

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

Head, Listing Compliance Department  
National Stock Exchange of India Limited  
Exchange Plaza, Plot No. C/1. G Block,  
Bandra -Kurla Complex, Bandra (East),  
Mumbai- 400051.

Scrip Code: 542650

Scrip Symbol: METROPOLIS

**Sub: Intimation of Transcript of Earnings Call for Q1/FY24**

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

Dear Sir/ Madam,

This is in continuation to our letter bearing Reference No. MHL/Sec&Legal/2023-24/37 dated July 29, 2023. Please find enclosed herewith the transcript of Q1/FY24 Conference Call, as organized by Nuvama Wealth Management held on Thursday, August 03, 2023 at 09:00 a.m. (IST) wherein the financial results of the Company for the quarter ended June 30, 2023, were discussed.

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

<https://www.metropolisindia.com/investors>

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

Thanking you.

Yours faithfully

For **Metropolis Healthcare Limited**

**Neha Shah**  
Interim Company Secretary &  
Compliance Officer  
Membership No. A51465

Enclosed: a/a

**BLOOD TESTS • DIAGNOSTICS • WELLNESS**

**METROPOLIS**  
The Pathology Specialist

Metropolis Healthcare Limited  
Registered & Corporate Office: 250 D, Udyog Bhavan, Hind Cycle Marg, Worli, Mumbai - 400 030.  
CIN: L73100MH2000PLC192798 Tel No.: 8422 801 801 Email: [support@metropolisindia.com](mailto:support@metropolisindia.com)  
Website: [www.metropolisindia.com](http://www.metropolisindia.com)  
Global Reference Laboratory: 4th Floor, Commercial Building-1A, Kohinoor Mall, Vidyavihar (W),  
Mumbai - 400 070.



“Metropolis Healthcare Limited  
Q1 FY '24 Earnings Conference Call”  
August 03, 2023

Disclaimer: E&OE - This transcript is edited for factual errors. In case of discrepancy, the audio recordings uploaded on the stock exchange on 3rd August 2023 will prevail.



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

**MODERATOR:** **MS. AASHITA JAIN – NUVAMA WEALTH  
MANAGEMENT**

**Moderator:** Ladies and gentlemen, good day, and welcome to Metropolis Healthcare Q1 FY '24 Earnings Conference Call hosted by Nuvama Wealth Management.

This conference call may contain forward-looking statements about the company, which are based on the beliefs, opinions and expectations of the company as on date of this call. These statements are not the guarantees of future performance and involve risks and uncertainties that are difficult to predict. As a reminder, all participant lines will be in the listen-only mode. And there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Ms. Aashita Jain from Nuvama Wealth Management. Thank you, and over to you, Ms. Jain.

**Aashita Jain:** Thank you, Neerav, and good morning, everyone. On behalf of Nuvama Group, I, Aashita Jain for Metropolis Q1 FY '24 Earnings Call. With us, we have Metropolis senior management team represented by Ms. Ameera Shah, Managing Director; Mr. Surendran Chemmenkotil, CEO; and Mr. Rakesh Agarwal, Chief Financial Officer.

With this, I hand over the call to Ms. Ameera for opening remarks. Thank you.

**Ameera Shah:** Good morning, everyone, and thank you for joining us on the Q1 FY '24 Earnings Call. Today, I'm joined, as mentioned, by Surendran and Rakesh and SGA, our IR advisors. We've uploaded our updated results documents on the exchanges and the company's website, and I hope everyone had a chance to go through the same.

In the last few interactions, we have guided our near-term objectives. Q1 FY '24 has largely played on these objectives. Let me give you a bit of an overview.

We achieved a 12% Y-o-Y increase in core business revenue through a combination of increased test volumes, revenue per test and better product mix. Over the past 5 quarters, our core business revenues have consistently experienced double-digit growth, and we're optimistic of improving the same.

Our overall revenue decreased by 1%, primarily on account of a large B2C contract imposed by the government impacting the total revenue. Excluding this, our revenue for the core business, B2C, B2B grew by 12% as I mentioned earlier. Going forward, we are confident of scaling up revenue for the coming quarters, which will have a positive impact on margins with high operating leverage play in our business.

Looking at the details, we saw that B2C revenue had a 13% year-on-year increase, whereas even mature markets like Bombay witnessed a higher growth of over 15% with volume growth of 10% and RPT growth, which is revenue per patient growth, of 5%. I would also like to add that we continue to see a competitive environment in the B2B segment although the intensity has reduced. In spite of the challenging environment, our revenue for B2B grew by 9% with much faster growth rate coming from the specialized segment which tends to be stickier as the need for quality reports is high.

It's important to note that the growth we have seen is for the quarter which is historically the slowest quarter in the financial year for Metropolis as seasonality is different in every region of India. Every year, Q1 is the lowest quarter for us. Therefore, embracing a positive outlook for FY '24, we remain confident of revenue buildup through the year with the second quarter and the fourth quarter expected to scale even higher, leading to an expansion in market.

Over the last few quarters, we have received many queries about industry opportunity and the addressable market for Metropolis. Let me take this opportunity to provide some insight and hope that this helps you appreciate our long-term strategy interaction. In the fiscal year '23, the diagnostic industry's estimated size is 1 lakh crores. Within this, the pathology sector is approximately 58,000 crores.

This figure can be further broken down into three segments. The OPD, which is the outside patient department market, where it is outside the hospital has a share of INR 33,000 crores; the inside hospital industry is INR 20,000 crores; and the B2G, the business, the Government business is about INR 5,000 crores. Out of this, we have identified specific areas which we believe have substantial room for growth but also require expertise in testing and are therefore characterized by a sticky and a loyal customer base.

Accordingly, the two segments that we are targeting are one that is an organized market between the OPD services, which is the out of hospital services that is already an organized market, which is estimated to be about INR 11,000 crores. We are seeing this category increasing faster after COVID as doctors and consumers are moving from unorganized labs to organized labs. So, while the organized sector is INR 11,000 crores today, it is not capped yet because there is a constant movement from unorganized to organized increase in this category.

