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**Date: May 28, 2024**

To,  
**BSE Limited**  
Scrip Code: 542650

**National Stock Exchange of India Ltd**  
Scrip Symbol: METROPOLIS

Dear Sir/ Madam,

Sub: Earnings call transcript for Q4 FY24.

Pursuant to Regulation 30 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed herewith the transcript of Q4 FY24 earnings conference call held on May 22, 2024. The transcript is also available on the Company's website i.e., <http://www.metropolisindia.com/investors>

We request you to kindly take the above information on record.

Thanking you,  
Yours faithfully,

For **Metropolis Healthcare Limited**

Kamlesh C Kulkarni  
Head – Legal & Secretarial

**Encl:** as above

**BLOOD TESTS • DIAGNOSTICS • WELLNESS**

**METROPOLIS**  
The Pathology Specialist

**Metropolis Healthcare Limited**

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# “Metropolis Healthcare Limited Q4 FY '24 Earnings Conference Call”

**May 22, 2024**

Disclaimer: E&OE - This transcript is edited for factual errors. In case of discrepancy, the audio recordings uploaded on the stock exchange on 22<sup>nd</sup> May 2024 will prevail.



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

**MODERATOR:** **MR. AMEY CHALKE – JM FINANCIAL LIMITED**



*Metropolis Healthcare Limited  
May 22, 2024*

**Moderator:** Ladies and gentlemen, good day, and welcome to the Q4 and FY24 Earnings Conference Call of Metropolis Healthcare Limited hosted by JM Financial.

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 do not guarantee the future performance of the Company, and it may 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 star, then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Amey Chalke from JM Financial. Thank you, and over to you, sir.

**Amey Chalke:** Thank you, and good morning everyone on behalf of JM Financial. I am Amey Chalke. Welcome you all for Metropolis 4Q FY '24 Earnings Call.

With us today, we have the Metropolis Senior Management Team represented by Ameera Shah, Managing Director, Mr. Surendran Chemmenkotil – CEO, and Mr. Rakesh Agarwal, CFO.

I will now hand over the call to Ameera ma'am for her opening remarks. Over to you, ma'am.

**Ameera Shah:** Good morning everyone and thank you for joining us on the Q4 FY '24 Earnings Call. Today I am joined by our CEO, Surendran; Rakesh Agarwal, CFO; and SGA, our IR advisor. We have uploaded our updated results document on the stock exchange and website and I hope everyone had an opportunity to go through the same.

Talking about the industry trends, the diagnostic sector is expected to grow at about 10% CAGR over the next five years. The organized segment of the industry is estimated to grow at a faster pace marked by a transition from unorganized entities to larger organized players.

Between 2020 and 2022, the industry also witnessed an influx of new entrants attracted by the perceived high margins and return profiles. However, most of them have realized that while entering the market is easy, scaling up profitable revenue poses a significant challenge for new entrants. And while aggressive pricing can play a role in creating the wellness market, it has not proven to be a silver bullet in the illness thing.

HealthTech players have the hope of acquiring customers via wellness and then converting them to illness customers. However, the conversion rates of these have been low single digits and therefore, these players have also now increased prices of wellness packages.

Even globally, companies like Theranos, which were focused on wellness, and 23andMe, focused on wellness DNA testing, have been struggling as very few businesses in the pure wellness space build credibility amongst doctors or make profits.

On the contrary, Metropolis and similar established players have benefited from an increase in post-COVID wellness trends. And having strong brand recognition and developing an omnichannel plan have been able to increase the share in the wellness segment.

We have also seen hospital chains enter diagnostic segments in regional pockets where they believe their consumer brand is relatively stronger. While the perception is that they already have lab testing infrastructure and doctor connect and therefore, it's an easy pivot into diagnostics. The reality is that in healthcare, each area has expertise length and doctor's perception of expertise doesn't translate easily from hospitals to pathology experts.

Also, hospitals face some inherent structural challenges. Like the difficulty in attracting prescriptions from specialized doctors outside the hospital due to fear of patient loss to the doctors inside the hospital. Also, another challenge they face is on account of differential pricing inside and outside the hospital.

With these continuing challenges, hospital entrants have largely focused on B2B business for routine and semi-specialized tests by using aggressive types of strategies which tends to be focused on the tail end of B2B customers who care more about pricing over other areas. While competition persists in this space, there has been a recent trend towards reduced competition intensity and more rational pricing strategies.

Interestingly, the emergence of organized players in the industry has prompted a noticeable shift in customer attitudes towards organized diagnostic players. As a result, standalone labs operating in the unorganized sector have experienced a decline in market share. This shift highlights the growing preference among customers for the reliability, efficiency and use of technology offered by the organized entity.

Building a specialized diagnostic business is all about your expertise behind the scenes. It's not only about offering the largest test menu but having the institutional knowledge for testing in each therapeutic area that produces a better quality report compared to others.

At Metropolis, we are focused on the fastest growing therapeutic areas such as transplants, neurology, nephrology, gastroenterology, oncology, et cetera. Additionally, to be future ready, we are investing deeply to build world-class testing in areas like genomics and molecular diagnostics which is the future of the industry.

Looking at these trends and opportunities in the industry, the opportunity for Metropolis is to continue to outpace the industry and peers which will happen via organic and inorganic growth.

