Suraksha
Clinic & Diagnostics

Date: 30 December 2024

To

The Secretary	The Secretary
BSE Limited	**The National Stock Exchange of India Limited**
Phiroze Jeejeebhoy Towers	Exchange Plaza, Plot No. C/1. G Block
Dalal Street	Bandra -Kurla Complex, Bandra (East)
Mumbai - 400 001	Mumbai- 400 051
Scrip Code: 544293	**Scrip Symbol : SURAKSHA**

Dear Sir / Ma'am,

Reg: Disclosure under Regulation 30 of the SEBI (Listing Obligations and Disclosures Requirements) Regulations, 2015

Sub: Intimation of availability of text transcript on Analyst(s) / Institutional Investor(s) Meet/ Conference: 'Earnings Call"

In continuation to our letter dated 18 December 2024 and pursuant to Regulation 30(6) and 46(2) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the text transcript of the Earnings Call held on Monday, 23 December 2024 at 11.00 am (IST) on the interaction of the Company's representative with Analyst(s) / Institutional Investor(s) on the unaudited financial results of the Company for the quarter and six months ended 30 September 2024 and or any other matter, is enclosed herewith.

Pls note that the same is also available on the website of the Company at www.surakshanet.com.

This may please be informed to all the concerned.

For **Suraksha Diagnostic Limited**

MAMTA JAIN

Digitally signed by MAMTA JAIN
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Mamta Jain
Company Secretary and Compliance Officer
Membership No.: ACS 25654

Encl: As above

“Suraksha Diagnostic Limited

Q2 and H1-FY25 Earnings Conference Call”

December 23, 2024

MANAGEMENT: **DR. SOMNATH CHATTERJEE – CHAIRMAN AND JOINT MANAGING DIRECTOR – SURAKSHA DIAGNOSTIC LIMITED**
MS. RITU MITTAL – JOINT MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER – SURAKSHA DIAGNOSTIC LIMITED
MR. AMIT SARAF – CHIEF FINANCIAL OFFICER – SURAKSHA DIAGNOSTIC LIMITED
MR. BALGOPAL JHUNJHUNWALA – GENERAL MANAGER, FINANCE – SURAKSHA DIAGNOSTIC LIMITED

MODERATOR: **MR. ASHISH TENDULKAR – ORIENT CAPITAL**

Moderator: Ladies and gentlemen, good day and welcome to the Suraksha Diagnostic Limited Q2 and H1-FY25 Earnings Conference Call. As a reminder, all participant lines will remain 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 the operator by pressing star, then zero on your touchtone telephone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Ashish Tendulkar from Orient Capital. Please go ahead.

Ashish Tendulkar: Thank you. Good morning, ladies and gentlemen. To discuss this quarter's business performance, we have from the management team Dr. Somnath Chatterjee, Chairman and Joint Managing Director, Ms. Ritu Mittal, Joint MD and CEO, Mr. Amit Saraf, CFO, and Mr. Balgopal Jhunjhunwala, GM, Finance.

Before we proceed with this call, I would like to mention that some of the statements made in today's call may be forward-looking in nature and may involve risk and uncertainty. For more details, kindly refer to the investor presentation and other filings that can be found in the company's website and stock exchanges. So, without further ado, I would like to hand over the call to the management for opening comments, post which we will open the floor for Q&A. Thank you and over to you, sir.

Somnath Chatterjee: Good morning. This is Dr. Somnath Chatterjee. Thank you, ladies and gentlemen, for being here today with us. I welcome you to the Maiden Earnings Call of Suraksha Diagnostic Limited. Our financial results and investor presentation have been uploaded on the exchanges and I hope you had a chance to review them. I extend a very hearty welcome to everybody who has taken the time out to attend this call.

We are grateful to all our shareholders for bestowing their trust in us and making our IPO a success. I will start by providing you with a brief understanding of our company, our business model, and the markets in which we operate. We offer close to 2,300 diagnostic tests covering a range of disciplines which include routine and specialized pathology, radiology, which includes X-rays, ultrasound, CTs, MRs, and advanced fetal medicine scans.

We also offer omni-channel medical consultation services both via online and offline modes from our clinic chambers at all our diagnostic centers. In H1-FY25, pathology, radiology and OPD consultation accounted for around 50%, 46%, and 4% of revenues, respectively. We derive more than 93% of our revenues from the B2C segment, which comprises of individual patients who either walk into our customer touchpoints or use our home collection services or avail medical consultation services through all our polyclinics.

We are the largest diagnostic provider in the Eastern Indian market, with West Bengal accounting for approximately 95% of our revenues and the remainder coming from the states of Bihar, Assam, and Meghalaya. We aim to provide customers with quality, hygienic, and reliable diagnostic services through our cluster-based hub-and-spoke model. Implementing this model allows us to collect samples across multiple locations within a cluster and deliver those to our laboratories for diagnostic testing.