Within this market, we are specifically focused on prescriptions coming from specialist doctors as they are the ones who care more about the quality of results and therefore, are willing to pay a premium for the services. The outsourced market from IPD, which is the hospitals which are doing testing inside the hospital but still need to outsource specialized test lab players like us is approximately valued at INR 4,000 crores.

Increasing growth in this category depends on taking our brands to more hospitals and delivering on our commitment of accurate reports, wider test menu, doctor recommendation and reports delivered on time. Combining these two segments, the current addressable market is at about INR 15,000 crores. And in the next 2 to 3 years, by '26, this is expected to be growing at about 12% CAGR, to reach INR 21,000 crores.

What sets this addressable market different from the rest of diagnostics is that this is what we consider as stickier business, characterized by sustained volumes, loyal customers with a preference for quality services, a better margin profile, low churn rates and therefore, offering a long runway of growth, both from a revenue and a profitability perspective.

Within this addressable market, our focus lies on catering to the top tier of the pyramid targeting customers that prioritize quality and reliability above all ends. This is the organic opportunity of

the addressable market in addition to the growth that can be taken on account of a leadership position in innovation, test menu network and science-based benefit.

The Metropolis brand has earned the reputation for being highly reliable and trusted, both amongst consumers and medical practitioners. This trust factor plays a crucial role in fostering long-term relationships with referring doctors, ultimately contributing to our continued success. With these advantages firmly in place, we are optimistic about our ability to outpace industry growth in the years to come.

Let me now take you through Metropolis 3.0, our 3-year strategic plan based on this addressable market. Our focus revolves around 3 pillars. The first one is to strengthen our core business, and the goal here is to grow faster than the industry by focusing on quality and sticky business that sustains long term to become an efficient testing pathology player driven by automation and medical expertise, to stay a pioneer in introducing new tests and innovation and testing and to provide access to patients across the country up to all Tier 3 and Tier 4 towns.

In the next 3 years, we will be in more than 700 cities compared to the 370 cities that we are in today. With 270 labs and 6,000-plus collection centres, our goal will be to increase our network across the country with increasing productivity per centre. Our target will be to have 20% to 25% revenue coming from wellness testing and 40% to 45% coming from specialty testing. Simultaneously, we would be focusing on margin expansion with margins stabilizing at Pre-Covid levels and ROCE to increase proportionately. While we maintain our leadership position in West and South, we are also aiming to be in the top 3 players in North and East.

The second part of our strategy on the Metropolis 3.0 strategy relates to expanding adjacency. As part of our strategic plan, we are embarking on a journey of exploring adjacencies in health services closely linked to our core business such as basic radiology, like ECG, X-Ray and Sonography as one of those possible services. By doing so, we aim to unlock new avenues for growth and diversification.

Through this expansion into complementary segments and services, we aim at leveraging our existing expertise to cater to a broader spectrum of health care needs. This approach allows us to not only deepen our relationship with current customers and doctor fraternity, but also attract new stakeholders into our ecosystem. These adjacencies will aid our position of being a reliable partner in the industry -- a health care partner in the industry.

Whichever adjacencies we pick up, they will be capex light and will help us grow our organic business of pathology. At this point of time, we won't have any details to share, but we believe in the coming quarters, we'll come back with a far more detailed plan and action.

The third part of the strategy as part of Metropolis 3.0 relates to the bolt-on acquisition. We recognize the potential of inorganic growth as a means to strengthen and complement our existing capabilities. As part of our strategic plan, we will consider smaller bolt-on acquisitions that align with our value position. These acquisitions will serve as strategic entry points into new geographies, enabling us to expand our reach, enhance our service offering and leverage with

the local brand expertise that you get through acquisition and consolidate our position as a leader in the health care industry. We plan to do about 5 to 6 bolt-on acquisitions in the next 3 years.

Given the ample opportunities for growth in the diagnostics industry coupled with the robust brand strength of Metropolis, we're poised for a very exciting journey ahead. Additionally, with the Suren coming on board, bringing fresh perspective and leadership infused with a wealth of experience and strong execution rigor to drive efficiency, positive innovation and optimize our operational abilities, all of this will lead us to greater heights.

Suren, if you could come in and talk more about the operational priorities, please.

**Surendran Chemmenkotil:** All right. Thank you, Ameera. Let me speak about our strategic priorities and avenues of growth for the year. From an operations point of view, 3 big priorities guide the organization forward. That's network expansion, focus on specialty and strengthen our wellness portfolio. Our journey of network expansion is well underway with a focus on establishing new laboratories and asset-light collection centres. During quarter 1, we successfully added 6 new labs in about 120 centres. Most of the new lab additions scale from North and East and the collection centres across geographies.

Our target is to open an additional 25 labs and around 700 centres within the remaining 9 months of the fiscal year. We have started 70 new towns in the last quarter, and now we are present in almost 370 towns across the country. Our target will be to expand this and take it to 500 towns by the end of this year. This expansion is supported by a robust data science approach, like I mentioned in our last call. I must mention here that not only we are focusing on opening new network, but we are also making a concerted effort to enhance the productivity of all our existing centres across markets.

Over the next couple of quarters, we are actively considering the reclassification and structuring of our focus, Seeding and Other Cities categories. And I feel that after 7 years, this requires a review now. We are considering inclusion of 4 to 5 additional cities into our focus cities portfolio, and these cities will see higher investment outlay and better infrastructure support that is required to build the true potential of these locations.

And some of the other cities will similarly move into Seeding category as we continue to expand the Other Cities category. These potential additions are based on crucial factors such as current revenue performance, market share in those markets, future growth prospects, B2C focus and the feasibility of scaling operation through our existing network as well as planned expansions.

