February 17, 2025

To,
The Listing Department
National Stock Exchange of India Limited,
Exchange Plaza,
Bandra Kurla Complex,
Bandra (East), Mumbai- 400 051
NSE Symbol: VIJAYA

To,
The Corporate Relations Department
BSE Limited,
Phiroze Jeejeebhoy Towers,
25th Floor, Dalal Street
Mumbai- 400 001
BSE Scrip code: 543350

Dear Sir/Madam,

Sub: Transcript of the Earnings conference call organized on February 12, 2025

We are enclosing herewith the Transcript of the Earnings Conference Call organized on February 12, 2025, post declaration of the Unaudited Financial Results of the Company for the third quarter and nine months ended December 31, 2024.

Please take the information on your record.

Thanking you.

Yours faithfully,
For Vijaya Diagnostic Centre Limited

HANSRAJ SINGH
Digitally signed by HANSRAJ SINGH
Date: 2025.02.17 15:21:36 +05'30'

Hansraj Singh
Company Secretary & Compliance Officer
M. No. F11438

Encl.: as above

"Vijaya Diagnostic Centre Limited

Q3 FY25 Earnings Conference Call"

February 12, 2025

MANAGEMENT:	**MS. SUPRITA REDDY – MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER – VIJAYA DIAGNOSTIC CENTRE LIMITED** **MR. NARASIMHA RAJU – CHIEF FINANCIAL OFFICER – VIJAYA DIAGNOSTIC CENTRE LIMITED** **MR. SIVARAMARAJU VEGESNA – VICE PRESIDENT OPERATIONS – VIJAYA DIAGNOSTIC CENTRE LIMITED** **MR. DHIREN GALA – ASSISTANT GENERAL MANAGER – INVESTOR RELATIONS – VIJAYA DIAGNOSTIC CENTRE LIMITED**
MODERATOR:	**MR. RAGHAV VEDANARAYANAN – JM FINANCIAL**

Moderator: Ladies and gentlemen, good day and welcome to the Q3 FY '25 Earnings Conference Call of Vijaya Diagnostic Centre 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 the 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. Raghav Vedanarayanan from JM financial. Thank you and over to you sir.

Raghav Vedanarayanan: Thank you, Darwin. Good evening, everyone. I Raghav Vedanarayanan on behalf of JM Financial, welcome you all to the Q3 FY '25 Earnings Conference call of the Vijaya Diagnostic Centre. At the outset, I'd like to thank the management of Vijaya for giving us this opportunity to host the call. I'm looking forward to having an insightful interaction on the quarterly earnings and the outlook here onwards.

Today from the company, we have Ms. Suprita Reddy, Managing Director and CEO; Mr. Narasimha Raju, Chief Financial Officer; Mr. Sivaramaraju Vegesna, Vice President Operations; and Mr. Dhiren Gala, Assistant General Manager, Investor relations.

I now hand over the call to the management for their opening remarks. Over to you.

Suprita Reddy: Thank you, Raghav for hosting the call. Good evening, and a very warm welcome to everyone. I will begin by sharing the key highlights for the period, after which we will take you through the operational and the financial highlights for the quarter ended 31st December, 2024.

I am pleased to begin my address on a positive note, highlighting that we have delivered an impressive growth, achieving a remarkable 27% year-on-year revenue growth, out of which 20% is driven organically through volumes across both the radiology and the pathology segments. This accomplishment is a result of the strong performance of our new centers, as well as the dense network that we have built successfully over the years in our core geography.

Our Tirupati Centre, a 2-year-old hub centre in our core geography of Andhra has been performing exceptionally well since its inception. Building on its success, we have recently installed and upgraded this facility with a PET-CT machine in response to the growing healthcare infrastructure and enhanced oncology treatment capabilities in this region. We anticipate that the demand will gradually increase over time, supported by the catchment area of neighboring districts.

I'm also delighted to announce the launch of our first spoke center in Pune at Pimple Saudagar, under the Vijaya PH brand name, following the acquisition of PH Diagnostics. Looking ahead, I'm excited to announce that we will be commissioning 6 new hubs across Pune, West Bengal and Bengaluru over the next 3 months. This will bring our total hub addition to 9 over the 12-month period, marking a significant milestone in Vijaya's history.

To be precise, we will be launching two hubs in each of Pune, Bengaluru and West Bengal region. And additionally, we have also finalized three more leases for hubs in West Bengal, which will be set up in the next 3 to 6 months to come. To drive the next phase of growth, we have strengthened our leadership team by promoting both internal talent and also making key lateral hires.

Since talent is the key to our success, we will continue to expand the team by bringing in both strategic resources in information technology as well as other key business and support functions, to further enhance our capability. As you all are aware, in the past 2 years, we have made significant investments in IT to improve customer experience and engagement, as well as to boost business efficiency.