Consequently, we can achieve greater economies of scale, better consistency in our testing procedure and enhance brand penetration through our ability to reach more customers in underserved areas. I will now provide the industry overview to help you understand the opportunities that lie ahead of us. The diagnostic market in India is expected to grow by a 10%-12% CAGR during FY24-28.

The pathology market is expected to rise from approximately INR480-INR490 billion to INR700-INR755 billion and grow at a CAGR of 9%-11% by FY28. The radiology market is expected to grow at a slightly faster pace of 11%-13% from INR375-INR385 billion to INR570-INR620 billion. Compared to the national average, the Eastern Indian market has a substantially lower number of accredited labs per million population and also a lower number of accredited hospitals.

Although pricing for a diagnostic test is premium in the east, the East India and the West Bengal diagnostic market is expected to grow at a CAGR of 10.5%-12.5% during FY24-28. For nearly a couple of years, we have been able to drive strong EBITDA margin expansion. Given the limited competition in our markets and economies of scale benefits derived from expanding operations, we will continue to exhibit very strong growth amidst customer preference, which is shifting to branded diagnostic players from standalone players, as well as through our aggressive expansion plans.

Moreover, EBITDA margins should remain in an upward trajectory on the back of operating leverage. In conclusion, we are really excited about the changing sector dynamics and remain well positioned to take advantage of our very strong position in the Eastern Indian market. Thank you so much. And with that, I would like to hand over to our CEO, Ms. Ritu Mittal.

Ritu Mittal: Thank you, Dr. Chatterjee. I thank everyone for attending this call. Let me brief you about the strengths and strategies of our companies and the prospects. Suraksha Diagnostic continues to leverage its strength to drive competitive advantage against its peers. We are the largest diagnostic chain with a dominant position in Eastern India, offering a one-stop integrated diagnostic solution including pathology and radiology testing as well as medical consultation services.

We are well positioned to benefit from the high growth opportunity for organized diagnostic chains in the fragmented markets in eastern and northeastern India. We have technologically advanced clinical infrastructure and trained personnel ensuring high quality and reliable diagnostic services. At the end of September 2024, we have 9 laboratories, 51 diagnostic centers and 178 collection centers with 26 CT scan machines and 13 MRI machines. We also have 276 doctors associated with us for our diagnostic services.

We are grateful to all our stakeholders both past and present, who have helped us reach this impressive scale of operations. Our central reference lab has an accreditation from the College of American Pathologists and three of our labs hold NABL and three of our advanced diagnostic centers have NABH accreditations.

The high brand recall for Suraksha Diagnostic and our commitment to superior quality and service are driving high individual consumer business share and customer retention. The vastly experienced management team can guide the company along the future growth path. We believe that our key differentiator is the fact that we provide medical consultation services through online and offline channels at the polyclinic chambers housed in our diagnostic centers.

We think that our model of integrated pathology, radiology and medical consultation services offers a significant barrier to entry for competitors. I will now turn your attention to the strategies which Suraksha Diagnostic is adopting to drive future growth. We plan to consolidate our position in our core geography by opening additional diagnostic centers, enhancing lab capacity and test menu, increasing home collection services and setting up more hub and spoke centers and franchisee collection centers.

We also intend to expand into adjacent markets in Eastern and Northeastern India by replicating the polyclinic model to drive higher patient footfalls, thereby improving profitability. In the future, we could also supplement inorganic growth with selective acquisitions as the industry market share shifts from standalone labs to branded diagnostic chains.

We also plan to increase our business-to-business and corporate partnerships to diversify the revenue mix, as well as increase our customer base and brand penetration. Moreover, we will also strive to increase the share of medical consultation services at the diagnostic centers by increasing the number and specialties of doctors associated. We also intend to leverage technology by integrating digital technology, artificial intelligence and machine learning into our processes.

In summary, we are well-placed to further strengthen our market position through the implementation of our strategies. We look forward to your continued support from all our stakeholders as we remain committed to delivering value to our shareholders. With that, I would hand over to Mr. Amit Saraf, our CFO to discuss the company's Q2 and H1 FY25 financial performance.

Amit Saraf: Thank you, Ritu ma'am. Good morning, everyone. I am very excited to discuss the maiden financial results of Suraksha Diagnostic Limited as a publicly listed company. We delivered a robust set of Q2 and H1 FY25 results across the board. For Q2 FY25, we reported an impressive total income of INR680.7 million, reflecting a strong growth of 12.3% year-on-year.

For the first half of FY25, total income stood at INR1,299.2 million which is 14.5% higher in compared to the same period last year. During the quarter, EBITDA grew by 14.6% year-on-year to reach INR245.1 million on the back of strong operating leverage. For H1 FY25, EBITDA increased by 24.9% reaching INR462.3 million. The corresponding EBITDA margin also reflecting substantial improvement.