For accelerated organic growth, we will do the following:

1. We will focus on being the pioneer in new test advancement and amplify our engagement with specialty doctors to grow our specialty volumes.
2. We will also expand our collection center networks in new cities which will be largely tier two and tier three markets of India.
3. We will heighten our service standard and digital marketing initiatives to improve the productivity of existing centers.
4. We will expand our B2B presence, not only in India, but also to new markets outside India, using our global reference lab in Bombay as a specialty hub for testing. This would be an asset-light model, which would be moving samples from outside India to Bombay for testing.

When we look at inorganic growth, we will assess M&A opportunities through three lenses:

1. We will acquire firms where we can get cutting-edge capabilities and skills within the technical testing sphere and sell through our large distribution network.
2. We will acquire ethical and strong local grant B2C players in markets where we don't have a strong consumer plan in order to establish a foothold to grow from. Many of these local firms lack prudence in capital allocation and scaling operations to the next level. We intend to evaluate such targets nationwide and do multiple bolt-on acquisitions that would create accelerated growth. This would largely be in the regions of northern east, but also could be in specific cities in south and west, as our industry is hyper-local and not regional in nature.
3. We could look at acquiring good quality brick-and-mortar firms, which are subscales, and making inadequate losses, and use our management skills and advanced testing capabilities and strong brand recognition to scale these businesses and turn them around.

For mergers and acquisitions, we adhere to predefined internal parameters encompassing IRRs, growth prospects, EBITDA, PBT margins, along with return on capital and return on equity to assess possible acquisitions.

Thankfully, there has been a modulation in valuation expectations compared to the COVID and we will be open to using options of internal cash accruals, external debt, and our own stock to complete deals. We would be financially conservative in allocating capital or raising debt.

Currently, we see a fair number of opportunities to buy assets, which meet our strategic and financial checklist, and to capitalize on this opportunity of consolidation, the Company plans to alter its dividend payout from historic 30% to 35% of PAT to 15% to 20% of PAT for the next couple of years.

Cash will be retained by the Company for accelerated growth opportunities in terms of selected M&A, which we believe will fuel growth in the future. Once these growth initiatives are successfully executed, we will restore the dividend payout to historical levels, if not higher.

Should there be a case of non-deployment of these funds for M&A, we will prudently return the cash with a suitable option.

Over the past two decades, we have successfully completed 23 acquisitions along with strategic thought processes that have generated high IRRs for the Company. While most were done at very reasonable valuations, it will be integration and the ability to drive a high organic growth from them that truly stands out.

Since the integration of our most recent acquisition Hitech, core revenues have shown significant growth. And with synergies and operational efficiencies, we have been able to enhance EBITDA margins also by 4%. Going forward, we are confident in our ability to do deals at fair valuation and integrate them well and execute plans to generate positive IRR for Metropolis.

Over the past many years, my focus has been on professionalizing the Company and to accomplish this. I have been augmenting our talent pool from within the healthcare domain and from outside. In pursuit of this objective, I brought Suren on board approximately 18 months ago to spearhead our business execution efforts.

With his extensive background in running scaled consumer-facing and distribution operations, Surendran has assumed full responsibility for driving the implementation of Metropolis strategy. Over the past 15 months under his guidance, Metropolis has grown faster than industry and peers and significantly broadened its struggle to present, setting the base for future growth.

With Surendran and the CXO team now formally established and demonstrating a strong track record of execution results, we believe it is the opportune moment to delineate and separate governance from operations and run the firm as a promoter-led but professionally managed Company. Promoters in India who have successfully done this before have generated large value for shareholders and I believe this is the right direction to go for Metropolis as well.

Accordingly, I will be transitioning into the role of Executive Chairperson and Whole-Time Director. In this capacity, my responsibilities have encompassed driving the strategy of the business and monitoring it, strengthening governance, strategizing capital allocation including driving the M&A activities, acquiring talent and fostering the culture at Metropolis.

Meanwhile, Surendran – our CEO will lead the execution of all our operational initiatives by reporting to me. Surendran and I have worked together in this construct for the past 15 months and we complement each other well. Together with our strong board, we will prioritize governance, strategy and sustainability initiatives aiming for even greater change.

Let me also take the opportunity to thank our Founder and Chairman, Dr. Sushil Shah, who will now transition into the role of Chairman of Metropolis. Under Dr. Shah's leadership, Metropolis has emerged as a trusted pathology brand, earning recognition from both medical professionals and consumers solidifying its position as an industry leader. Dr. Shah's visionary leadership, commitment and dedication have been instrumental in shaping the Company's success. In his

new capacity as Chairman Emeritus and Director on the board, Dr. Shah will continue to provide invaluable guidance to the board and team, drawing upon his extensive medical experience and expertise to offer mentorship. We express our heartfelt gratitude to Dr. Shah for his years of service and support in propelling Metropolis to greater heights.

With this, I will hand over the call to Surendran to take you through the quarter and the year gone by and give some flavor of our strategies for FY '25 and beyond. Thank you, and over to you, Surendran.

**Surendran Chemmenkotil:** Thanks, Ameera, and good morning, everyone.

Let me take you through the Business Highlights for this quarter gone by and along with the strategies going forward:

For Quarter 4 '24, we are happy to report a 11% year-on-year growth on reported revenues and a 15% year-on-year growth in our core revenues with corresponding volume growth of almost 7%. And on 7% on account of product mix change and realization benefits.

We have delivered industry-leading volume growth over the last nine quarters and are optimistic about the growth trajectory going forward. Our B2C revenue have grown faster at 20% year-on-year basis, and Quarter 4 with the volume growth of 7% and a 13% increase in RPP, attributable to the recent price increase implemented in January and shifts in product mix. We are pleased to report that the price hike has been effectively absorbed, and despite this increase, our volumes are maintained at a growth rate of 7% plus.