Now to further strengthen our specialty business, we have built a strong and dedicated team of sales force who will single-mindedly focus on key specialty portfolios across the country. We have trained them well and equipped with all necessary work tools. We're actually working on expanding our presence and collaboration with specialized doctors across the country. By engaging with the Renowned Medical Professionals, we have been able to offer them tailored scientific propositions and foster a collaborative approach for the most suitable diagnostic parameters for their patients, which strengthen the doctor's preference for the Metropolis brand and enriches our value proposition in the long term.

We continue to believe that Specialized business of Metropolis is very quality-focused business and with high degree of stickiness. This is further aided by an enhanced test menu and the introduction of new tests.

Now allow me to provide an update on our revenue, volume and RPT growth. At a group level, our revenues were at minus 1% year-on-year in quarter 1 basis, all inclusive, as Ameera mentioned. It is important for me to mention here that in the last quarter, the same number was at minus 8%. And we see this getting better as we go forward from here.

Just to recap, we did not have the volumes of COVID and entire PPT in this quarter. We have achieved a 12% year-on-year growth in our core business revenue, excluding these 2. This growth has been driven by a combination of 9% increase in volume and 3% growth in RPT and change in product mix.

While we did a marginal price increase in specialized test in end of April, adding about 1% benefit, we also made certain price corrections in about 25 routine tests in Delhi NCR geography to align with our strategy there. In every local market in India, we adopt different strategies based on our market share and the level of competition in specific regions. In certain micro markets, we may implement volume-driven strategies to gain market share. This balanced approach incorporating more volume-driven and RPT focused strategies has contributed to our growth and market leadership.

As we move forward, we remain committed to delivering growth with volumes being the primary driving force. Our pricing decisions are driven by careful analysis and aim to align with competition intensity from both organized and unorganized markets.

Let me also provide an update on Hitech business. Hitech has been successfully integrated, and we have identified multiple synergies and cost efficiencies across the system. We also have been able to cross-sell, upsell and merge the lab operation, which will further enhance revenue growth and profitability going forward. Our revenue growth from Hitech stood at a double digit in the last quarter, with margins slightly higher than company level EBITDA.

Our strategy for Hitech business this year will be to add another 50 touch points across Chennai and rest of Tamil Nadu, targeted campaigns for increasing Wellness segment revenues, and step up cross-selling Radiology to the existing and new customers, focus on B2C campaigns and digital marketing to increase the brand strength, and talent acquisition to increase consumer connect with expanding doctor network.

I also want to take this opportunity to give a brief overview of our international business. Currently, our international business revenue accounts to about 7% of the group revenue. Our strategy for international expansions are based on the premise of that the markets we are present are relatively untapped, presenting us with opportunity to establish a strong presence.

In these virgin markets, we have noticed lack of organized players, creating a favourable environment for our growth. Our approach to international expansion is focused on organic growth, complemented by a mix of B2B and B2C strategies. We are strategically utilizing

specialized testing capabilities to maximize the utilization of our assets in India, ensuring a higher return ratio with minimal investments.

International business is driven by a dedicated team reporting directly to me. Going forward, we remain committed to nurturing our international business in an organic way, generating higher growth and attractive returns in the future without any major capital commitment. With that, I hand over the call to Rakesh.

**Rakesh Agarwal:**

Thank you, Suren. Most of our financial and operational highlights have been shared in the presentation uploaded. We hope everybody has an opportunity to go through the same.

Let me provide specific insight into our productivity and scaling metrics for the labs opened in the last 15 months. For lab opening financial year '23, revenue stood at INR 20 crores. During Q1 FY '24, the revenue for these labs amounted to INR 7.38 crores. Lab established in quarter 1 financial year '23 witnessed growth of 270% in quarter 1 financial year '24 compared to the previous year. Our strong execution rigour, operational efficiencies and focused marketing and brand building efforts have significantly contributed to sales of revenue from these new labs.

We are optimistic about the potential of these nascent plans to mature over time and generate even higher revenues in the future. We believe this launch will continue to achieve significant growth and contribute significantly to our overall revenue going forward.

Speaking of the productivity of these labs, we have been able to achieve 5% EBITDA margin for this lab from negative 5% in year 1. By scaling up the revenue, we will have high operating leverage, which should deliver higher margin going forward. We believe that in 24 to 36 months of maturity of this lab, we will be able to clock company level EBITDA margin for all these newly opened labs.

Now I'd like to give an update on the financial and operational KPIs. Our revenue for quarter 1 financial year '24 was down by 1% on account of in-sourcing of large B2C contract and high base of COVID revenues in quarter 1, financial year 2023. We are optimistic of high revenue growth for quarter 2 onward backed by high utilization and productivity of new network.

Our EBITDA margin before CSR and ESOP stood at 24.2%, dilution of 1.1% on account of network expansion for Q1 financial '24. EBITDA before network expansion stood at 25.3% for Q1 financial year '24. Our EBITDA has been impacted largely on account of network expansion to a tune of 1.1% and 0.7% due to loss of revenue on account of in-sourcing of B2C contract, which is a negative operating leverage play.

We'd like to highlight that we have taken stringent cost control measures to keep the cost structure under check, despite higher cost of people, aggressive lab and network expansion, increasing marketing initiatives and implementation of digital initiatives in our system, our cost just grew by only 1% Y-o-Y for quarter 1 financial '24. We are optimistic of volume and revenue bouncing back in quarter 2, and should have a positive operating leverage with uptick in margin.

Our Premium Wellness business grew by 27% Y-o-Y for Q1 financial year '24 with average realization in the range of approximately INR 2,200. Overall contribution of Wellness stood at



15% for Q1 financial year '24 as compared to 13% for Q1 financial year '23. Moving to the balance sheet, our gross debt as on 30 June stood at Rs 67 crores. We plan to be debt free by the end of this year.

That's all from my side. With this, I open the floor for Q&A. Thank you.