In Q2 FY25, EBITDA margin improved by 109 basis points year-on-year to 36.7%. For the first half the EBITDA margin surged by over 300 basis points year-over-year to 36.3%. PAT jumped by 21.8% year-on-year in Q2 FY25 to INR101.6 million whereas in the first half of FY25, PAT stood at INR178.2 million reflecting a substantial 45.3% year-on-year growth. As a result, the Q2 FY25 PAT margin of 15.2% which was an improvement of more than 130 basis points compared to Q2 FY24.

This is clear reflection of our disciplined approach towards the growth. We have been consistently improving our operational metrics as well. For H1 FY25, revenue per patient amounted to INR2,099 with EBITDA per patient reaching INR761. The revenue per lab stood at INR142 million in half year. We also have a robust balance sheet as our net cash and bank balance increased to INR498.4 million at the end of H1 FY25 compared to 463.9 million at the end of FY24.

To sum up, we are extremely pleased with our financial performance for Q2 and H1 FY25. The strong growth in total income, EBITDA and PAT coupled with improving margins and operating metrics demonstrates our ability to execute our strategy and deliver sustainable profitable growth. Looking ahead, we remain focused on continuing to invest in technology, improving operational efficiency and delivering value for our shareholders.

We are confident in our ability to sustain this momentum through the remainder of FY25. I want to take this opportunity to thank you everyone on this call for being part of our journey and we look forward to your continued support. That concludes my remarks and I would request the moderator to open the floor for question and answer session. Thank you.

Moderator: Thank you. Ladies and gentlemen, we will now begin the question and answer session. The first question comes from the line of Surya Narayan Patra from Phillip Capital. Please go ahead. Mr. Patra has dropped from the question queue. The next question comes from the line of Anshul Agrawal from Emkay Global. Please go ahead.

Anshul Agrawal: Hi, thank you for the opportunity. A couple of questions. First one, so what are our plans to expand beyond our existing North and East geography?

Ritu Mittal: So for the time being we - for the near and short term, we plan to focus on our core geography which is West Bengal and expand to the Northeastern part of the country, which is fairly underpenetrated and underserved.

Anshul Agrawal: So in that case, would we be looking at expanding via the B2B mode or would this expansion be B2C only?

Ritu Mittal: So we are basically planning to expand in both the modes. So we will cater to the B2C segment by setting up more centers, both big and small in the new geographies that we enter. And as far as B2B segment is concerned, we, Suraksha being the only lab which is capable of doing a lot of high-end tests throughout East and Northeast India, we also plan to expand on our B2B revenues.

Anshul Agrawal: Got it. And just for my understanding, is this polyclinic model prevalent in other geographies as well or is it just restricted to Eastern markets?

Ritu Mittal: It is very much prevalent in Eastern India even when we see our success in Guwahati with polyclinics and also in Shillong because of a lack of super specialists available in these places. Suraksha does a lot of outreach clinics where we take very high-end specialty doctors from Kolkata to far and beyond. So we see a great success throughout our core geography.

Somnath Chatterjee: In answer to your question, you see the polyclinic model has been prevalent in the medical industry all along. If you look at the scenario in hospitals, you will find that patients usually turn up at the OPDs from where they proceed for investigation, admission and all that. So it is not an absolutely non-existent concept in other parts of the country. It is there, but one can say that Suraksha is the only diagnostic chain which has such a model and in that it remains unique.

Anshul Agrawal: Got it. Thank you for the detailed answer. Just a follow-up on this. So how do we set up this polyclinic? Do we invite these super specialists? Do we sort of engage with them? Do we hire such specialists or how is it? If you could just give us some understanding of this model.

Ritu Mittal: So this is basically our polyclinics will typically have from a GP to the most super specialized consultants and like they practice in other hospitals and nursing homes, they are also associated with Suraksha. So there is, like you may be associated with other hospitals and nursing homes while you are also practicing in Suraksha. They typically have thrice a week, two hours slots that they practice in.

Anshul Agrawal: Got it, got it. Thank you so much for those answers. My next question is on margins. So while our margins have improved but they still seem to trail another listed integrated diagnostics operator despite our radiology contribution being higher as well as premium pricing which is prevalent in the markets that you operate in. So do we have a plan in place to sort of get these margins to sort of improve by another 300, 400 basis points over the next 18 to 24 months?

Ritu Mittal: Absolutely, because as we expand our business and the economies of scale is setting in, we are seeing our margins are improving and like our peers have already demonstrated in an integrated model, these are sustainable margins going forward and we definitely plan to increase or improve our margins by 300 basis points year-on-year.

Anshul Agrawal: Year-on-year, great. Good to know that.

Moderator: I am sorry to interrupt you, there but if you could please join in the queue.

Anshul Agrawal: Sure, I will join back. Thank you so much.

Moderator: Thank you. Our next question comes from the line of Deepak Gupta from JM Financial Asset Management. Please go ahead.

Deepak Gupta: Hi, good morning. A few bookkeeping questions. If you could give us some perspective about what is the B2C business for the company and the B2B business for the company on a consol level and what would be the margin difference between the pathology and the radiology segment?