Alongside our revenues from Mumbai market have grown by 20%, underscoring our increased market share and brand pull in our core geographies. Our specialized and wellness testing grew by 17% and 22% respectively on year-on-year basis in line with our strategy of expanding our specialized and wellness business.

Despite some competitive intensity on B2B side, we have been able to grow our B2B revenues by 11% for Quarter 4 with corresponding volume growth of 7%. So discounting in the B2B segment has reduced as compared to full year '23, and B2B volumes have grown positive recovery. More and more players are preferring trusted labs with experience on the track of better service and quality of diagnosis.

Let me shed some light on the network expansion and outcome of the same:

Over the past two years, we have dedicated efforts to extend our presence across India. In the last 12 months, we have added 24 new labs with 7 labs added in the last quarter.

Our plan for the current financial year entails the addition of another 25 more labs in strategic locations to target underserved markets, thereby aiming for accelerated revenue growth and market share expansion.



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In tandem with lab expansion, we are focused on expanding our collection center network and distribution channels. Full year '24, we have added more than 550 centers, including 150-odd centers in the last quarter alone. Our footprint has expanded from 307 towns in April '23 to 600 towns by the time we exited last year.

With all these efforts, we have been able to grow our revenues from other cities by 34% for the Quarter 4 and 28% in full year '24, respectively. Growth from the other cities largely on the back of growth and revenues from tier 2 and tier 3 cities. Our new labs are also showing robust growth over the last two, three quarters with revenue contribution of 4% for the full year '24.

In addition to prioritizing network expansion, volume and revenue growth, we have placed equal emphasis on efficiency, productivity and margin improvement. We are pleased to announce that our reported EBITDA margin stood at 25.5% for the Quarter 4 '24. Prior to factoring in CSR and ESOP, this is 26.5% and if we add back the dilution cost in the short term by the new lab, our EBITDA stood at 27.4% for the same period.

We maintain an optimistic outlook regarding the sustenance of Quarter 4 margins in full year '25. Upon the completion of our accelerated lab and network expansion by the end of '25, we are anticipating that the enhanced revenue stemming from both existing and new labs will further enhance our margin profile post full year '25.

Speaking of our organic strategy, we have been focusing on basically four or five big things. Infra expansion into new markets to target accelerated growth with lab, network and expansion of distribution channels.

We have been focusing on technology transformation, both on the front end, consumer facing for convenience to customer experience we can improvise and also to strengthen our back end digital infrastructure to improve our service level.

With increased focus on technology and digital marketing, we have been able to acquire new customers via the digital route and revenue contribution led by digital channels has shown robust growth in full year '24.

We have also revamped our TruHealth wellness packages to suit right for consumer needs with focus on bundle testing packages, curated for specific target audience and also upselling to existing customers.

We have also taken multiple initiatives to enhance our service levels for B2B customers. We have set up dedicated relationship managers and special programs for our B2B clients along with centralized help desk, B2B partner portal for strong support system, etc. As a result, we have seen an increase in B2B volumes with rationalization in discounts over the last two to three quarters.



Lastly, as highlighted by Ameera earlier, we have strengthened our leadership bench, simplified the organization structure and have fortified our organization's capacity for efficient planning, execution and leadership continuity.

The wealth of experience and diverse backgrounds that these senior professionals bring from various industries enriches our collective knowledge, knowledge base and enhance our ability to navigate complex challenges and seize the opportunities. Their contribution extends beyond formulation of strategies and play a pivotal role in executing the roadmap ahead of us.

Going forward with the brand strength of Metropolis, talent pool, trusted partners for doctors and consumers coupled with aggressive expansion plans, foray into adjacencies with opportunities of inorganic growth, we are optimistic of outnumbering in the industry growth in terms of revenue growth and profitability.

With this, I will hand it over to Rakesh for the Financial Update.

**Rakesh Agarwal:**

Thank you, Suren, and good morning everybody.

Let me share some of the key Financial Performance for the Quarter:

Reported revenue for Q4 F Y24 stood at 313 crore, a growth of 11% Y-on-Y. Our core revenue excluding revenue for COVID and COVID allied, and PPP contract grew by 15% Y-on-Y for Q4 FY24. Our core revenue for FY24 grew by 13.3% Y-on-Y with 9% volume growth and approximately 4% on account of price increase and product mix change.

Reported EBITDA for the quarter stood at Rs. 79.7 crore as compared to 69.2 crore, a growth of 15%. Reported EBITDA margin for Q4FY24 stood at 25.5%. EBITDA margin adjusted for ESOP, CSR and New Lab margin dilution stood at 27.4% for Q4 FY24. EBITDA for the full year stood at Rs. 284.6 crore with EBITDA margin of 23.9%. One-off expenses of Rs. 6.8 crore has been booked on account of whistle blower and Aam Aadmi Mohalla Clinic provision for Financial Year '24.

PAT for the quarter stood at Rs. 36.1 crore with margin at 11.6%. PAT for full year stood at Rs. 128.1 crore with 10.8% margin.

Moving on to balance sheet, we are happy to share that we have paid all our debt in the last quarter and have zero debt as on 31st March 2024. We have a net cash surplus of Rs. 117 crore as on 31st March 2024.

Our working capital days have reduced from 14 days on March '23 to 7 days on March '24. Our OFC to EBITDA has improved by 3% and stood at 105% indicating a higher cash conversion cycle.