I'm happy to share that these systems are now stable, and we plan to continue investing in additional technologies and also the CRM in the near future to further enhance our experience and operational efficiencies. In conclusion, I would like to highlight that with a combination of strategic hires and a very focused expansion strategy, we are very confident in our ability to replicate the success of building a dense network beyond our core geography, positioning us to capitalize on the growing demand in the diagnostic sector.

With this, I'd like to hand over to Raju, to take you through the operational and the financial highlights.

Narasimha Raju: Thank you, Madam. Good evening, and a warm welcome to everyone. I'll quickly take you through the financial performance and key developments for the current quarter and 9-month ended December 31, 2024. The consolidated revenue for the current quarter stood at INR 169 crores, reflecting a strong revenue growth rate of 27% year-on-year. And this strong revenue growth, just like the previous quarter was driven by test volume growth of 27% year-on-year. Our patient footfall also grew by 19% year-on-year.

I am delighted to inform that the year-on-year organic business, excluding PH Pune, grew at an impressive 20% year-on-year growth rate with entire such growth attributed to the test volume growth of 20% year-on-year. Coming to PH Pune's performance for the current quarter, the revenue stood at INR 11 crores, which is broadly in line with our expectations of annual run rate of around INR 47 crores.

Coming to the geography-wise revenue contribution, Hyderabad contributed 72%, rest of AP & Telangana contributed 18% and Pune contributed 6%. Like the previous quarter, the revenue growth has been driven by both radiology and pathology segments, reflecting the robustness of our B2C focused integrated business model. The B2C revenue stood healthy at 93%. Our radiology business stood at 37%. The revenue per test was INR 460 and the revenue per patient footfall was INR 1,616 during this current quarter.

EBITDA for the current quarter stood at INR 67 crores as compared to INR 52 crores in the corresponding quarter in the previous year, reflecting a year-on-year growth rate of 28%, in line with the revenue growth. Excluding PH Pune, the EBITDA year-on-year grew by 22%, again, slightly higher than the revenue growth. The EBITDA margin stood healthy at 39.7% in the current quarter with an improvement of 30 basis points year-on-year. The profit after tax for the current quarter stood at INR 35 crores, reflecting a growth of 36% and PAT margin also stood healthy at 21%.

I will now summarize our performance for the 9-month period ended December 31, 2024. The consolidated revenue for the current 9-month period stood at INR 508 crores as against INR 393 crores in the corresponding previous year, reflecting a year-on-year growth rate of 29%, with 21% growth being organic contribution. EBITDA stood at INR 204 crores as against INR 158 crores in 9 months of last year, registering a year-on-year growth of 30%. EBITDA margin stood healthy at 40.2%, and profit after tax, PAT was INR 108 crores with a margin of 21%.

Coming to the update on the capital investments, three hub centers have already been commissioned in the 9-month period ended December 2024. Now the company is on track of commissioning 9 more new hub centers in the next 6 months. Hence, we foresee a slight impact on the existing EBITDA margins in the near term. However, this is expected to normalize once the business ramps up across these new hub centers.

To conclude, I would like to state that we continue to hold our position as the largest B2C integrated diagnostic chain with strong brand recall and comprehensive portfolio supported by healthy balance sheet, industry leading margins and impressive return ratios. That's all from my side. I would now request the moderator to open the line for the Q&A. Thank you.

Moderator: Thank you very much. We will now begin the question and answer session. We have the first question from the line of Sumit Gupta from Centrum. Please go ahead.

Sumit Gupta: Sir, can you give a breakup of the overall center count, now that it has increased by two like sequentially, two more centers have been added. Can you give a breakup, how many are in Hyderabad and rest of AP Telangana?

Sivaramaraju: So overall in the network, we have about 149 centers, Sumit. About 127 centers are in Telangana and AP, and the rest of the centers, basically 18 centers in Pune, and we have 2 in Kolkata and 1 in Karnataka and 1 in NCR.

Sumit Gupta: And sir, regarding this so Gulbarga will breakeven, right, in this quarter?

Dhiren Gala: Yes. Gulbarga has achieved breakeven in this quarter.

Sumit Gupta: And Ongole, can we expect that to break even this quarter or next quarter?

Sivaramaraju: Yes, Ongole in the next 2 months, Sumit. It's been 6 months now. In the next 2 months, it's almost closer to breakeven. So in the next 2 months, we expect Ongole to breakeven.

Sumit Gupta: And sir, the overall, like the volume growth have been really good. So going forward also over the next 2 to 3 years as you expand, can we expect more volume growth? Or can we or should we expect it to remain at the same level?

Sivaramaraju: So, like we always said, Sumit, see, the value growth will be about close to 1.5% to 2%, the rest of the growth would be coming from volume.

Sumit Gupta: So the magnitude of volume growth, shall we expect this to remain at the current levels, test volume growth? Or should we expect it to increase?

Sivaramaraju: Sumit, the guidance from the company is that we intend to grow at a 15% year-on-year, right, out of which you can expect about close to 13% volume growth and rest the value growth.