Ritu Mittal: The margin difference between pathology and radiology services are practically very similar and we really don't even bifurcate it like that because most of the costs are so intertwined that it's pretty difficult. As far as the B2B segment is concerned, our revenue is approximately 6% today and B2C is 94%.

Deepak Gupta: And there is no business to the government?

Ritu Mittal: We do have business to the government. As of today we have three PPP projects that we undergo. We have three city scans set up in the different medical colleges of West Bengal and we have a PPP business with the government of Meghalaya in Shillong. And right now the proportion of business is very small where PPP is concerned and we would like to maintain it that way.

Deepak Gupta: Sure. And if you could give us some views on your capex plans for the next three years?

Ritu Mittal: So we approximately have a capex outlay of around INR70 crores per year that we have planned going forward, because we plan to add 12 to 15 centres every year from FY'25 going forward.

Deepak Gupta: And this will be all funded through internal accruals?

Ritu Mittal: Absolutely.

Deepak Gupta: Thank you so much.

Moderator: Thank you. The next question comes from the line of Varad Patil from Centrum Broking. Please go ahead.

Varad Patil: Hi, thanks for the opportunity. So I have two questions. The first was that in the last three years if you look at the tests per patient, they have been increasing, while at the same time the revenue per test has declined. So can you throw some light on this? And my second question would be that what is the maturity profile of your centres? And in terms of centre addition plans that you gave out that is 15 per year, so a division among small, medium and large centres.

Somnath Chatterjee: So pardon my saying so can you repeat this and a little slow. The voice is coming a little garbled.

Ritu Mittal: Can we go one question at a time? It would be easier.

Varad Patil: Okay. So the first question is that in the last three years, the tests per patient have been increasing while at the same time your revenue per test has declined. So could you throw some light on this?

Somnath Chatterjee: Hold on a second.

Ritu Mittal: Our test per patient has been increasing over the past three years and so has our revenue per patient.

Varad Patil: No, test. Revenue per test. That has declined.

Ritu Mittal: Revenue per patient has also been increasing along with number of tests per patient.

Varad Patil: Revenue per test. I am sorry. Revenue per test.

Somnath Chatterjee: There has been no price decline if that is what you mean. If by that you mean whether we had any price cut in any test that has not happened. We have not reduced prices. So revenue per test going down should not actually be the correct image?

Ritu Mittal: And where has it gone down?

Varad Patil: So has the test mix changed for it to decline?

Somnath Chatterjee: We are not actually getting this. Is there a data point on this?

Varad Patil: So if you reverse calculate this, your revenue divided by the number of tests performed per year. So your revenue per test has declined in these two years FY '23 and FY '24? So that was my primary question.

Somnath Chatterjee: As I said that no test price has decreased. We haven't reduced prices for any test. So per se, revenue per test cannot go down. What can happen is the volume of routine tests might go up. But even that has not happened as you see. The revenue per patient has been continuously increasing. But if you leave us a contact thing, then we will definitely try to answer your question.

Varad Patil: My second question was your maturity profile of your centres and the 12 to 15 centres addition per year that you gave. So what would be the division likely be in terms of small, medium centres and your PPP partnerships?

Ritu Mittal: So our first thing I would like to say is test per patient has gone up from..

Management: 365 to 384 from FY '24 to FY '25.

Ritu Mittal: So FY '24 to FY '25 our revenue per test has gone up from 365 to 384. So the data point is somewhere mismatching. And as far as the number of centres that we are planning to build around 12 to 15, we will be having four to five centres will be big and the rest will be small. PPP is something we don't actively pursue. But since we are the largest in the geography, sometimes we have to participate. And if we are awarded a few, we have to also execute them.

Moderator: The next question comes from the line of Surya Narayan Patra from PhillipCapital. Please go ahead.

Surya Narayan Patra: Yes, thanks for the opportunity and congrats for the good set of numbers, ma'am. My first question is on the radiology mix. See, we are indicating that the advanced tests are kind of 12% odd while the basic and intermediate tests are at 88%. So given many of your centres are at the early stage of their life cycle, so what is the understanding one should have whether this is a low number, the advanced test mix is a low number and it can gradually increase or what should be the kind of ideal mix between the advanced versus the basic and intermediate radiology tests?

Ritu Mittal: Like you rightly pointed out, a lot of our centres, in fact 40% of our centres are not yet mature. And as the business ramps up, they will obviously be catering to both routine and specialized radiology. So both the numbers should grow.

Surya Narayan Patra: Okay, the mix, what should be the ideal mix between the advanced and the intermediate ones?

Ritu Mittal: I think the mix would more or less remain the same till we start our pathology genetic lab that we are in the process of setting up. And then the mix might change to maybe 85% and 15% but not beyond that.

Surya Narayan Patra: Okay, how can the test addition in the pathology will help the radiology mix ma'am?

Ritu Mittal: Because a lot of these tests are integrated. You know for example, fetal medicine when we do, so we do a fetal scan and then it is followed up with a lot of pathology tests. So typically, like I told you in the beginning also, business is quite intertwined. And if you want to serve the whole need of the patient, then we need to cater to all of it.