The Company has aligned the accounting year of its 4 overseas subsidiaries with the Indian accounting year with effect from 1st April 2024. Because of this change, the accounting year for the purpose of consolidation will henceforth be 31st March. For the transition year that is financial year '23-'24, the accounting impact of this change is an increase in revenue of Rs. 18.27 crore and PAT by Rs. 0.4 crore.

That's all from my side. With this, I 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 Anshul Agarwal from Emkay. Please go ahead.

**Anshul Agarwal:** My first question is on the quantification of any sums that we would be keeping aside for this M&A activity in the next two years?

**Ameera Shah:** So, currently we have, I think, approximately 120 crore cash on our books, if I am not mistaken, Rakesh. And we will obviously be using this internal accruals plus raising debt or using stock of equity.

It is difficult to obviously quantify an amount as of today because there are a bunch of things being evaluated, but my sense is that if we ever do look at raising debt, we would not look at it beyond 2 to maximum 2.5x our EBITDA and if we were to use obviously stock of currency, then that would potentially play out well as well if the stock price is valuable for us.

So, I don't have an exact number for you at this point because there are many things in the pipeline, but we will obviously look at each deal from an IRR and an ROCE, ROE perspective.

**Anshul Agarwal:** And while you have outlined the strategy behind selecting these M&A targets, would there be any specific region that we would be planning to target?

**Ameera Shah:** So, as I mentioned, we have three strategies for the M&A and one of them is our geographical expansion strategy, right, which would be primarily in, we would look at obviously North and East, which are the markets where we would like to expand towards sort of a B2C route. That's one of the opportunities that we are sort of looking at, one of the lens of M&A.

But these, like I said, could also be in South and West of India because there are still markets in South and West, certain cities in which we may not have a strong B2C brand and entering those markets may also be useful. So, I would say primarily North and East, but also South and West for the geographical expansion strategy.

The other two strategies, which are about technical capability, which obviously could be anywhere in the location of the country. And the third one, which could be a regional player or any other kind of player, could be in any part of the country because we are looking at taking businesses, which may not be necessarily providing the kind of profit on their own, either

because they are sub-scale or need better management and picking those up and actually sort of being able to turn them around under our management skills and scaling possibilities.

**Anshul Agarwal:** My second question is on any indicative broad margin guidance for FY '26 post our network expansion plans?

**Ameera Shah:** See, I think we are comfortable with our Q4 margin. We believe that we will be able to sustain that into the next year and hopefully try to expand it as the volumes grow and we are able to execute some synergy. So, I think 25.5% to 26% margin, give or take, I think, is sustainable.

**Anshul Agarwal:** This would be reported as margin, right?

**Ameera Shah:** That's right.

**Moderator:** Thank you. The next question is from the line of Amey Chalke from JM Financial Limited. Please go ahead.

**Amey Chalke:** Ma'am, there was a period when nationalized diagnostic chains were being impacted with the proliferation of e-commerce players who were cutting in the prices. Now, we are seeing the trend reverse where most of the nationalized chains or larger chains who are having good physical presence are outgrowing the market. Is this only linked to pricing in your assessment or anything else which is also driving this trend?

**Ameera Shah:** See, I think when health tech firms came in, it was during COVID or some of them which had started just before COVID, and it was a black phone event that really gave rise to digital usage, which obviously helped with many industries before. We saw it in EdTech. We saw it in food tech. We saw it in many industries. And we saw it in health tech as well. Mostly because a lot of the unorganized centers were closed because they couldn't operate due to lack of employees, et cetera and it gave rise to more of this home testing, home collection, especially for COVID.

Now in some industries, obviously, that trend is consistently sustained, but in our industry, once COVID sort of came down, people actually prefer to go into brick-and-mortar labs and actually give their samples. While the home testing, home collection has grown compared to pre-COVID, it is still a minority share compared to more people walking into brick-and-mortar.

So, pricing was never really the key. Even that time, the health tech firm used convenience as a way to really drive their business. What they used pricing for was for wellness, expanding of the wellness market, because in the wellness market, there is no need and you are actually doing a push product to create a need of preventive healthcare.

And when they used pricing to create that kind of awareness, as I mentioned, it helped the incumbents a lot, because it actually created a new market that didn't exist before, which was a preventive care, which was earlier a very small market. So, it has actually been beneficial to the

incumbents as well, but that preventive care market while it's growing fast, is not growing at the pace it was growing in COVID anymore.

So, I think for the health tech firms, really now the question is about where should they really play, what is going to be really their unique curve, what they bring to the table. And I think many of them are figuring out what that means for them.

From our perspective, pricing has never been the most important thing in illness in healthcare. Because at the end of the day, you fall sick once or twice a year. And the more sick you are, the more critical your illness, you are really not looking at who is giving you something Rs. 50 or Rs. 100 cheaper. You are looking at who's best in labs to get the best diagnosis, usually recommended by your doctor, so you can get treated quickly.

**Amey Chalke:**

And the second question I have is on the expansion side, we have been saying that we are adding around 20, 30 labs over one year. Why not 40 or 50 or why not 10? What is it that decides this number? Generally, for businesses, there is a capital limitation to expand or management bandwidth, or maybe a lack of opportunity, or some of them are not ready to take the financial hit. What is it in our case that decides this factor organically? How much labs we will be adding going ahead? How do we decide?

**Ameera Shah:**

I will give you my input and Suren can come in as well. Look, in my opinion, the only reason there is no science behind this number 30 is that earlier we were, till about FY '19-'20, we were only adding about four, five labs a year. You have to remember the lab is only a factory which does the testing. The demand generation really happens when you go to the customers, you build collection centers, and you are able to build demand in those collection centers.