Sumit Gupta: Okay sir. Thank you.

Moderator: Thank you. We have the next question from the line of Anshul Agrawal from Emkay. Please go ahead.

Anshul Agrawal: So just as a clarification, so we have only in terms of our guidance of hub additions, we have only added Bangalore to the number. So we were initially planning to add 12 hubs in '25, '26. Now we plan to add 14, which is an inclusion of Bangalore. Would that be correct?

Narasimha Raju: No, Anshul. The guidance was to add 12 hub centers across these two financial years across multiple geographies. So this 12 includes 2 from Bangalore.

Anshul Agrawal: Correct. So 3 we have already added, 9 we are adding, 11 is what we'll be adding in entire of FY '26. I'm just trying to understand that?

Narasimha Raju: Just let me clarify, Anshul, 3 we have already added in the current 9-month period; 6 more hub centers will be added in the next 3 months. Out of these 6, 2 will come in Pune, 2 will come in Bangalore, 2 in Kolkata. After this, three more will come in Kolkata, which will take 6 months from today.

Anshul Agrawal: Okay. There's another two addition in rest of AP and Telangana?

Narasimha Raju: Yes. So those two, the leases are under finalization in AP and Telangana, okay? Once the lease execution is completed, then we'll start the work civil works on

Suprita Reddy: Two quarters, after two quarters, Anshul.

Sivaramaraju: Most probably that will come in FY '26 itself, but maybe in Q3 of FY '26.

Anshul Agrawal: So basically, 14 hubs in all in FY '25 and '26 basically, that's all I'm trying to understand?

Narasimha Raju: Yes, correct.

Anshul Agrawal: Great. Second question that I had was basically, how are we executing so fast in the Bangalore region, is what I wanted to understand. I believe in Pune, we had an inorganic we had an acquisition and then we took almost 10, 11 months to start up the first spoke. But in Bangalore, we are planning to add two hubs within 6 months. So is it because we understand the region better? Is the market more lucrative? I just wanted to get your sense around this?

Sivaramaraju: So Anshul, like we always said two things that are key to this business, are people and the right location when we start with hub, and we need the right location because we are a B2C brand. So in Bangalore, we are lucky that we could find the right locations faster. And with whatever experience that we have got from Kolkata and Pune, right, executing the projects, sometimes it will take time because you have to find new vendors where you'll have to undergo the entire procedure of negotiations, etc. With this experience, we work parallelly when we are looking at locations in Bangalore. This helped us basically executing both the sites faster.

Anshul Agrawal: And would these locations be near to corporate hospital chains or how is the location?

Suprita Reddy: No, Anshul. Like we mentioned earlier, we always look at dense residential net, probably a society, affordability, more of medical colleges rather than corporate hospitals. See, we are into diagnostics, OPD facilities where most of our tests have to be done in morning with fasting. So we would rather be closer to a place where our customer lives rather than where a customer goes to, to probably, go back for a check up.

So all of our locations in all of these geographies, the base would be more of a residential society in an area, a dense residential network growing around. It is what drives us to finalize on a location.

Anshul Agrawal: Our target for breakeven in this geography would be similar to Kolkata within four quarters?

Suprita Reddy: I would say four to be a little more conservative, since it's a new geography. And like I've mentioned earlier, we're building a team and also elevating people within the team. So, I'm just giving it a little bit of time to get comfortable and grow, not that I think similar to Kolkata would be a good stand to take on this, immediately at the moment, since we haven't opened the center in Bangalore.

Anshul Agrawal: Perfect. Just one last question, if I can squeeze in. Raju sir, does this materially alter our capex plans for the next 1, 1.5 years, apart from the 2 hub additions that we are planning, the PET-CT machine that we have onboarded in Tirupathi, how does our capex plan look like for the next year?

Narasimha Raju: So the capex plan will not change materially, Anshul. As we guided earlier, for 12 hub centers, we budgeted INR 200 crores capex, and we estimate that within INR 200 crores, we'll be able to complete these 12 hub centers. And also, we have successfully squeezed in even the Kurnool renovation also, okay, within this INR 200 crores capex budget.

And for a better capital allocation strategy, we have negotiated for a pay-per-use model for the PET-CT that we have installed in Tirupathi. So that will not come under the capex allocation in the PET-CT. So, we are able to commission these 12 hubs, including Kurnool renovation within the INR 200 crores capex. And the additional two leases that we are talking about in AP, Telangana, that will be in addition to this INR 200 crores.

Sivaramaraju: And just to add, Anshul, Kurnool is renovation plus addition of extra MRI, so it's both within the INR 200 crores.

Anshul Agrawal: Got it. Many thanks.

Moderator: Thank you. The next question is from the line of Raghav Vedanarayanan from JM Financial. Please go ahead.

Raghav Vedanarayanan: Two quick questions from my side. One is a broader strategy question on how we decide which markets to enter, like once we select a geography, say, the South, how do we decide in South, which places do we target?