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

**Rahul Agarwal:** First question essentially was Mumbai growing faster within the overall B2C. Question on that essentially, as we hear from your peers about health tech platforms cutting discounts, was Mumbai a function of that, the growth? And your thoughts on business competition, is this sustainable going forward as well? That's the first question.

**Ameera Shah:** Thanks, Rahul. Look, I think if you see for the last 4 to 5 quarters, Bombay has been actually growing at a similar pace. So, what we always maintained was that if you have built a good quality business in pathology like Metropolis had, the digital competition would not have impacted you much because the customers who value their brand did not really value price and we're not the ones who are going to move to competitors for price benefit. And I think we have seen that play out very clearly in Metropolis where we have not seen an impact from a B2C perspective. In fact, we've only been growing even in mature markets like Bombay.

So, we see this trend to continue. And as digital guys have cut back on their discounting, it only means that the noise in the industry will start settling. I don't think those discounts have aided them in building very large businesses from the numbers that we know, and I think there is a recognition coming in that price is not going to be the driver in pathology.

**Rahul Agarwal:** So, you think going forward, even this should continue, right? It's good news, right? I mean I understand Metropolis has not lost much of the business, but going forward, if this happens. I think whatever we have lost, maybe it's like not very material to the company, it still gets back to us, right? At least from an industry standpoint, that's positive, right?

**Ameera Shah:** See, I think whether people choose to discount nor frankly is not in anyone's control, right? So of course, until the time that they don't -- they choose not to discount, I think it's healthy for everybody including the industry. My only point was that I think our growth continue to lead the way.

**Rahul Agarwal:** Got it. Secondly on International, 2 questions there. Firstly, is it similar to Indian profitability, 24%, 25%? And second is any plans here to grow faster? Because I think Surendran also has decent amount of experience in similar markets. We also hear some Indian diagnostic player trying to enter Africa sometime this year. Your thoughts, please?

**Ameera Shah:** So, I think we have been doing well on the international side. The business model is actually very similar to what it is in India. And the reason why we are in these markets is because we actually sweat our assets from India. For example, in these locations, we do about 60%, 70% of the testing required locally, and almost 30% to 40% of the samples come back to our global reference lab in Bombay for specialized testing.

So, we believe it is very strategically connected to the Indian business. And the biggest challenge in some of these markets is lack of talent and scientific expertise, and we are able to bring it from our core DNA into these markets. So, I think we'll keep seeing International do well for Metropolis. The margin profile, as mentioned in the speech as well is actually -- for this quarter is slightly around a similar profile as the group profile. So, the international business is on a good track as well.

At this point, the only concern, obviously, with the international business is the currency devaluation from some countries and that's the only reason why we are not pushing much, much harder. And the opportunity is there, and I think we'll continue to invest small amounts of capital from the profits that are being generated in these markets and keep driving organic growth.

**Rahul Agarwal:** It should reflect like 10%, 12% of similar growth what you do in India, right?

**Ameera Shah:** Growth is actually a little bit higher in the international market because the base of some of the labs is also smaller.

**Rahul Agarwal:** Okay. Got it. And lastly, just your outlook for the full year. Like for like sales grew 12% for the first quarter. I understand reported basis, top line will be lower, but just your thoughts on full year outlook, please?

**Ameera Shah:** So, as we mentioned, I think we feel quite confident about the core business growth for the full year. Quarter 1 is usually our slowest quarter. We certainly expect Q2 and Q4 to be better quarters for us. And as we know and as volumes increase, it certainly impacts our profit margins as well.

**Rahul Agarwal:** Any number you want to put?

**Ameera Shah:** Well, not at this time.

**Moderator:** Next question is from the line of Shyam Srinivasan from Goldman Sachs.

**Shyam Srinivasan:** Just the core revenues of 13%. I think you've given volume growth of 9% and RPT of 4%. I want to just deconstruct the volume a little bit further down, like SSG plus -- you've been expanding as well. So, I just want to understand how are your mature stores, what's the kind of volume growth? Maybe as a corollary, you can also tell us how Mumbai, the 15% that we have grown, how is that deconstructed please?

**Rakesh Agarwal:** Yes. So basically, if you look at the construct, 12% is in overall growth for us, and as I said in my speech also that in quarter 1, whatever labs we started in the last 15 months, for those labs, we have got around -- INR7 crores of revenue -- sorry, INR7.38 crores of revenue this quarter, which is 3% of the overall revenue. So overall, if you look at 9% is coming from our old base and 3% is coming from the newly opened labs.

**Shyam Srinivasan:** Got it. So, Rakesh, can we do it like the SSG way? Well, in the volume growth is where I'm more trying to get a sense of how much of the incremental volume? Is it similar like 75% coming

from old store volume and 35 -- sorry, 25% coming from new stores? If that is one way to deconstruct?

**Rakesh Agarwal:** No, volume, I don't think 25% will be contributed in the new store. We will just check and come back to you on that. So overall construct is 9% plus 3%, 9% coming from the volume and 3% coming from the pricing. Let us come back specifically on what is the volume growth coming out of the 9% from the new labs.

**Shyam Srinivasan:** That's helpful. Just second question, again, just on the network expansion, we had about 120 basis points, if I recollect rate of dilution on the margins in fiscal '23 because of the network expansion. We've seen it slightly moderate. 110, I think is what the presentation calls out. So, any sense on where we would likely see this number starting to even get lower? And then is there a corresponding uplift that the overall corporate margins we will see, or will this -- will we use this to do our continuing investments? So that's my second question.

**Rakesh Agarwal:** Yes. So basically, what we intend is that we intend to open as mentioned by Surendran that we can open around 20, 25 labs this year. And obviously, that will have a dilution of it, but there will be a moderation of the labs opened already in the last 2 years. So, what we feel is that this number will remain in the range of 1.1% to 1.3%. It will keep on moving 0.1% here and there as we go along. But the next 2 years, as we have expansion plans, we see this percentage dilution coming in the EBITDA margin question for sure.