The hard part is not in building a lab. Could we set up 100 labs in a year? The answer is yes. The question is, can you generate demand in all those locations? Because for an average lab, you need at least 20, 30 centers and B2B customers to be able to fill that lab. So really, it's about getting the right quality of talent on the front end, training them, and to be able to go and scientifically sell to doctors and generate that demand and set up those collection centers, unlike other industries which have ready distribution, whether it's pharma or modern trade. In our industry, we have to set up each distribution point. So, it's not like a product that we just push through an existing distribution. So really, that's where the time goes in getting the right talent, training, and setting up the distribution and generating demand. Suren, anything you want to add to that?

**Surendran Chemmenkotil:** No, I think you have covered it all, Ameera. I think, if at all I can add one more thing, setting up the lab doesn't start from the day you start working on the infrastructure of the lab, but it actually starts almost a year before. We have to enter into a city. We need to familiarize with the Metropolis reports, and we need to get the channels appointed. And then we do start getting some level of customers and revenue from that market. And once the revenue reaches a particular level, that's the time that we start looking at putting up a lab there.

So, I think the whole process takes a little time consuming, and it's based on analytics. It's based on a lot of hard efforts. And hence, it may be prudent for us to do it more judiciously and at the right places, and at the right pace.

So, like Ameera said, the previous two years, you know, put together, we have set up 30 labs. And last year alone, we set up 24, 25 labs. So, we definitely speeded up the process and this year again, we are going to put up another 25 labs.

So, the required speed has almost been brought in and once we get this as our norms and even if there is an opportunity to get into any other market in the coming years, we will look at it. But otherwise, we are pretty happy with the current pace and also we have the ability to turn around the new labs into profitable ones in about two year's time.

**Moderator:**

Thank you. The next question is from the line of Kunal Randeria from Axis Capital. Please go ahead.

**Kunal Randeria:**

So Ameera, just one of the points you made that a sick patient definitely looks at quality and not really the price. So you know, while it completely I am with you on that, but on the wellness front, do you think pricing is a lot more important factor than it is in sickness and perhaps some of the online players would have an advantage over a traditional players?

**Ameera Shah:**

Sure. See, on the wellness side, you can remember there is no one kind of customer. There are different kinds of customers, right? If you look at a customer segmentation, you have a more health conscious customer or a more brand conscious customer who is not educated and aware.

Usually they will prefer if they are doing a health check up once three years, you know, and they are going to spend Rs. 2000, they are not thinking, oh, let me go and spend only Rs. 1200 with somebody new who have not experienced and take a chance on my health check. Because you can understand why are you doing a health check is to find something early that you are able to then treat so that it doesn't become a much bigger issue.

So, there is a large amount of trust that is required, whether it is an illness or whether it is in wellness, but in wellness, because the doctor is not involved, consumers can be a very variety. So the health conscious educated customer will still choose a brand which they are trusting, or slightly less aware customer may say that, look, let me go on price because everything same test, same result. That might be a perception. And those people, those customers who have a wrong perception, but all the results are the same, may go for a lower price and choose somebody who is sort of giving a more discounted price, right?

But finally, the question is that if it's being done at the discounted price, is it a structural cost advantage that health tech players have? And the answer is no. Actually, there is nothing differently being done that makes it cheaper. Only probably the levels of quality control and quality will be different between the top incumbents and maybe some of the health tech players.

Now, there is no structural cost advantage in actually doing it the way they are doing it and therefore, it is about burning cash in the short term to acquire customers, and then hoping that those customers will come to you again and again, or hoping that those customers will convert to illness, and that's how you will recover your money. So, I think it's more of a difference in business model than I think it is really a structural cost advantage that they have.

**Kunal Randeria:** Just taking forward from there, does your B2B business include some business from the online players? I meant, does your B2B business include the business from online players and they may generate it on the website but your lab would be analyzing the sample?

**Surendran Chemmenkotil:** Yes, so the B2B business includes some of the online players and aggregators, but that contribution is very, very low for us, you know. It's largely through the B2B labs and hospitals that we generate revenue on B2B segment.

**Kunal Randeria:** And just one more question, if I can. So, just taking forward the discussion on lab expansion. So, I think in the previous quarter you had shared that you have added somewhere I think 50 labs in the last three years and these two act as a dilution to your EBITDA margins. It's around 100, 120 bps right. So, the fact that you are going to add more labs in future, does your sort of guidance take these expansion plans for the next two to three years?

**Surendran Chemmenkotil:** Yes, so like I mentioned in the last year, the 24 labs that we added had an EBITDA dilution of roughly one percentage, right? And the next one year also we will add another 25 labs and we will have an equal amount of dilution of a bit of one percentage, but the guidance that we have said 24, 25.5 to 26 percentage is already considering that lab addition related dilution. So, that's how it's going to be. Maybe after full year '25 and beyond that and I think our lab addition may not be at this pace, and hence we will be able to see a little more expansion of the margins beyond the full year '25.

**Kunal Randeria:** But any very indicative number you can give that beyond '25 how many you plan to add and what part of the country you are targeting?

**Surendran Chemmenkotil:** We will be adding about maybe six, seven, eight labs beyond '25, and we will go to specific markets that we want to penetrate further, and this number could be definitely well under 10. So, that's our current estimate.

**Kunal Randeria:** And so just one more, if I can. Ameera, Mumbai is the biggest market. Yet your revenue has been growing in double digits. Just want to understand what has been driving it. Are you adding more centers, or is it more package steps? How is it, and what should we expect going forward?