Sivaramaraju: So Raghav, it's

Suprita Reddy: Raghav, it was not probably choosing of a geography down south. The core geography was always one state, AP, which got separated. So we typically call it core geographies and 2 states. And that's been where we've learned our experience of growing and building up the company. So it's something like we've mentioned earlier, we were looking at inorganic growth in certain geographies. And we spent a lot of time, effort on understanding Bengaluru when it came to that inorganic, but we, I think, finalized on going ahead with PH in Pune.

So because of the deep understanding of Bengaluru market and close proximity to Hyderabad, we chose to build out another geography with the addition of the team. And we thought we were ready to take on one more geography, but grow it gradually organically rather than take it the inorganic way. That is the reason why Bengaluru happened.

Otherwise, it's AP and Telangana down south, and we do not typically look at the other states as of core interest as of the moment, which are probably Tamil Nadu or Kerala, those are not of our interest at the moment. Our areas of interest at this moment are east because of West Bengal, Pune since we acquired PH, Bangalore because of close proximity to Hyderabad and our core geographies.

Raghav Vedanarayanan: So you had completed saying the strategy of how you all prefer organic and more towards closer to South and then third was sir had started.

Sivaramaraju: Okay. So Raghav, what I was saying is, if you see Bangalore it's a huge health care market. Almost all the large hospital chains in India are present in Bangalore, right? But coming to diagnostics, there is a lot of integrated play, but you have semi-branded chains with 3 to 4 centers each with about INR 50 crores to INR 60 crores of revenue. So there's a lot of demand, but you don't have a single large player. That is where we see the opportunity.

Raghav Vedanarayanan: So, to this, do we see incremental competition in maybe in our core markets or in the new markets from, say, larger hospital chains that do provide both radio and patho services?

Sivaramaraju: No, Raghav. That's never the case. Generally, we don't directly compete with hospitals because for a hospital, it's more for capital consumption. You, in fact, for multiple reasons, see patients coming out from a hospital for their OP diagnostics for multiple reasons. And the market is not just about the corporate large hospitals. You have boutique hospitals, smaller ones without high-end medical equipment and then you have a lot of doctor clinics who cannot invest in this kind of technology. So there's a huge market for that.

Raghav Vedanarayanan: Next question is do we see any impact on the USD/INR depreciation now or going ahead?

Narasimha Raju: Yes, Raghav, we have been monitoring this USD/INR. Unfortunately, the rupee has depreciated to almost close to like INR 87.5. And there can be two impacts, Raghav. One is we procure our reagents and the kits, from reputed vendors like Siemens, Beckman Coulter. Of course, they import it and then they supply it from their Indian arms.

Even though our billing is INR, but indirectly, we are exposed to the exchange risks. So even though we have long-term contracts with them, there is a chance that few of the vendors might come to us and then ask for a negotiation, considering the USD/INR going to INR 87.5. But even if it happens, we'll do a negotiation and then the impact, if any, on the material consumption might be somewhere like 0.2% to 0.3% on material consumption that is on one side.

The second impact can be on the procurement of the radiology equipment, such as MRI and CT. So, there is a chance that these equipment suppliers might come back and ask for a revision in the price considering this USD/INR going to INR 87.5. But we'll have to wait and watch. I cannot comment any impact on the capex as of now because I hope rupee should appreciate soon.

So, the conclusion is the impact, if anything if it comes on the P&L due to reagents consumption, it can be in the range of like 0.2% to 0.4% because in overall pie your metal consumption for our company ranges between 12% to 13% on an average, 12.5%. Even if you consider a 5% increase, it will come to like a 0.3% impact on the EBITDA side.

Raghav Vedanarayanan: Understood. Thank you so much.

Moderator: Thank you. We have the next question from the line of Sumit Gupta from Centrum. Please go ahead.

Sumit Gupta: So USD/INR depreciation has been answered. So I just wanted to ask what was the PH EBITDA margin for the quarter? Was it nearly 40%, the trajectory?

Narasimha Raju: So the YTD 9-month period margin was approximately 39%, Sumit. For the current quarter, it was 36% because of two reasons. One is because of the seasonal impact, the current quarter revenue was INR 11 crores compared to INR 12 crores in the Q2, that is one. And there was a one-off expenditure also was there amounting to INR 12 lakh to INR 13 lakh. Because of these couple of reasons, the Q3 margins were 36%, but the YTD 9-month period margin was 39%.

Sumit Gupta: And going forward, do you see it increasing? Like how is the trajectory over like over the since the acquisition been how do you see it panning out over the next 3 to 4 years?

Sivaramaraju: So, Sumit, on the PH base business, if you see, we are more or less at the 38% to 39% EBITDA margin. But since now the expansion is going to happen in the Pune region, and we are going to come up with larger hubs and the base revenue is only INR 45 crores to INR 47 crores with an EBITDA of 40% is close to, say, INR 20 crores EBITDA at a year level, right? You may see some margin drop because of these new centers. But otherwise, on the base business, post-acquisition, it is in the range of 38% to 40%.