Surya Narayan Patra: That is one. And secondly, one of the largest cost component what we have is the doctor and professional cost, right? Yes. So that fees, how should one think considering this doctor consultation model, omni-channel doctor consultation model what we have. So right now, the polyclinic is a kind of focus and revenue contributor. Going ahead, we are expecting that to rise. So given that, whether this cost component also accordingly see a kind of uptick?

Ritu Mittal: So obviously, you know when the typical arrangement that we have with doctor sitting in our polyclinics is that we collect the revenue and at the end of the month, we give 85% back to the doctor and Suraksha retains 15%. But you know, Suraksha is primarily a diagnostic company and this is just an addition to escalate the diagnostic business to generate in-house business. And therefore, the contribution to diagnostics is much larger than just the consultation fees.

Surya Narayan Patra: So whether the doctor fees is the largest component of this professional plus doctor fees, ma'am?

Ritu Mittal: So here, the larger component is the reporting fees. So typically, all the tests that we do, all the MRI, CT scans, ultrasounds, x-rays, so pathology, the reporting fees, that means the doctors who sign off the reports or make the reports, that is a much larger component. So that also as we scale up, again, you will see the percentage wise, this will diminish. So again, giving us better leverage.

Surya Narayan Patra: So in a way, this will not be a kind of a pressure point for our margin going ahead, rather it would be a supplementing factor.

Ritu Mittal: Absolutely.

Surya Narayan Patra: Okay. Just a last point from my side, ma'am. See, while you are indicating that faster consolidation benefit occurring to us and possibly acquisition or inorganic-organic growth in the Eastern side of India, so why now, why not earlier? Any shift or any change in the strategy that you are thinking? Hence, you are becoming aggressive in terms of the M&A-led growth or extension-led growth or expansion-led growth?

Ritu Mittal: So we are evaluating opportunities because like we mentioned, our focus is East and Northeast because it's more underserved, there is less competition and this is our home geography where we are very aware of the nuances. So therefore, we plan to expand in our Eastern India market, both through acquisition and also organically.

Surya Narayan Patra: Okay. And the number of centers that you are going to add as you indicated, can you repeat that?

Ritu Mittal: It's around 12 to 15...

Surya Narayan Patra: If you just mentioned?

Ritu Mittal: 12 to 15 per year, yes.

Surya Narayan Patra: Sure, ma'am. Thank you. Wish you all the best.

Moderator: Thank you. The next question comes from the line of Pranav Chawla from Ambit Capital. Please go ahead.

Pranav Chawla: Congratulations management, for the listing and the maiden results. I have a couple of questions. One, how is the competitive landscape in the West Bengal region? What would be, say the number two, number three player?

Ritu Mittal: So, the number two, number three players are regional chains in West Bengal, which have typically four to five centers present and they are around 20% of our size approximately. That is the competition that we have. As far as the national players are concerned, they basically focus on B2B business, which is through franchisee networks, which is not one of our focus areas because we plan to cater to the customers directly and therefore the 94% B2C share. So, that is basically the competitive landscape in our geography today.

Pranav Chawla: Ma'am, I am talking on the pricing front. Is there a price parity between West Bengal and the other regions where we operate as of now?

Ritu Mittal: Can you please come again?

Pranav Chawla: Is there a price difference between West Bengal and the other markets?

Ritu Mittal: Yes. So, West Bengal or the Eastern India market is a little premiumly priced. It is the same as Western India. And then…

Pranav Chawla: Ma'am, I mean to say within West Bengal and the other geographies that you operate in. So, I think you highlighted your presence in Bihar as well as Northeast.

Ritu Mittal: So, typically Northeast is a little more expensive than West Bengal and Bihar. West Bengal and Bihar are similarly priced but Northeast is at a premium of around 20%-30% again because of lack of availability.

Pranav Chawla: Perfect. And one last question from my end. What will be the portion of revenue coming from bundled tests?

Ritu Mittal: Bundled test could be around 3%-4%.

Pranav Chawla: So, do we have plans to expand this in the near future or do we expect this to be at under 5%?

Ritu Mittal: No. So, we do have plans to expand this to whatever we can but typically diagnostic in India still is very reactive and that is the trend throughout the country. Of course, Post-COVID we need some awareness…

Pranav Chawla: As you just highlighted, for some radiology tests, there are some complementary tests as well. Are you including this in bundle or this is altogether different?

Ritu Mittal: So, these are not bundled as of today. These are very high-end tests. When we talk about bundles, we are talking about health packages.

Pranav Chawla: Okay. Perfect.

Ritu Mittal: That means preventive diagnostics.

Pranav Chawla: Okay. Great. Thank you so much. I will get back in the queue.

Moderator: Thank you. The next question comes from the line of Gautam Gosar from Monarch AIF. Please go ahead.