**Shyam Srinivasan:** And the last question, Ameera, I think you called out the INR 15,000 crores as the kind of addressable time for us. A little surprised. If I add all the listed players, fiscal '23 revenue, just the pathology bit, it's INR 6,000 crores and ballpark. So, have you -- had these players already achieved 40% of that share? Do you think -- I just thought the number was higher. So that's where my confusion is?

**Ameera Shah:** No, thanks for asking the question. It's a fair question. See firstly, not all the listed players and unlisted players are targeting the same segment. So, we have to remember that it's not like listed players are all following one strategy and unlisted are following another strategy.

So, each company is choosing to target different segments of the diagnostics industry. And what we are attempting to do in this speech is actually be more clear about the segment that Metropolis is going after. As we have always mentioned, our goal has been to go to specialists and get them to recommend patients to come because the patients who go to specialists tend to have more critical illnesses. And the people who have more critical illnesses, for the doctor and for the patient, the quality of the report matters more.

So therefore, the segment we are going after is about 15,000 crores. And our goal will be to keep measuring what percentage of market share we have in that segment. Other players are choosing other segments. So, some people are focusing on B2G, which is the INR 5,000 crores segment. There is -- some listed players may choose to go there. Some listed players are focusing -- not focusing on specialist-driven pathology. They are focusing on GP-led pathology or they're focusing on B2B, which is a different part of the segment.

So, I think just the clarity important is that not all listed players have the same strategies and goals, and therefore, it's important to see each in its own strategy.

**Shyam Srinivasan:** And last question, again, Rakesh, just data point, Hitech, what is the revenue and maybe volume there?

**Rakesh Agarwal:** Yes. So, Hitech, as mentioned by Surendran, Hitech is growing a bit higher than the -- our core revenue for the group. So that is one data point. And from a volume and RPT point of view, this is more or less similar to us, 8% is the volume growth and 4% is RPT growth for the hitech

**Moderator:** Next question is from the line of Rishi Mody from Marcellus Investments.

**Rishi Mody:** Yes. So, my first question is on Hitech, right. So, we have seen a bit of labs and centre closures out there in the last 1 year or so. So, on Hitech, right, we've seen lab closures and centre closures. So just wanted to understand why were these centres closed? What was wrong with them? What efforts were taken to term them when they were not profitable? And secondly, is this exercise now complete? And the third question on Hitech was the 50-center expansion that has been announced, that you all are targeting, in what form is it is it going to come? Is it going to come in the COCO form or in the FOFO form?

**Ameera Shah:** Sure. So just one clarification first. We have not closed centres for Hitech, either collection centres or labs. What we have done is merge them with Metropolis labs in certain markets. So, the Hitech that we acquired had three parts. One is the Chennai business; one is the rest of Tamil Nadu business, and one is the Bangalore business.

The Bangalore business and the rest of Tamil Nadu business, we have merged the brands. And therefore, wherever there were synergy opportunities, we have merged lab operations and merged some collection centres. In Chennai, as we know, we have continued to maintain both the brands separately. And therefore, we have not yet merged operations or merged collection centres or labs. So, I hope that this is clarity, we have not shut any lab for Hitech without a synergy reason.

The second question about adding approximately 50 -- 45 to 50 centres for Hitech, the idea is basically this will be in Chennai and Tamil Nadu. These will be a combination of COCO and FOFO. So, there'll be some franchise centres and some company-owned company-operated centres across these markets. And those centres that we've already opened last year, I think we opened 11 last year, if I'm not mistaken -- 12 last year, I think most of them are doing well. There are maybe a few 2 or 3 from what I know that have not performed as well as we had hoped for, but the rest have done fairly well.

**Rishi Mody:** Okay. And like -- sorry, did you mention the mix of how much of that 45, 50 will be a FOFO, COCO mix or like, is there any plan proportion? Or is it just how the opportunity presents itself?

**Surendran Chemmenkotil:** See, we just not prepared any specific mix between COCO and the ones under the franchisees, it depends upon the respective markets. So, it's largely today out of 50, I mean wherever we get an opportunity to do our own, we'll do that, bigger markets, etcetera. And in the rest of Tamil Nadu, we may go through the APSC route. So, we'll take a combination of both without having

a fix in our mind about how much should be the PSCs and how much should be the franchise's PSCs.

**Rishi Mody:**

Second, Ameera, you mentioned that you all are planning to do some 5 to 6 bolt-on acquisitions in the next 3 years. Firstly, are there good quality assets available in the market at reasonable valuations, which you can acquire in the next 3 years? Secondly, how big will these businesses be in terms of top line? And thirdly, what is the budget that we have planned for these acquisitions? And finally, have we -- are we investing in a team which will continuously help us acquire such bolt-on acquisitions year-on-year? Or is it always -- is it going to be a more opportunistic way of doing M&A?

**Ameera Shah:**

So firstly, in terms of the assets that are available, it is difficult to find, not easy, which is why the numbers we have quoted are 5 to 6 and not large numbers. It's very important to us that we buy assets that we believe are assets that we run clean and can be scaled up versus where you actually have to clean up huge number of skeletons in the closet and lose revenue and profit as a part of it. So, I think we'll continue to be selective and careful, but at this point, we do believe that, that is possible. Of course, if anything changes, we'll come back and update you.

We don't have a number at this point of time on valuation. But obviously, our goal will be to try to do acquisitions that add fair and reasonable valuations as possible, which are not at very high numbers. What I've often seen in our market, it is only the large clean acquisitions, which tend to be very premiumly priced because there are such few of them in India.

At the smaller level, it will be a little bit -- we believe it will be a little bit more fair in terms of valuation and not as distorted and we should be able to get this done. We don't have any budget in mind at this point that we can sort of quote because it will depend on each opportunity that comes forward.

**Rishi Mody:**

And what size are we targeting these bolt-on acquisitions, in terms of the revenue size?