Sumit Gupta: So, like when you're expanding so I want to understand more on the PH business point of view only. How do you see like over the volume growth, what is the kind of growth that you expect in PH business?

Sivaramaraju: So, on the base that we have, you may not see much growth because these are all mature centers, right?

Suprita Reddy: The capacity issue, like we've mentioned earlier, Sumit, these are old centers in terms of infrastructure. They cannot have additional people waiting. Technology is about 8 to 10 years old. So until and until new centers are added, new additional large centers are added, you will not see an additional growth coming into PH.

Until these new centers stabilize and we build a team to probably create a dense network like our core geography, there will be a dip of 1% to 2% over the next few years, until this stabilizes and there's a network that's created in that region.

Sumit Gupta: Understood. Thank you for the answer.

Moderator: Thank you. The next question is from the line of Rishi Mody from Marcellus Investment Managers. Please go ahead.

Rishi Mody: So, first, I wanted to understand, you mentioned that the Tirupathi hub, you all have put up a PET-CT, which is on a pay-per-use model. Now is this something which is new to the industry where these OEMs are offering a pay-per-use model or like and secondly, if it's something which has been started up, is it available to every player, say, a new player who comes in or it's people who have achieved a certain scale or something on those lines? If you just help me understand?

Narasimha Raju: So, Rishi, this pay-per-use model, if you ask me, is it the first time? No. It is there in the market, but it will not be offered to everyone. Because here, the supplier is taking a risk of deferred credit. So, for example, the equipment is INR 10 crores. Under this model, you'll keep paying it every month based on a minimum number of cases.

Say for example, like, 8 cases in the first year, they will agree like next year, like 10 cases, etc. So, it will not be offered to a small player. Vijaya being the market leader and we have a lot of business with these equipment suppliers, they could offer it at a very at a good in-built ROI rate. So, small players cannot get this. But to answer your question, it is there in the market, pay-per-use model.

And generally, it doesn't work well for the MRI and CT, Rishi. It works well for the PET-CT because the realization from the patient is close to like INR 17,000 to INR 18,000 from the patient. And then, for PET-CT, generally, once you see that ramp-up within a period like 4 to 5 years, you see a good EBITDA margin, close to like 50% margins you enjoy from this machine. So that's how this model is working out well.

Sivaramaraju: So basically, Rishi, for MRI and CT, even if you take pay-per-use indirectly, it will it's like taking a loan from a bank. So they'll charge the interest to the equipment when they supply it on pay-per-use. And because we are cash-rich, we generally don't take on pay-per-use. Only in this case, PET-CT, even the equipment vendor was promoting digital PET. So we got it for a slightly lucrative price. So that is the reason we are trying out. But otherwise, we don't intend to take this model for other equipment.

Rishi Mody: Second, I wanted to understand, today, like if I look at your FY '25 costs, right, given that we've done decent double-digit SSG on your centers, normally, when we look at other, say, fixed cost businesses, largely fixed cost businesses, there's a decent operating leverage that comes through when you have such high SSGs, which has not been the case here for us. We've done like 30 bps, 40 bps for the full year in terms of EBITDA margin expansion.

So just wanted to understand, is there some are there some costs which have been upfront here or is there something where our inefficient and hence, going forward we'll be looking at improving the cost structures?

Narasimha Raju: So, Rishi, even in our cost structure, since there are fixed costs are there. So there is an opportunity for the operating leverage, which played out even in this current quarter. If you see without PH, our revenues grew by 20% and EBITDA grew by 22%. So, the additional the 2% increment in the EBITDA was due to the operating leverage.

And also, as you know, in this quarter, there is an impact of these 3 new hub additions is there. And also there is a 0.3% impact on account of the new GST design. So generally, we expect like 3% to 4% on account of operating leverage. But in the current quarter, you could see only 2% because of a couple of these reasons, like new hub centers coming in and also like a 0.3% on account of the new GST regulation, which came in the Q3.

Rishi Mody: What is this new GST regulation? If you could just give some information on that?

Narasimha Raju: So, Rishi, there was a new circular, on the GST front applicable from October 1, 2024, which says that if the company is taking a premises on lease, from an unregistered GST vendor, say, for example, for INR 1 lakh monthly rent you have taken. The other party is not liable under GST, even then company has to pay 18% and reverse charge mechanism to the government.

So, even though we pay them just INR 1 lakh, we'll have to pay INR 18,000 to the government under reverse charge mechanism, which becomes a cost to the company because we are not entitled for an input tax credit on the INR 18,000. So that becomes a cost in the P&L, which was approximately like 0.3% in the current quarter.

Rishi Mody: But going forward, whomever we have leased the property from I know a lot of it's from individuals, but are we going to get them to get a GST number and hence this 0.3% will go away in the future or this drag of 18% extra rental cost will remain going forward?

