently have. And also maybe in the services that we have already. So it's wide open as of now.
- Moderator:** Thank you. The next question is from the line of Anurag Agarwal from Agarwal Analytical. Please go ahead.
- Anurag Agarwal:** You had mentioned that we had already hired employees for a new facility which is about to commence operation in a couple of quarters. And so ideally the cost has already been absorbed. So once the revenue scales up, don't you think there is an optionality of increasing the margins?
- Harita Vasireddi:** Hiring we have not done for the entire year. What we have done is for Q1 and be ready with Q2. So as our revenues grow, then we will be adding more people.
- Anurag Agarwal:** I just wanted to understand the revenue bifurcation in terms of services like vis-a-vis food, electronics, pharma.
- Harita Vasireddi:** So pharma is our largest, around 60% to 65%, and food and pharma put together are about 80%. And the remaining 3 segments are the 20%, electronics, environment and diagnostics.
- Anurag Agarwal:** Got it. Ma'am, you had mentioned that we have seen increased volume from the spice testing. Like recently, there have been many cases relating to food safety, regulation, do you not see any other inquiries or increased demand in other segments of part from spice currently?

- Harita Vasireddi:** No, there is a sudden spike, especially around the issue that happened with respect to spices. But otherwise, everything else is from business as usual. There were demand that is already in the market. So nothing new happening there.
- Anurag Agarwal:** Okay. Ma'am, longer term do you see any structural tailwinds for our industry in India?
- Harita Vasireddi:** Yes. I think long term, that is a possibility today quite fragmented, but large players, if they wish to grow, then we will see some, I think, merger acquisition kind of activity already all the MNCs that are here have entered into the country and then have walked that path. Going forward, I think they will continue that has been typically the strategy that large companies follow.
- Moderator:** Thank you. The next question is from the line of Chand Pal Singh Virk, who's an individual investor. Please go ahead.
- Chand Pal Singh:** Ma'am, my question is on the JNPT side. Ma'am, it's been 2 years. What will it take to grow the business that has taken a lot of time?
- Harita Vasireddi:** Growing the business is not really the strategic intent of that facility. We are operating it for the regulator. It's a PPP model. So we run that lab for FSSAI, so the samples are also driven by FSSAI. That site particularly caters to all the imports, food import into the JNPT port. So when the containers come in, the officials do the samples and send the samples to our laboratory. So there is no activity per say from Vimta Labs on growing that business. We only do what comes to the door. We test what comes to the door.
- Chand Pal Singh:** So not all the samples are coming to Vimta Labs.
- Harita Vasireddi:** Yes. They don't, because there are other labs and government has decided that they will distribute some share to the other labs also.
- Chand Pal Singh:** Can I know around a ballpark figure, what will be the business we are getting from the JNPT?
- Harita Vasireddi:** That is confidential even I don't have that information.
- Chand Pal Singh:** Okay. And ma'am, second question on the clinical diagnostic part. We have reduced 2 labs if I'm not wrong, I just heard in the con call. And we are decreasing the number of labs while the other diagnostic companies are increasing their business at 20% to 25%.
- Harita Vasireddi:** Yes. That's the business segment that we had good ambitions for, but we could not push our strategy through. That's why we said we are rolling back our B2C plan. We still continue to be a B2B service organization. So it's not going to be a strategic business unit for the Vimta. We will continue to push our services to the pharma, food, and electronics segment majorly.
- Chand Pal Singh:** Diagnostic part could have provided the required impacts for the growth of the company.
- Harita Vasireddi:** It's a market that has strong headwinds. We have been in this industry for almost two decades. And we are very strong, still very strong in some of the states. But the price pressure ever since

COVID have been humongous because of the new companies that have come in, the large investments that have flown into this sector. We are unable to compete given our scale.

To compete, we would have to do major investments, and we tried out with some expansion in major cities. But we decided this is not something that we want to pursue. This is very different from the other businesses that we do. So we are a more B2B company.