Gautam Gosar: Hi, ma'am. Thank you for the opportunity. Ma'am, I basically wanted to understand a bit on margins. So, we are opening around 12-15 centres every year. So, basically, what would be the maturity time or breakeven time for each of your centres and how would that help you in the margin expansion?

Because there will be some debt or some loss initially and then it would ramp up. So, if you could help us understand what will be the breakeven time and what will be the time taken for optimal utilisation?

Ritu Mittal: Okay. So, as far as a centre is concerned, a small centre typically breaks even in around 3 to 4 months. This is the operational break-even that we are talking about. A large centre takes around 6 to 7 months to break even, operationally. And, of course, when the investment is there and typically we take 5 years as the maturity period.

So, when we talk about expansion of margins in our old centres or matured centres, that will continue to grow. But the new centres obviously will take some time before it starts adding to the margins overall.

Gautam Gosar: So, at the current level of margins, should we assume that these will ramp up like it will take around 2 years, 3 years to ramp up to around 38%, 40% kind of?

Ritu Mittal: Yes the new centres definitely, but we also expect margin expansion in our existing centres. Like I mentioned, 40% of our centres are less than 5 years old and 25% of our centres are less than 3 years old. So, these centres, as they ramp up, will keep increasing our EBITDA margins. So, the newer centres, they will operationally break even. But, of course, to contribute to the same level of EBITDA margins is a matter of 2 to 3 years.

Gautam Gosar: Okay. And, ma'am, if you could help us understand, what will be the revenue at which these centres will breakeven?

Ritu Mittal: So, breakeven typically, a small centre breaks even at a revenue of around INR6.5 lakhs per month. And a big centre breaks even at around INR15-16 lakhs per month.

Gautam Gosar: Okay. Understood. That's it from my side. Thank you so much.

Ritu Mittal: Thank you.

Moderator: Thank you. The next question comes from the line of Siddhant from Tusk Investments. Please go ahead.

Siddhant: Hi. Thank you for the opportunity. So, I have two questions. My first question is, like we mentioned, we are trying to grow our new centres by 12-15 per year. So, like FY '25, how many centres have we commissioned so far?

Ritu Mittal: So far, we have commissioned 6 centres. And 9 centres are going to be commissioned in the fourth quarter.

Siddhant: Okay. So, we are on track to do 12-15 centres for FY '25?

Ritu Mittal: Absolutely. In spite of all the time that the IPO process took, we still plan to be on track.

Siddhant: Okay. And my second question is regarding H2. Like, it will be similar to H1 or is there any growth that happens in H2, like cyclically?

Ritu Mittal: See, typically our H1 is a little muted because of the problem that Bengal faced, because of the widespread protests within the medical community, which affected the months of August, September and October for us. But we expect the second half also to be very robust.

Siddhant: Okay, ma'am. That will be from my end. Thank you.

Moderator: Thank you. The next question comes from the line of Anubhav from McPro. Please go ahead.

Anubhav: Hello. Yes, thanks. Thanks for the opportunity. So, firstly, congratulations on the pickup in centre additions this year. It looks like a bit of a change in strategy. If you look at the last 2-3 years, the centre addition has been. So, if you can reflect on your thoughts on getting a little more aggressive on the centre addition part. And also, could you bring a breakup of the progress so far in FY25? Where do have and we have added centres, whether it is majorly in West Bengal. And what is the mix between big and small centres?

Ritu Mittal: So, we are adding three big centres this year and two medium centres. And we are adding seven small centres this year. And these are basically in West Bengal itself. We've also added four PPP projects this year, in addition to the centres.

Anubhav: So like you mentioned, so this is the trajectory you want to maintain for medium time period, 12 to 15 kind of a thing?

Ritu Mittal: Yes.

Anubhav: Ma'am, you also mentioned about inorganic opportunities. I'm just going back to our RQ meets and all. So, I think that time, I think the focus or the priority was more for organic kind of growth. So, is there a change in strategy on that side as well, in terms of inorganic opportunities?

Ritu Mittal: Yes, we are exploring inorganic opportunities as well. And, because of the consolidation happening, there are opportunities that are coming our way. And we are exploring them. And if they are at the right price with good quality diagnostics and customer centricity, we would definitely evaluate and maybe acquire a few.

Anubhav: Last one on the polyclinic part. For last fiscal, I think revenue contribution from this was something around 1%. How has been the detraction for this fiscal? And if you have any number in mind for medium term, like two, three years, what percentage could come from polyclinic?

Ritu Mittal: Percentage, I think, would be around 4% going forward also, because they also contribute to diagnostics. So, as their revenue grows, so does the diagnostics. So, percentage would not exceed more than 4% to 5%, is what I would think.

Anubhav: Okay. And for this fiscal, have we reached something around that, 3% to 4%?

Ritu Mittal: Yes, I think this quarter has been 3.4% or something. So, our first half, I think, has 3.4% of revenue coming out of consultation.

Anubhav: Thanks a lot.