Narasimha Raju: So, this drag of this 0.2% to 0.3% will continue, Rishi. But, on the overall rental expenditure, close to like 80% to 90% was already built in, in the GST because most of the property owners are under GST. That was already coming in the P&L. Only this 0.3% is only for a few property owners who are not under the GST bracket as of now. These are the small leases for a few spokes.

Sivaramaraju: And also, Rishi, in addition to that, if you see from the past 2 years, we're investing on technology, right? For example, we migrated our servers from physical to cloud. All this also will come up with additional recurring expenditure on a monthly basis. So whatever leverage that we were getting because of this growth is at least taking care of the additional expenditure of strengthening IT systems, strengthening the team, all this. So that's also one of the reasons why you do not see operating leverage playing out on the EBITDA.

Rishi Mody: And any start-up costs for Bangalore or, say, Kolkata, Pune, which are sitting here in terms of team or marketing or whatever, which might get spread out as your network densifies. So basically, what is your expectation of margin expansion if your SSGs remain, say, 10%, 15% going forward into FY '26?

Sivaramaraju: So for at least 1 year till the time we launch Bangalore and expand our network in Pune and Kolkata, because we'll be spending on branding and the initial launch marketing activities. For 1 year, we should not expect any operating leverage playing out. Post 1 year is when because even by then we'll have this network stabilized in these geographies is when you'll start seeing the margins expanding.

Rishi Mody: Okay. All right. Got it. Thank you. That's it from my end.

Moderator: Thank you. The next question is from the line of Harish Bihani from Kotak AMC. Please go ahead.

Harish Bihani: Ma'am, my question is that in terms how should one think about business development in terms of hub addition over and above what we have already announced?

Suprita Reddy: Sorry, Harish. I didn't get your question at all.

Harish Bihani: I'm saying that in terms of hub addition that we have already announced, over and above that there will be some business development that you would be doing in terms of identifying the locations. How should we think about that in specific geographies, specific micro market that we are looking at?

Suprita Reddy: Like I mentioned, Harish, I think there's enough on the plate of Bengaluru getting added now. So additional locations there, your Kolkata market plus Pune market and adjacent geographies to these markets, is what we would be focusing on. Like we've mentioned, as we speak, there are another three, four leases getting signed in one of these geographies at any given point of time. We've still not looked at adjacent geographies for West Bengal or Pune also. So, we would be looking at that.

So I think every quarter, I will be able to give you a better picture on how many more centers would come in because now we will also be looking at adding additional spokes in Pune once these three hubs, that we've just mentioned open up, which creates some capacity relieving that will happen in Pune itself.

Sivaramaraju: So, Harish, basically, in these geographies like Bangalore, Pune and

Suprita Reddy: Kolkata.

Sivaramaraju: Kolkata, we'll continue scouting allocation.

Suprita Reddy: It's not a onetime exercise, Harish. It's a daily probably see, we have multiple schemes even internally. Like if I look at our own core geography of Andhra and Telangana, we have suddenly an incentivization program that we run for our internal staff. Saying that, do you feel that there is a requirement of a spoke center in one of the areas that you guys come in from? When we get 20 locations, that's when we also go and look at those locations and see if it makes sense to open a spoke there.

So it's just not companies or brokerages that are looking for spaces. It's also our internal team members, customer feedback on a daily basis, call center gets not less than about 20 calls saying, why don't you open a spoke here? Why don't you open a hub here? These are various ways in which we actually finalize the location. So I think we will probably be zeroing in on the best possible location, and then that's also the reason why we don't let an opportunity go by.

Harish Bihani: But then you are not putting this cap on any particular number. You will be opportunistic

Suprita Reddy: Not at all, not at all.

Harish Bihani: You will be opportunistic in terms of location?

Suprita Reddy: Even though the CFO is sitting right here, and he would say we have a cap on the number of centers, if we look at opportunity from the operational side, we will. We will not we will say we will do an additional hub, put in additional efforts, open one more hub or 5 more spokes. But if it makes sense to us, we will. We will grow.

Harish Bihani: Makes sense. And by next quarter, in terms of spokes also, we'll get more clarity?

Suprita Reddy: Yes, absolutely.

Harish Bihani: And in terms of people

Sivaramaraju: The centres that we have put in the table on the presentation are just the ones which got finalized till now.

Suprita Reddy: Yes, something that's not signed off, we would not want to announce or let that's also the reason why we don't announce that number, but you will see an additional number of spokes coming in, in the next few quarters.

Harish Bihani: Makes sense. What I was trying to understand is that in terms of margins, it's do you think that it's good to sacrifice margins in the near term about 100 bps, 200 bps so that we can grow longer term?