**Surendran Chemmenkotil:** Let me answer this for you. Basically, three things. One is our distribution expansion in Mumbai continues, right? And we are expanding enough number of the service centers and collection centers in Mumbai. And we still see there is a good opportunity going forward, and we will also get into the peripheries of Mumbai. And we believe that we could rather set up a collection

center for every 2.5, 3 kilometers in Mumbai. So, we really clearly see an opportunity to further expand in Mumbai, and that will continue.

And the second one is, of course, we are a specialty business. Mumbai has got all the top of the hospitals in the country. And hence, our engagement with the doctors in the top hospitals is getting amplified. And we are trying to expand our business on the B2B segment also here.

And also, the third thing is our existing centers. We are not allowing the productivity of the existing centers to drop despite the increase in the number of centers that we are adding. So, we have a very, very clear and dedicated focus on expanding the productivity of the existing centers. So, a combination of these three things is what is actually driving our volumes in Mumbai.

**Kunal Randeria:** So, can you remind us how many centers we have in Mumbai and how many we plan to add in the next two to three years?

**Surendran Chemmenkotil:** Mumbai, we have about 430 centers we have in Mumbai. And we want to take this number to 500 plus in the coming year or so.

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

**Shyam Srinivasan:** Just the first one is, Ameera, on the opening remarks, you talked about the two kinds of competition. I am just more interested in the hospital-based competition. So, if you could elaborate, I think you made two points. But just to elaborate, one was on B2B, and the other one was the dissonance between pricing of hospital labs versus inside and outside. So, if you could just clarify on those two points or elaborate on that, please?

**Ameera Shah:** So, if you see today as a customer if you walk into a top sort of 20, 30 hospital, you will find the prices of pathology of tests inside these hospitals is a significantly higher you can say 50 to 100% higher compared to let's say Metropolis or other incumbent prices outside. So, there is a much higher pricing when you actually go to the hospital and do these tests.

So, when hospitals go outside to consumers, some cases they are choosing to have a lower pricing when they go to consumers outside, but that as you can understand creates a dissonance for customers and for consumers, right? Because there is no logic why or there is limited logic why the pricing is so different inside and outside a hospital and that actually limits the hospital's ability to actually control the pricing outside because they already have a very high pricing inside the hospital. So, that becomes one structural problem and one fundamental issue for hospitals.

The second issue for hospitals that I mentioned was that you have to remember that hospital business is about bringing patients to a hospital and then doing everything under the aegis of the hospitals, right?

But so there are doctors which are sitting outside of this as the gynecologist sitting outside the hospital and that gynecologist refers that patient to the hospital. The worry will always be that listen, will the patient then go to a gynecologist inside the hospital? And therefore, you know, there is sometimes there tends to be a concern for doctors outside the hospital to refer those patients to the hospital or to the hospital collection center.

So, these are the two structural issues that hospitals may face and in the B2C side of the business and therefore, I was saying that many of them have focused much more on the B2B side of the business.

And either they are going to small hospitals, nursing homes where they are doing 5 lakhs business, 10 lakhs business of pathology per month and trying to do management contracts for these small hospitals which we find in our experience tends to be a very, very poor margin and poor receivables or therefore we don't do that business much at all.

Or it tends to be on the B2B side you know where you are going to the customers which are on the tail end because if hospitals go to the other top hospitals and say you give me your business, there is a competition there. So, that doesn't happen. So, they have to go to the labs which are the unorganized sector to say that look, why don't you outsource a thyroid or a vitamin D, like a more common test to me, and that tends to be more price sensitive. So, these are some of the sort of challenges that come up in the B2C and the B2B side for any players.

**Shyam Srinivasan:**

Ameera, just harping on this again, so when in Apollo Diagnostics, which is the chain outside the hospital, puts up like a 500 crore revenue number for a fiscal in a 12-month basis, you would imagine this is also probably cannibalizing their own inpatients, I am just trying to understand, or it's largely led on B2B. That's the color I am unable to understand.

**Ameera Shah:**

So, I would not like to comment on any individual player. But what I can share with you is that a lot of the players, some of the business comes from their own hospitals. Some of their business comes from other ventures that they have in healthcare potentially. There are people who are doing multiple things in healthcare. So, it comes from captive, you know, their own sort of service facilities. Some of it may come from an online digital. And a large amount of it will come from B2B and these HLM contracts.

So, when you set up these collection centers, for example, Metropolis reports separate B2C revenues and B2B. But most players, what they do is they don't. They report generalized revenue. And therefore, whether a patient is walking into a center, a collection center, or whether that collection center is picking up a sample from B2B is not necessarily fully clear. So, therefore, there is no data that you may get. But from the ground, we are aware that a lot of this tends to be B2B.

**Shyam Srinivasan:**

Just the second question is on the outlook for fiscal '25. While we talked about margin guidance trying to sustain at fourth quarter levels, what's our outlook on revenue for fiscal '25? And how we could likely split this between volume and price or ASP?



**Surendran Chemmenkotil:** See, we have delivered 13.3% year-on-year growth during the last year. We are really looking forward to taking this further beyond this number and definitely looking forward for mid-teens kind of a growth in the year, full year '25. And the volumes, I mean, the split could be maybe, again, the volume is 8% to 9%, and five to six percentage may be coming from the realization. That could be the split.

**Shyam Srinivasan:** This includes the 3% increase we took in Jan. And there is also a mix change towards, I am just trying to see where the 5% comes from, 5% or 6%.

**Surendran Chemmenkotil:** Yes, it's a combination of both the mix change as well as the price increase that we have taken.