**Ameera Shah:**

Look, I mean, they can be anything from INR5 crores a year to INR20 crores, INR30 crores a year, right? So difficult to tell at this point. But these will be all sort of usually individual pathologist-run labs which have done well for themselves from a brand equity perspective in the city. And I'm not really sure either of their succession plan or their scaling and therefore, are looking for a partner like us that we can work together.

You will be -- because Metropolis has already done about 23, 24 bolt-on acquisitions in the past many years, we have the internal DNA on knowing on how to integrate them and how to get value and scale them. So, I'm not too concerned around building the expertise for integration.

**Rishi Mody:**

My third question, like my next questions are more -- okay, just on the strategy front, right. So, the commentary that you've given on the call seems that you all are now targeting the specialized and the wellness mix. So, I remember a few quarters back when you had first announced the Metropolis 3.0 plan, you've said that we're going to build a B2C consumer led brand and we'll have organic footfall and reduce doctor dependency.

Now is that plan still the same? Because if it's going to be footfall-led, there will be a good chunk of routine mix that will also come through? So, are we not targeting that segment now or are we -- like if you could just give some clarity on that aspect?

**Ameera Shah:**

No, thanks for the question. I'm happy to provide clarity. See, Metropolis 3.0 is a combination of multiple strategies. It is not a single strategy. Metropolis has always been a company which has gone to specialist doctors as well as top quality GPs and gotten recommendations for patients to walk into our centres from them, and that will continue. That is not going to change. But the second thing that we have added in Metropolis 3.0, which Metropolis did not do earlier, which is to try to go directly to the consumer and to acquire the consumer for chronic and for wellness testing directly.

See, for chronic testing, if you're a diabetic, you're a heart patient, you're a vitamin B deficient, you're anemic, etcetera, these are decisions you as the patient can make independently and for wellness, you can make independently. So, we go to the consumer directly to acquire these consumers for chronic and wellness.

But for anything more complicated than that in your life and you have an illness, you will depend on your doctor to make decisions for you. And therefore, we have to go to the doctor for getting more complicated illnesses and consumers to come to us. So, the strategy is twofold, to go to the consumer for routine and chronic and to go to the doctor for more critical cases of patients. I hope that clarifies things.

**Rishi Mody:**

Yes, that's good for me. Just 2 bookkeeping questions. So, I see your core business mix has grown by 11% while -- your focused areas have grown by 11%, while your Seeding has grown by 5%. But the chart on the left, on Slide 17, we see that the proportion of Seeding has increased compared to focused. So, I just wanted to know is there a typing error out there or is there some methodology change in calculation?

**Surendran Chemmenkotil:** No, So, Seeding has been growing lesser for us, for sure. As you can see that the 11% growth is coming in the Core market, 5% in Seeding and other markets because we are opening up new labs, so that is seeing a 22% growth.

**Rishi Mody:**

So -- but your Seeding mix has gone from 21% to 23%. So just trying to understand whether there's some methodology change or it's just a typing error?

**Surendran Chemmenkotil:** So that is basically to do with the NACO because NACO was coming in the other space and that basically was gone. So, we'll check back on this because your point is valid. That 21% is now moving to 23%. So let me just check back on this and come back to you, but it may have a NACO impact. But the point well taken and let us clarify it further.

**Rishi Mody:**

And secondly, Ameera, for the Seeding Cities, right, you've seen that focus has been growing ahead of Seeding for the last few years. So just trying to understand like what efforts are we taking to build up the Seeding to grow faster than Focused. Because ideally, if you're in a mature markets versus upcoming markets, the upcoming markets growth should ideally be higher. So just trying to understand what investments are we doing on the people and the infra side in the Seeding Cities too, build that growth faster than the Focused areas.

**Ameera Shah:** I think first, you've got to understand what we are building in each, right? So, if you see the focus markets are our B2C markets, primarily B2C markets, right, where we have continued to focus on B2C and we've been able to, through the doctor route and the D2C route, we've been able to generate a fair B2C percentage -- growth percentage. The Seeding Cities are usually ones where we have had more B2B, primarily B2B.

Now those markets, as we know, in the last many years have faced a fair amount of competition on the B2B side. And while the competition did not impact our customers directly too much on the head, our tail customers, which were the smaller customers, which were not as quality conscious. And we have some amount of those in the tail, but not a large amount, those started to churn a little bit.

So as competition intensity came in and as we started to see price and discounting sort of increasing, we saw the tail end of our customers starting to have a little churn, which has brought down the overall growth of B2B, specifically in the semi specialized segment, which happens to be in the Seeding Cities. So, what are -- we've actually created a new plan for B2B in the Seeding Cities, which is now in execution, and which has already shown us -- as Suren mentioned in his speech, we have seen a 9% increase in B2B in the quarter 1 of this year, which means that the plan seems to be working and is on better track.

My estimate is that this should look better for the rest of the year result. Suren, you want to add anything on that?

**Surendran Chemmenkotil:** No, I just wanted to reiterate that this definition of Focused, Seedings on Other Cities have been slightly older version now. That's why I mentioned that we are reviewing the Cities. Maybe next time when we talk about it, we'll have additional kind of Cities in the Focused Cities where we're going to put more emphasis on the B2C and some fresh investments in terms of stores, etcetera. And also, the Seeding Cities will also go for a revision. So, we are just working on these categories to further strengthen it, right?

**Rishi Mody:** Understood. And your B2B strategy...

**Moderator:** Sorry to interrupt you, Rishi.

**Rakesh Agarwal:** Sorry. I just clarify that there is a typo. Actually 23% and 18% will be interest change. So, there is a contribution of 18% from Seeding and 23% for others. Just to get it right.

**Moderator:** Next question is from then Anish Devra from Nomura.

**Anish Devra:** Firstly, I just wanted to understand whether there is an increasing trend of insourcing happening on the Government side. Like do you see that the Government has a tendency to -- rather than outsourcing to itself, and whether the profitability of the Government business is higher or lower than the normal core business. Just wanted your colour here?