Moderator: Thank you. The next question comes from the line of Sriram, an individual investor. Please go ahead.

Sriram: Thank you for the opportunity. The polyclinic facility, is it present only in hub centers or they are present in both? And how many polyclinics do you have?

Ritu Mittal: So, we have polyclinics present both in hub and spoke centers. A hub center, which is a large center, will typically have 5 to 7 chambers, whereas a small center would have around 2 to 3 chambers. And we have around more than 120 polyclinics today.

Sriram: Okay. That's very helpful. Thank you.

Moderator: Thank you. We have follow-up questions from Surya Narayan Patra from Phillip Capital. Please go ahead.

Surya Narayan Patra: Yes, just one clarification about the point you mentioned about the PPP. So, we have 4 PPP already and we are going to add 4 more, ma'am, this year?

Ritu Mittal: We are going to add 3 more. We are adding 2 more CT scans and 1 MRI machine.

Surya Narayan Patra: And all these are, the nature of the PPP are radiology centers?

Ritu Mittal: Basically, they are typically just a setup of an MRI machine or a CT scan machine in the medical colleges of the state.

Surya Narayan Patra: So, in terms of the center metrics for the PPP, it would be similar to that of our existing centers or it would be slightly lower? How should one think and at what level of maturity or let's say utilization that we would be currently at the existing PPPs?

Ritu Mittal: So, the PPP typically costs around INR1.5 crores to INR1.75 crores as far as CT scan is concerned. And our MRI PPP will be the first in this year. So, that will cost around INR7 crores or INR8 crores maybe.

Surya Narayan Patra: Okay. And in terms of the revenue realization and achieving the targeted patient population there, so what is generally the expectation?

Ritu Mittal: So, the expectation in centers which have already had a CT scan or an MRI. For example, the MRI is in the biggest medical college of Kolkata. So, we expect the break-even in the first month itself.

Surya Narayan Patra: Okay. Because of the footfall that would be there.

Ritu Mittal: Yes.

Surya Narayan Patra: And the newer centers?

Ritu Mittal: And the newer centers like we mentioned, a small center typically breaks-even in 3 to 4 months and a big center for us takes 6 to 7 months to break-even.

Surya Narayan Patra: Okay. It is the same as our own centers?

Ritu Mittal: Yes.

Surya Narayan Patra: Okay. Thank you.

Moderator: Thank you. The next question comes from the line of Nishant Gupta from Minerva Global Capital. Please go ahead.

Nishant Gupta: Hi. Thank you for the opportunity. So, my question is a bit more industry specific and which you know percolates to your group. So, you have indicated in your presentation that the Eastern market will grow at around 12.5%, right? And you have shown like around 14.5% in the top line. So, do we feel that going forward this rate can increase? Because since you are the market leader, so I mean it is imperative that you will gain a faster kind of a growth rate. So, just wanted your sense on that.

Ritu Mittal: Yes, this percentage can definitely increase and our target is definitely to grow beyond 15% year on year. Because we are the largest player and we will also be consolidating our position further, we will also take in some inorganic growth. So, we expect to do better definitely.

Nishant Gupta: Got it. So, you are saying that 15% is the minimum that growth you are envisaging in the coming years, right?

Ritu Mittal: Yes

Nishant Gupta: Got it. Ma'am, my second question is you mentioned that the Northeastern market has a premium of 20% to 30% because of the lack of opportunities. Do we see any kind of capping coming from the state holding side, when it comes to the testing in that particular region, which is good for the patients but not good for your business?

Ritu Mittal: Can you please repeat?

Nishant Gupta: Yes. So I am just asking that you are commanding a higher premium in the Northeastern market, right? 20% to 30% which you mentioned earlier? So just wanted like can there be a capping from the state government on the prices of these particular tests in that particular area which is detrimental for you as a business?

Somnath Chatterjee: The chances of this remains very remote, because of the one is an accepted fact is providing quality diagnostic or healthcare services in Northeast still remains a challenge, mainly because of the difficult terrain. So, the state government on the other hand is actually extremely helpful to people like us who are trying to set up current day services in places like Assam or Meghalaya or Tripura or Mizoram.

So, that we do not perceive as a challenge or I will say there is a flip side to it. It is actually the state government has a very robust system to help organizations like us to prosper in Northeast.

Nishant Gupta: So, thank you for taking the question.

Moderator: Thank you. The next question comes from the line of Jigar Valia from OHM Group. Please go ahead.

Jigar Valia: Thank you for this call and opportunity. My question pertains to the organization structure. If you can help understand what businesses are fully captured with the listed entity and if at all there are any minorities and generally what is the thought process in terms of when you with regards to the corporate structure?

Ritu Mittal: Corporate structure as in, we do have some subsidiary companies which is primarily for the PPP businesses that we do, because there are some clause by the government where we need to have been in this business for last 20 years and there our old company comes into play. So, therefore we have these structures in place but otherwise everything is in SDL.

Jigar Valia: Okay. So, largely most of the numbers are kind of getting captured at the SDL level?