**Shyam Srinivasan:** My last question, just bookkeeping one. When I look at Slide #17, last column, we have the 15-month data. We also have fiscal '24, few columns before, which is the one which doesn't include 15 months. So, when we talk about flat margins, sorry, I am unable to understand. It should be actually 25.5, right, when we look at guidance for fiscal '25?

**Rakesh Agarwal:** Yes, so we are saying 25.5 is the actual margin. And when we add up just these four entities for quarter four, for additional three months, marginally the reported EBITDA goes up from 25.5 to 25.6 because this entity has just reported a bit higher margin in Jan to March. So, the guidance is on 25.5% only.

**Moderator:** Thank you. The next question is from the line of Prakash Kapadia from Spark PMS. Please go ahead.

**Prakash Kapadia:** I have two questions. You know, if I look at the debtor days, they are still at around 30 days. So, how much can they reduce in the coming year? And secondly, if I look at the premium wellness segment, it's steadily growing for us and is now almost 15% of sales. So, what is driving this? Is it self-awareness? Is it doctor advocacy? And if you could comment on the ARPU in this segment, is it top 5, 10 cities, or is it beyond that? And some color will be helpful.

**Rakesh Agarwal:** So, I will take the debtor thing and then hand over to Suren for the next question. So, debtor we have been maintaining and reducing substantially in last three, four years, you see, we were at around 46, 47 days, and now it is coming down to 30 days. Definitely, it's also a combination of your cash and credit business.

So, now going forward this year, we are planning to reduce it at least by 20%. So, we will be aiming to come down to 24 to 25 days of debtors as per the targets we have internally taken, and then keep improving it year-on-year basis. So, that is definitely there is a lot of focus is there and 31 days last year has come down to 30 days and we should move around 25 days next year. I am just handing over to Suren to answer the next question.

**Surendran Chemmenkotil:** See, on the wellness expansion, you know, basically, there are two ways of looking at it. One is definitely the external reasons, which is one, the consumer awareness, the increasing consumer awareness, wanting to get his health checkups done on time, etc.

And also, a lot of awareness has been created by the health tech players in the past by huge advertisements and the price, etc. And hence, now more and more people are coming to the banner of getting the wellness checked on a regular basis that we are getting the advantage of that both.

And internally, if you ask me, there are two or three things that we definitely do. One is the upsell at our centers. You know, when a patient walks into a center even with an illness, our ability to upsell a full panel, or maybe a wellness package at every center that we operate, it's getting increasingly better. So, that's one place where it definitely we are able to increase the wellness volumes.

And second is our digital initiatives, you know, our website, our app, etc, where we and all the way we reach out in the social media. So, that's definitely able to get some traction on the wellness.

Third thing is our own customer base. We have now a good marketing CRM available with us, our ability to reach back to the customers on a life cycle management, reminding them on time about their next wellness checkup and on the basis of certain illness patterns, advising them about the best packages and the best panels. So, all this is helping us. There is a combination of all, both these external, internal activities, actions that we put together is taking the wellness revenues, which has grown 22% last quarter and the last year. And we see that this can be further expanded in the days to come.

**Prakash Kapadia:**

And is it a top city centric? If you could give some insights into what has been the realization or the ARPU per patient in this segment for us and what are we looking at?

**Surendran Chemmenkotil:** So, definitely the big city, the top four, five cities, the wellness growth is much better. If you ask me, Mumbai, Chennai, Bangalore, etc., Pune, etc., the wellness growth is relatively higher, but definitely the next set of cities also picking up. As we said for the reasons I mentioned it to you, the wellness growth is picking up in there. The base is relatively smaller in some of the cities, but the growth rates are much better, right?

So, overall, the wellness awareness is definitely picking up tier one, tier two cities, and we are able to see the traction. And the average revenue on the wellness package is about 2,400, and it's 2,400. We are able to see a Rs. 200, Rs. 300 of growth over the last two quarters before versus now because of the realignment and the restructuring of the packages that we have done in the month of November, December.

**Moderator:**

Thank you. The next question is from the line of Aashita Jain from Nuvama Institutional Equities. Please go ahead.

**Aashita Jain:**

I have one question on the volume growth. I think this quarter we reported 7% patient growth versus high single digits that we usually report in last three, four quarters. Just wanted to understand, could there be an impact of price increase taken in B2C? Are you seeing any impact

in those markets? Or this is just a seasonal phenomenon that should phase out as we expand going forward?

**Surendran Chemmenkotil:** Yes, that's right. We have seen in our non-core markets, we have seen slight softness on the volumes after the price increases, immediately after the price increases have been done, maybe the first quarter. And then we are also now seeing that it's getting stabilized, and we are seeing this is coming back to the normalcy. And also, we have done some few corrections in some of the markets. We found that the impact was relatively higher.

But overall, there is some softness in some of the non-core markets as a result of the pricing. Like any industry, if you have seen that whenever there is a price increase happen, there is a little bit of heat on the volumes, but then it stabilizes maybe in one quarter or two quarter. And we clearly seen that maybe by the end of quarter two, the volumes will come back to our earlier levels for sure.

**Moderator:** Thank you. The next question is from the line of Tushar Manudhane from Motilal Oswal Financial Services. Please go ahead.

**Tushar Manudhane:** Just on this core business slide, as I see the number of patients visit and the number of tests has increased at a similar rate in FY 24. And effectively, let's say test per patient is largely stable at two. But at the same time, there is a good increase in B2C or let's say the preventive healthcare space where typically the number of tests taken by patient is higher. Some disconnect here or am I missing in terms of understanding this?