**Ameera Shah:** See, B2G is an area as you know that we don't focus on much, and we have been very, very selective about what we pick up. Generally, we are not huge fans of the B2B business because

we find it's not in line with our sort of way of doing business in terms of the quality parameters, in terms of the compliances, in terms of all of that.

So, I think this is an area that we don't expect to focus on, frankly. And we find that the profitability of any business, whether B2C, B2B, B2G, all depends on your own underlying governance value quality that you apply to it. And frankly, in an industry like India where there is no minimum standard or regulatory context, it is up to each player to decide what kind of level of quality they apply to their own business.

So frankly, there are no 2 businesses you can find, unfortunately, which are comparable from an apple-to-apple basis and quality basis. So, each company will have their own practices. And really the reputation built on the back of doctors either recommending your brand or not? And that's how you know whether a company has got good quality business value.

**Anish Devra:**

And secondly, ma'am, on the seasonal weakness that the West region experiences in the first quarter of the fiscal, and the fact that it differs across regions in India. So, can you just give some broad -- high-level reasons as to why there is this difference in the seasonality across the regions in India? Like I think, the Northern region does not tend to be seasonally weaker in 1Q as compared to the Western region? So, any colour there, why -- and odd levels...

**Ameera Shah:**

See. There are two, three reasons that we are aware of unlike the others, but one thing which we certainly knows impact seasons is festivals. And festivals as we know in India are celebrated at different times in different states. So, festivals play a hugely important role. And each festival has elevated a certain amount.

For example, you will see Diwali is very large in North India as well as in Gujarat. And -- but you'll see, for example, something like Ganesh Chaturthi is very large in West, right, and Onam in Kerala, etcetera, etcetera. So, depending on festivals, you find a big impact. And the reason around that is because people's mindset is not so concerned around health care, people had to travel a lot, they're spending time with family.

The second thing that impacts is holidays. So, depending on where school holidays and children holidays are, people end up planning their travel. And doctors also, as human beings at the end of the day, would like to travel and take holidays. So usually, we find that when doctors are traveling, that's when we find that the business comes down. And in West India, the school holidays are usually in the first quarter, which is then doctor end up traveling and that changes things.

Third, obviously, thing that impacts this is weather. Weather is different in different parts of the country. The rains in Bombay, for example, may in some years create dengue, in some years it may not, depending on the kind of rain. In winters or where there is pollution in some markets will cause more illnesses in those quarters. So, these are the three broadly, I would say, that impact the seasonality across the country.

**Moderator:**

Next question is from Bino from Elara Capital.



- Bino:** Just a question on the lab addition. So, you had this target of adding 90 labs and 1,800 pick-up points. So, if I do the math from the time of original target setting, it adds up to around 215 labs by the end of FY '25 and maybe around 4,400 PUPs. Is that math right? And third, does it change with your new strategy of expanding newer geographic persons, etcetera, etcetera?
- Surendran Chemmenkotil:** Yes, I think we have not changed those numbers, right? In the 90:30 project that we started, we talked about adding 90 labs in 30 months, right? So that remains same and year on course. And same as the service centres we talked about it, right? So, by 2025, right, we will get 1,800 more service centres, that we've started off with and we are on course to deliver that.
- Yes. So, the 6,000 centres, if that's what the question? That is mentioned by Ameera, I think that goes beyond the 2025 time period, we've talked about it.
- Moderator:** Next question is from the line of Kapil Agarwal from Tara Capital.
- Kapil Agarwal:** I just see in your notes that there is an income tax notice under Section 147, 148, which I believe is income escaping assessment. So, can you please elaborate a bit on this part?
- Rakesh Agarwal:** Yes. So basically, you understand the whole -- certain process after search. This is a very normal procedure that after search, the income tax authorities sends 147, 148 to reopen the assessments done previously. They can open up to 10 years, that's the limit. And this is just a procedural thing which has happened with us. Without doing anything specific, they have opened the cases, and we'll comply with what is required and will provide all the details. So, this is just a procedural thing which has happened. And whatever development will happen in this, we will keep coming back and sharing that case.
- Kapil Agarwal:** Any amount that is being mentioned in the notice, or we have -- we need to carry a provision maybe in the current quarter?
- Rakesh Agarwal:** No, no, there is nothing. It is -- again, I'm retrieving that this is a procedural thing where we opened the previous assessment. Any search happens, it happens in 100% cases. So, there is nothing specific, and this is a procedural thing where they're opening the assessment of the previous years.
- Kapil Agarwal:** Okay. And lastly, what is the time limit for replying to this notice?
- Rakesh Agarwal:** Time limit for?
- Kapil Agarwal:** Time limit for replying to the notice?
- Rakesh Agarwal:** No. So basically, when they open, then we just -- there is nothing we have to do about it. So, we said, okay and now they will have -- reopened the assessment and they will have some specific queries and questions on those assessments, and then we will go and reply to them. So, this is just a notice that they are opening our cases, and they will scrutinize the earlier assessment done with all numbers. And if there is anything which they feel they want to get information on, then they will come back to us.

So, this is not nothing to do with us. They are just informing us that they are reopening the assessment and they will come back on any query questions regarding any for reassessment.

**Moderator:** Next question is from Aniket Kulkarni from BMSPL Capital.

**Aniket Kulkarni:** I had a question regarding to the overall industry perspective. So, I just wanted to get a sense on how is the diagnostic industry currently covered in insurance schemes. And if -- and how will the insurance coverage and future escalations evolve in this industry as in -- it can help us to solve the issue of under penetration and take market share from the unorganized sector? So, if you can give some colour on this.

**Ameera Shah:** So currently, if you see the connection between insurance and diagnostics happens mostly when people are buying insurance at a pre policy level, or in some cases, at a post policy level. At this point, diagnostics is only covered by insurance when you are hospitalized, not when you are outside hospitalization. There are some insurance policies, which are covering OPD care, but it is a very small, small number and not have taken any significance of scale.