Ritu Mittal: Absolutely.

Jigar Valia: And if as you expand organically, inorganically, typically you partner with existing doctors, running clinics or anything like that and any equity partnerships or JV is that or typically it is you take up entirely 100%. And if you have any partner then they would come at the SDL level?

Somnath Chatterjee: We would definitely like to take over in totality but -- it is a strange place if today there is a big enough acquisition. So, we are not averse to it but then the acquisition target has to be very sizable but we are definitely not averse if it helps the company in its growth journey. Surely, why not? But for the smaller acquisitions we are trying to always take it in totality. Whatever discussions are currently going on, they are absolutely for taking over in totality.

Jigar Valia: In totality. So, all the centers would be managed by your staff and not by any partner doctors or prior clinic holders.

Somnath Chatterjee: Yes.

Jigar Valia: Thank you so much.

Moderator: The next question comes from the line of Bhavya Sanghavi from PhillipCapital. Please go ahead.

Bhavya Sanghavi: I had a couple of questions. First is regarding what has been the patient and its growth in the first half of the year, first half FY '25?

Amit Saraf: The number of patients has increased from, in first half FY '25 is around 6,70,000 number of patients we have served in H1 and in June it was around 0.28 million. So, we have a growth of around 5%-10% in there.

Bhavya Sanghavi: Okay. And in terms of test?

Amit Saraf: The number of tests has also increased to 5.42 number of tests per patient in comparison to 5.26 in fiscal 2024.

Bhavya Sanghavi: Okay. And so in terms of your segmental orientation, what would you consider to be the major driver of your growth? Would it be radiology or pathology? Where would you be focusing more of your capex and your management bandwidth towards?

Ritu Mittal: See, like we mentioned, we are an integrated model and our focus is basically to serve the consumer and most of our prescriptions that we handle have both radiology and pathology. And our focus is on basically serving the doctors and the patients. So, we really can't be focusing on particularly radiology test or pathology test. And of course, as we add the pathology genetic test that we are in the process of adding, definitely the pathology vertical will grow a little more than the radiology segment.

Bhavya Sanghavi: Okay. And one last bookkeeping question. So, in other expenses, do we have one-off IPO related expense in this quarter?

Amit Saraf: No, we don't.

Bhavya Sanghavi: So, that would it in the next quarter?

Ritu Mittal: So, since it was an OFS, there is hardly any IPO related expenses that are being borne by the company. It has been taken by the shareholders.

Bhavya Sanghavi: Okay. I understand. Thank you.

Ritu Mittal: Thank you.

Moderator: Ladies and gentlemen, due to time constraint, we take the last question from the line of Gautam Gosar from Monarch AIF. Please go ahead.

Gautam Gosar: Thanks for the follow-up. Ma'am, my question is on lease adjustment. So, can you help us understand what is the lease cost per center and as a percentage on the whole EBITDA, how much is the percentage?

Ritu Mittal: Our leave cost will be very small because most of our people are covered under ESI. And therefore, the leave cost is also met by ESI. But we've never really worked out on this number specifically because it's pretty small.

Gautam Gosar: Ma'am, in our September balance sheet, if you see the cash flow, the payment is around INR10 crores for the lease adjustment in the first half itself. It will be around INR20 crores kind of a number…

Ritu Mittal: No, that is not lease adjustment. That is lease. That means all our properties are on lease rent. So, that is the…

Gautam Gosar: I am asking that only.

Ritu Mittal: Okay. Sorry, we heard leave.

Gautam Gosar: So, that will be the per center lease cost, if you could help us understand?

Ritu Mittal: So, we typically have a lease cost of around 6%-7%. And as the business ramps up, the lease cost will again become a little smaller than 6%-7%. So, as these centers mature and the volumes grow, again the cost which is 6%-7% should go down to around 5.5%-6.5%.

Gautam Gosar: But if you put, suppose, 12-15 centers every year, so how much should be the lease cost for that per center, unit economic basis is what I am trying to understand?

Ritu Mittal: Okay. So, for a small center, our lease would be somewhere around INR1 lakhs to INR1.5 lakhs. And for a big center, it would be somewhere around sometimes INR3 lakhs to sometimes maybe INR7 lakhs. Depends on the geography that we are catering to.

Gautam Gosar: This is per month, right?

Ritu Mittal: Per month. Absolutely.

Gautam Gosar: Okay. Thank you so much.

Moderator: Thank you. Ladies and gentlemen, we conclude the question and answer session. I now hand the conference over to the management for closing comments.

Ritu Mittal: Thank you for taking the time to join us today. And for your continued interest in Suraksha Diagnostic Limited. We are proud of the progress we have made this quarter and remain committed to delivering long-term value to our stakeholders. As we move forward, our focus will remain on operational excellence, innovation, market expansion and customer service.

If you have any questions, please feel free to reach out to our Investor Relations Team. We look forward to connecting with you again during our next earnings call. Thank you and have a great day.

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