**Surendran Chemmenkotil:** I am not sure whether I got the question right, but the revenue per patients on the B2C has gone up higher because...

**Tushar Manudhane:** No, not revenue per patient. I meant test per patient.

**Surendran Chemmenkotil:** Test per patient, you know, I think it's seven percentage only, right? 7.8% is the test per patient what they have grown up.

**Tushar Manudhane:** Test per patient is almost 2 for FY '24 as well as FY '23. And both number of tests as well as number of patient visits have increased at a similar rate of 8.8% for core business.

**Ameera Shah:** Yes, let me comment on this. See, one of the things is that when we declare our test volumes, and for example, we declare a wellness profile as one test, not as if even if it has 10 tests inside it, we declare it as one test. So, as there is a movement of some patients upselling and bundling the packages, even though the number of tests are increasing, you are not necessarily seeing that reflecting in the test per patient.

Now going forward into FY '25, we are planning to change the way we are presenting that. And we are trying to recalibrate the numbers where we are able to give the real test volume, including

the breakup within the wellness packages. So, just bear with us and hopefully in a quarter or so, we should be able to align that for you.

**Tushar Manudhane:** That's really helpful. And just secondly, maybe in FY '24, some amount of price increase was actually with respect to reduction in the discount per se. So, is there any further scope to reduce the discount? And if you could elaborate only in terms of pricing separately on routine tests on premium wellness and specialized tests, that would be helpful.

**Ameera Shah:** Yes, I don't think discount is going to change much. It didn't discount, it didn't change much from last year to here. There was a slight decrease in the discount. And I think what we were referring to is that basically we have seen a marginal decrease, which means that the competitive intensity has sort of stabilized, right, because the discount is not going up, but it's actually stable and marginally sort of coming down. So, there is not too much of a difference that really is going to attribute any benefit in terms of price.

As far as the price increase on the different segments, you know, the way the price increases are done is obviously done across the spectrum, but we look at sort of competition prices local and national. We also look at our cost base and that's how we do it. I don't think we have a breakup of the price increase across the segments, but largely it would be pretty similar across the segments.

I don't think you will find too much of a difference, but probably you will find a higher price increase for routine because you get B2C through that and some increase on specialized. We will probably find a lesser price increase on semi-specialized right now because that area tends to come a little bit more from B2B which tends to be a little bit more price sensitive.

**Tushar Manudhane:** And just to connect this on the final aspect in a sense, so effectively the cost per test also then, does it remain more or less stable irrespective of whether it is routine or specialized or premium wellness, and so effectively that converts to better profitability?

**Ameera Shah:** No, I mean, your cost per test is different for every test, right? So, for example, your gross margins on routine tend to be higher, but your gross margins on specialized tend to be lower, even though you may find a different result on a net margin because your material cost is only one cost. Your servicing cost, your production cost is also additional.

So, generally we find that the specialty segment tends to be a fairly profitable net margin segment, and that's one of the reasons why Metropolis strategy is focused on B2C because that channel tends to give you better profitability, doesn't matter which test comes to that channel. And specialty as a segment, again doesn't matter which channel it comes to, but specialty as a segment we find tends to give us a better profitability. And obviously, there is a stronger moat for the business because very few people are able to actually compete in this segment and provide the kind of quality of results that we do.

**Moderator:** Thank you. The next question is from the line of Vinod from Elara Capital. Please go ahead.

**Vinod:** Just a clarification on an earlier question regarding guidance. So when you say mid-teen growth, last year on the base we had some non-core businesses because of which the reported growth was lower, but the core growth like you said was 13%, 13.3%. So, when we look at FY '25, are all the known core businesses out of the base in FY '24, so will the reported growth be in the mid-teen range, or will there be some adjustments still to be made?

**Surendran Chemmenkotil:** Yes, you are right. In fact, from this quarter onwards, the reported revenue is equal to core revenue is equal to the group revenue. So, there is only, you know, everything is same for this year. What guidance we provided is for the reported revenues.

**Ameera Shah:** And what Suren mentioned is that the growth which was 13.3% from a core basis last year can go up to mid-teen. So, the guidance would be 13% to 15% would be sort of the guidance that we would provide for FY '25.

**Moderator:** Thank you. As that was the last question for the day, I now hand the conference over to the management for closing comments. Over to you.

**Ameera Shah:** Thank you everybody for joining us today and being part of us with in this quarter and in this journey. And it's been a very interesting and exciting year for Metropolis. We have done lots of changes from the technology side, lots of rollouts, including obviously the price change, including some leadership and management changes. And I think despite all these changes, which obviously sometimes cause some flux within the business, we have managed to really demonstrate a great set of results, a strong volume growth, ability to be able to take price increases and ability to be able to really navigate our expansion despite all of the changes.

And I think we are very excited about FY '25 as well. We feel confident of our team. We feel confident of our aggression on the ground. And we have really put in a lot of the ingredients this last year on the revenue side, as well as on the cost side, to be able to really demonstrate a good set of results next year.

Our focus is also going to move to not only the financials, but also really focusing on the sustainability of the business, the governance of the business, and really ensuring our processes and systems only get tighter as we move along. So, very excited about next year. And we believe that the industry has, like we said, settled down, and it gives us the right platform to continue to be able to execute really well and be able to create more value for all the shareholders. Thank you so much. Suren, is there anything you would like to add?

**Surendran Chemmenkotil:** No, that's good enough, Ameera. And thank you, everyone.

**Moderator:** Thank you. On behalf of JM Financial Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines. Thank you.