The direction we do believe the industry will move in, in years to come will be where insurance policies do cover out of hospital, what is called as OPD care. And this will land up increasing the volume of testing quite significantly. And like you rightly said, will move more unorganized to organized.

Having said that, we do not have a timeline on when this is expected to happen. But if you look at other countries and the direction they've gone, this is a no-brainer. And this will not only increase the volume of patients but will also increase the volume of tests per sample because that's what we've seen happening in most of the countries.

**Moderator:** Next question is from Rushabh Shah from KR Choksey.

**Rushabh Shah:** I have a couple of questions. So, in the introduction, you said you -- your target is to get 25% of the revenues on the Wellness segment. So, don't you think, the Wellness segment is kind of an expensive test, and where few category of people in India are able to afford that test? So, what are the views on that?

**Surendran Chemmenkotil:** Sorry, I didn't get that clear.

**Rushabh Shah:** I was asking you all, you said in the introduction of 25% of the revenues will come from the Wellness test going forward. But don't you think Wellness test is kind of an expensive test, which only few category of people are able to do it in India. So, what are your views on that? Don't you think that's an over estimation of tests if you want to do?

**Surendran Chemmenkotil:** This is a plan for the next -- see if you look at it on a year-on-year basis, we have enhanced our Wellness portfolio from where it was last year versus now at this point of time. What you're able to see is that once we're able to get a customer doing their full health check, then we're able to follow up with a -- at a periodic level and get them back doing the tests with us again.

And also, some of the customers walking up to our centres for the normal illness related test, we're able to upsell them the entire Wellness package. So, I mean, it's basically a combination of both where we are able to move up the revenue from Wellness. So, I mean, earlier this used to happen in the few cities. Now, we're able to see that even the Tier 2, Tier 3 cities. We're also able to do some of these movement through the -- even the B2B partners as well.

So overall, the portfolio is growing and the customer also getting increasingly aware about getting the regular health check done. So that's the reason we have -- believing that this portfolio will go up to 25%. And with more and more centres getting opened, you get an opportunity for the consumers to come, walk in and we get an opportunity to interact with them, and we'll be able to grow this particular portfolio. So that's where the confidence is coming from.

**Rushabh Shah:** Okay. My next question is what steps are you taking to expand Metropolis in the North side where the competition is very strong. How will you penetrate that India?

**Surendran Chemmenkotil:** So, I think in my earlier speech also, I mentioned, and if you look at it, the new labs, the large portion of the new labs that we have opened, and we're opening up is in the North and East where we wanted to further expand our footprint. And of course, that doesn't mean that in the South and West, we really don't add -- we will increase the debt in South and West and where we will increase the width as well as North and East is concerned.

So, we are picking up to start with strategic markets and then we are going and opening up the labs and then supplemented by adding more collection tenders and B2B clients, etcetera. So, we have -- North definitely is an opportunity market for us, and we have our plans ready for North in the coming quarters.

**Moderator:** Due to time constraints, we'll take the last question from the line of Saurabh Kapadia from Sundaram Mutual Fund.

**Saurabh Kapadia:** Sir, if you can talk about what is the percentage of revenue coming in Wellness from the focus cities? And how has the growth been in this is in the Wellness segment?

**Ameera Shah:** Majority of the Wellness revenues, remember when we are calling it Wellness, actually, the product is -- could be Wellness or it could be Bundling. So, this could be a patient walking in for 3, 4 tests for illness and has been saying that, look, I would prefer a larger variety of tests because I'm giving my blood. So, it could be a Bundled package, or it could be Wellness in particular. So, it could be either of them. So, this mostly we are finding is coming from the focus cities. But also, we are now beginning to see an increase from Wellness coming from smaller markets.

**Saurabh Kapadia:** Okay. Has the discount gone up in the Wellness segment for you?

**Ameera Shah:** Not really. I think it's about the same. I think depending on -- see, we are focused -- if we are in the core -- focus cities, the price for package is the same. But as we are entering into small markets -- smaller markets, the prices are obviously lower. Now it doesn't mean that the discount has increased, but the product itself is different. The product is lesser tests and therefore, lesser price.

Because we find that the entry point for smaller markets maybe a little bit different than they would be for metro market. So that's why overall, we may find that the RPT for Wellness is marginally gone down, but it's not because of increased discounting, it's more because of product mix.

**Moderator:** Thank you very much. I now hand the conference over to the management for closing comments.

**Ameera Shah:** Thank you, everybody, for joining us and discussing with us today. As we mentioned, we feel very positive about this year. As we have shown that we have had a volume-based growth and we've been firm to be able to generate those kind of volumes even in the lowest quarter of the year, we firmly believe that quarter 2 and quarter 4 will continue to be the strongest quarter for the year from the revenue and the profitability perspective.

And we sort of stand by our comments and our commitment to get to sort of a similar margin profile as we were at last year, over the course of the year. Having said that, there will be seasonality, and therefore, every quarter will not be exactly the same.

We believe that overall, the next 3-year journey at Metropolis is going to be a really exciting one with not only our Core strengthening. We are very focused and clear on where we need to go in terms of the current business. And the opportunity we really see for Metropolis is expanding to a large number of cities with distribution all across the country, and continuing to build, as we said, strong B2C-led growth. But we also see opportunity in the adjacencies in health services and like we said in the bolt-on acquisitions.

So, I think as a management team, we are very focused and clear on where we need to go. And we are just at this point, just maintaining the execution rigour to achieve operational excellence as well as the numbers that we have committed to ourselves as well as to our shareholders.

So, I look forward to engaging with all of you on this journey in the next quarter, and of course, in the middle with those of you who we'll end up chatting with. Thanks so much.

**Moderator:** Thank you very much. On behalf of Nuvama Wealth Management, that concludes this conference. Thank you for joining us. You may now disconnect your lines. Thank you.