Sivaramaraju: So, Harish, basically what we were saying is like so at a 3 years near-term 3 years. So the guidance is that you want to grow at 15% CAGR. But sometimes what may happen is if we find good more good locations, we may prepone the capex. You may see higher growth coming in faster. But the commitment from our side is that over a 3-year period from now, we'll grow at 15% CAGR. So now we're closely at say, INR 680 crores. So, we are confident that we'll cross INR 1,000 crores number in the next 3 years to come.

Harish Bihani: Sure, Siva. But in terms of margins, how should one think about from a medium term near-term and medium term?

Sivaramaraju: Margins only very near term, maybe one, two quarters when we are opening multiple hubs at once because the timing has come such that we are opening multiple hubs in two quarters.

Suprita Reddy: So Harish, I don't think there will be a large impact, maybe a 1% to 2% impact over the overall period when more of these hubs tend to open at the same time. Otherwise, we are confident of that 40%. But 1% to 2% of probably you will see a dip when two or three hubs simultaneously open in 2 or 3 geographies. A couple of quarters.

Harish Bihani: And ma'am, in terms of the home market, is there any data point that suggests that we have gained market share? Is the market itself growing in double digits or is there some data point that can help us understand that we are gaining market share in the home market?

Sivaramaraju: So, we don't have any data point, but what we hear from the ground, if you basically see Andhra and Telangana. So we are growing at a faster pace than the other players. So if you see player number 2 to 10 when compared to other players, we are growing at a faster CAGR on this base. So what we feel is that year-on-year, we are gaining market share in our core geographies, but we don't have any number in hand.

Harish Bihani: And why it is happening and why are you sure that will continue?

Sivaramaraju: So basically, Harish, I think it is because of multiple things. One, the brand that we have created over years and the dense network. We are available across city, across multiple geographies. So once like for any brand, right, when it is present across multiple geographies within one state, you get to be you tend to get stronger day-by-day.

And also, the kind of technologies we invest, no other player in this geography would be able to invest. So it is a mix of the talent, like the radiologists, etc, doctors, the brand that we created, the kind of technology we are introducing, it is and the trust that we have created because of all this. I think this is allowing us to get stronger year-on-year.

Harish Bihani: Sure. This is helpful. All the very best. Thanks.

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

Surya Narayan Patra: Congrats for good set of numbers. My first question is on the pathology side. In fact, we have been growing almost in the similar rate like the radiology growth. But in terms of the profitability and all that, from that angle, what I was trying to understand is, is there a scope of improving the profitability of pathology business, let's say, by changing the mix of the test or something like that or anything of that sort can be possible because the industry nowadays is also kind of moving towards very specialized targeted therapy-oriented test.

So here, what is our thought process and whether this kind of initiative can improve our profitability sometime down the line?

Sivaramaraju: So, nothing immediate on that front because basically, if you see since we are a B2C customer and generally, what happens is specialty testing is more on B2B front. On B2C front, if you see, right, 80% of the business in pathology is about routine and semi-specialized and very little of specialized. So because, as on date in India, if you want to do very high-end specialty work, so basically, you'll have to take it from hospitals via B2B route. So I don't think in the near term, this would help us any way in improving the margins.

Surya Narayan Patra: Just an added point to the margin aspect. See, we have seen a kind of very stable and strong gross margins for our business over the long period of time now. So is there any monitorable for gross margin improvement, any factor that can bring in incremental improvement to the gross margin?

Narasimha Raju: Surya, we have been consistently delivering the industry-leading gross margins in the range of 87% to 88% last 7 to 8 quarters. So it's a combination of how the pathology and the radiology segments are playing around. Like pathology is contributing close to like a 65% or 64% and radiology 35% or 36%. Generally, on the radiology front, material consumption is lower as compared to pathology.

In case, in the coming quarters because of opening more hubs, generally, what we are seeing is that, when we start a hub initially, the revenue contribution from radiology is generally higher in the initial couple of years, and slowly the pathology will take over. So in the period where radiology contribution is more from the new hub center, there is a possibility of improvement in the gross margin. But I don't think it will be a material change. It might be like a 0.2% to 0.5% in the overall pipe might make a difference because of opening like 10 to 12 hubs in the overall 12-month period.

Surya Narayan Patra: And just last one point, sir. what is your now experience after the upgradation of the Gurgaon center? And can Delhi or NCR would be a kind of an area for spreading out of our business there?

Suprita Reddy: Yes, Surya. Like we've mentioned, Gurgaon was a center that we started a few years ago as a wellness center. And because of its continuous customers coming in from central government and other companies being in a dense residential network, we've only upgraded the facility to be an integrated facility. Putting in an MRI into that center was not with a thought process of expanding into the NCR region or Gurgaon or New Delhi.

It was the only center in the entire network, which was a center which spanned over about 8,000 square feet with only ultrasound and wellness, and we wanted to make it integrated in nature, and it's doing reasonably well. And there is no absolute strategy around that in terms of growing in that particular geography. It is an old center. It's a mature center, and we've upgraded it to keep in pace with what we keep our centers in our core geographies. That's the only thing. There's nothing more that we would be doing in the Gurgaon center.