**Chand Pal Singh:** Okay. Ma'am, my major concern was regarding the growth of the company. As expected, the sales of INR500 crores projected by the company, will we be able to reach those figures in time, at the time?

**Harita Vasireddi:** Yes. This year and the next year we have to really push on the numbers, and that is our effort.

**Moderator:** Thank you. The next follow-up question is from the line of Anurag Agarwal from Agarwal Analytical. Please go ahead.

**Anurag Agarwal:** Ma'am, recently in US there has been an Act/bill which is about to be passed called BIOSECURE which will kind of hamper the funding research for in China specifically. So could that be a positive for us?

**Harita Vasireddi:** Definitely a positive, and we have actually seen the impact of that almost for more than a year ago. I think it will give a further push. Many companies are looking at alternatives to China and India stands to win in that proposition.

**Anurag Agarwal:** Okay. So considering pharma is our biggest segment. And there could be an additional push and there is already the push from foreign companies for research and everything in India. So don't you think our guidance could be a little conservative?

**Harita Vasireddi:** No, I don't think it is conservative. I think it was ambitious when we took it as well.

**Anurag Agarwal:** You mentioned that we were a little late entry into clinical research, if I'm not wrong. You mentioned in this call. And you also mentioned that in the diagnostic side, you could not scale up as quickly as our competitors did, which is a lot of capital, and we begin to diagnostics.

Have we been able to have we failed to capitalize on certain opportunities where we identified them a little late. And what was the reason behind it or in future would how can we ensure we can capitalize on the opportunities which would help us.

**Harita Vasireddi:** Coming to diagnostics first, we will have to pushing a lot of money and wait for the results to come. And if you are closely tracking any of these large investments that have happened in diagnostics, you will see that there's a lot of leading happening. And we didn't want to, we chose not to take that kind of a strategic path for the organization. We are a profit-making organization, and we want to continue doing that rather than pumping a lot of capital and waiting for returns to come. That's not something that we are interested in doing.

And coming to pharma, especially in clinical trials, we did, we are early entrant actually in clinical research, not a late entrant. I was only referring to clinical trials. The clinical trial, we



wanted to get there, but the environment, business environment, especially in the state was not very conducive. So that's when we said we are not going to risk it because when we took this decision, the company size was maybe half of the current revenue.

So we didn't want to put a majority of our eggs in that basket. So that is when we ramped up our analytical work, we ramped up, we invested in preclinical. So at every juncture there are choices for a company to make and we have always made those choices in the long-term interest of the organization.

**Moderator:** Thank you. The next question is from the line of Mr. Vishal Manchanda from Systematix. Please go ahead.

**Vishal Manchanda:** Ma'am, my question is in your opening remarks you talked about a large pharma partnership that's materializing for you. Is that which segment of the business does that pertain to? So is it clinical trials, pharma analytics or preclinic?

**Harita Vasireddi:** It is analytical, Pharma Engineering.

**Vishal Manchanda:** Is this a long-term relationship you would have with them on analytics or contractual project-based relationship?

**Harita Vasireddi:** It will be long term.

**Vishal Manchanda:** Okay. And is this with an innovator or a generic company?

**Harita Vasireddi:** Innovator.

**Vishal Manchanda:** Okay, ma'am. And just one more on the clinical trials that you have initiated? Would this be for an NCE asset or a complex generic asset?

**Harita Vasireddi:** It is a complex generic.

**Vishal Manchanda:** Got it. And this would be kind of a 3-month 6-month duration trial or long term?

**Harita Vasireddi:** This is an 18-month trial.

**Moderator:** Thank you. As there are no further questions, I would now like to hand the conference over to the management for closing comments.

**Harita Vasireddi:** I thank everyone for participating in the call today, and I also thank Systematix for hosting the call. Wish you all a good day.

**Narahai Naidu:** Thank you.

**Moderator:** Thank you. On behalf of Systematix Institutional Equities, that concludes this conference. Thank you for joining us. You may now disconnect your lines.