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

Moderator: Thank you. The next question is from the line of Abin Benny from Emkay Global. Please go ahead.

Abin Benny: So just wanted to understand that given the wellness segment has been robust with around 14% contribution to the top line, what would be the outlook for this segment for Q4, given that we would assume largely that people would be going for such packages in this quarter for the benefit teams and everything? If you could just highlight a bit on that?.

Sivaramaraju: So basically, post COVID, what we are seeing is, right, the awareness has basically gone up, on the preventive packages. And also, we have a team, corporate marketing team who would approach corporates for their wellness. So because of these efforts, you're seeing the wellness growth.

But as such, we cannot guide exactly on the wellness because it's, again, preventive in nature. But generally, what we have seen in the past is in Q4 was always wellness the wellness revenues slightly higher in Q4. So we expect the same thing to happen in this year as well. But we cannot guide you on any number.

Suprita Reddy: The wellness is doing exceptionally well this year because pre-COVID, it used to be around 8% to 9%, which has gradually grown over the years with customer, probably, awareness. You're doing about 12% to 14% on a base of our size is itself a very large number. And typically, you tend to look at the last quarter for tax exemptions and a lot of other schemes coming in from corporates.

But saying so that 13% to 14% itself is a very large base. So probably we would not be able to guide you exactly on a number. But even if we do that number, I think that would be an exceptional number to keep going for the next few quarters to come.

Abin Benny: Also, if you could just mention about what's the net cash position right now?

Suprita Reddy: One second, I'll let Raju get it you.

Narasimha Raju: It's approximately about INR 200 crores surplus cash treasury balance we are having, Benny.

Abin Benny: Okay, sir. Thank you very much.

Moderator: Thank you. The next question is from the line of Rahul Jeewani from IIFL Securities Limited. Please go ahead.

Rahul Jeewani: So, ma'am, in terms of the growth outlook, which we provided for the business from a 3-year perspective, in terms of 13% volume growth and 2% realization growth leading to mid-teens overall revenue growth, do you think there is some sort of a conservatism built in those numbers given the fact that the number of hub additions now for us are significantly higher than what we used to do in the past? So if we look at FY '22 to '24, we added only seven new hubs.

And now we are talking about potentially adding 12 new hubs over a period of 15 months. So with the kind of hub additions which we are seeing, would our growth be higher than mid-teens for what you are guiding?

Sivaramaraju: So, Rahul, basically, see, what we believe is in sustainable

Suprita Reddy: Rahul, we're setting hubs in the core geographies. And all of these hubs that we are talking about, like I've mentioned, 2 hubs each in Bengaluru, 2 in Pune, 2 in West Bengal. If you look at that, PH, of course, is an old brand built on trust, has a clientele, known company. But Bengaluru is an absolutely new state for us. And again, West Bengal, we've started off with Vijaya brand, one center VIP Road and then you're looking at 2 new.

So if you would say we are being a little conservative, yes. But the 7 hubs that you looked at and the growth is from the core geography versus 2 of new geographies, so we are guiding you accordingly. But does not mean that probably we will give you that 13 plus 2 is not what we're saying. We are guiding you on those numbers to make sure that we overachieve and probably do well. But these are different geographies and I would not have a base number to give you a firm commitment on. That's the only thing here.

Rahul Jeewani: And in terms of, let's say, scaling up in some of these new markets like Bangalore in the past when we added this new hub lab in Kolkata, we were able to achieve EBITDA breakeven within a 12-month period. So do you think that the EBITDA breakeven for some of these newer hub centers?

Suprita Reddy: Yes. I would say, yes, for both Bengaluru and the PH new centers is the 1 year is a good time period to consider.

Rahul Jeewani: And just one bookkeeping question from my end. Sir, can you talk about your pre-IndAS EBITDA margins as well for the 9-month period?

Narasimha Raju: Yes. Rahul the pre-IndAS margins are close to 33.5% because the rent component is close to 6.5%. So currently, the IndAS margins are 40%. So pre-IndAS will be 33.5%. There's a positive impact on the PAT side as well. Currently, you have seen that the PAT margins are close to 21%, 20.9%. Even the PAT margins will be improved by at least like 1% if you consider the pre-IndAS. So instead of 21%, it will be 22% will be the profit margin if you consider pre-IndAS.

Rahul Jeewani: So 6.5% impact at an EBITDA level and 100 basis points positive impact will be there at the PAT level?

Narasimha Raju: Yes. That's correct.

Rahul Jeewani: Yes. Thank you sir. That's it from my side. Thanks sir.

Moderator: Thank you. Ladies and gentlemen, as we have no further questions, I would now like to hand the conference over to the management for closing comments. Over to you, sir.

Dhiren Gala: I would like to thank everyone for attending this call. Should you need any further clarifications or any other further information from the company, please feel free to reach out to us. Thank you.

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