

July 27, 2024

The National Stock Exchange of India Limited
Exchange Plaza,
Bandra Kurla Complex,
Bandra (E), Mumbai - 400 051
(**SYMBOL: THYROCARE**)

BSE Limited
Phiroze Jeejeeboy Towers
Dalal Street,
Mumbai- 400 001
(**SCRIP CODE 539871**)

Dear Sir/Madam,

Sub: Transcript of post results earnings conference call held on July 23, 2024 with Analysts / Investors.

Ref: Disclosure under Regulation 30 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“Listing Regulations”)

Pursuant to Regulation 30(6) and 46(2) read with Part A of Schedule III of the Listing Regulations, please find enclosed herewith the transcript of the earnings conference call with Analysts and Investors held on July 23, 2024.

The same has also been made available on the website of the Company (www.thyrocare.com).

This is for your information and records.

Yours Faithfully,

For **Thyrocare Technologies Limited**,

Ramjee Dorai
Company Secretary and Compliance Officer

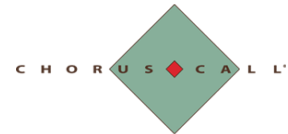
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Tests you can trust

“Thyrocare Technologies Limited
Q1 FY '25 Earnings Conference Call”

July 23, 2024



**MANAGEMENT: MR. RAHUL GUHA – MANAGING DIRECTOR AND
CHIEF EXECUTIVE OFFICER – THYROCARE
TECHNOLOGIES LIMITED
MR. ALOK KUMAR JAGNANI – CHIEF FINANCIAL
OFFICER – THYROCARE TECHNOLOGIES LIMITED
MR. NITIN CHUGH – CHIEF COMMERCIAL OFFICER –
THYROCARE TECHNOLOGIES LIMITED
MR. KAPIL GUPTA – MANAGER, STRATEGY AND
INVESTOR RELATIONS – THYROCARE TECHNOLOGIES
LIMITED**

Moderator: Ladies and gentlemen, good day, and welcome to Thyrocare Technologies Limited Earnings Conference Call. 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. Kapil Gupta from Thyrocare Technologies Limited. Thank you, and over to you.

Kapil Gupta: Yes. So thank you, Yashashree. A very good evening to all and thank you for joining us today for the Thyrocare Earnings Conference Call for the first quarter FY' 25. Today, we have with us Mr. Rahul Guha, MD and CEO of Thyrocare; Mr. Alok Jagnani, CFO of Thyrocare; and Mr. Nitin Chugh, Chief Commercial Officer of Thyrocare, along with other key members of the senior management on this call, to share highlights of the business and financials for the quarter.

I hope you have gone through our results and the quarterly Earning Presentation, which has now been uploaded on the Stock Exchange website. The transcript of this call will be available in a week's time on the company's website.

Please note that today's discussion may be forward-looking in nature and must be viewed in relation to the risk pertaining to our business. After the end of this call, in case of any further questions, please feel free to reach out to the Investor Relations team.

I now hand over the call to Mr. Rahul Guha to make the opening remarks.

Rahul Guha: Thanks, Kapil. Good evening, and welcome to all on the call. Thank you for making time out from your busy schedules to join us this evening. Just a quick introduction to us on the call. My name is Rahul Guha and I'm the MD and CEO of Thyrocare and thank you for the opportunity to present the Q1 results of FY '25. I'm joined with my colleague, Alok Kumar Jagnani, who is our CFO; Nitin Chugh, who is our Chief Commercial Officer; and Kapil, who did the introductions.

As in all my calls, I will start with the quote from Nelson Mandela in recognition of our foray into Africa. It is in your hands to make a better world for all who live in it. And we believe Thyrocare can bring our business model to Africa to make affordable and good quality diagnostics to all.

I'll give you some of the key highlights of what we've been up to in the last quarter. Before we get into the details of this quarter, I'll reiterate the pay-for-performance pricing structure that we implemented last year. Last year, our discount structure was one-size-fits-all, but now we have moved to a slab-based pricing model, which we implemented in May 2023, and it's now been a year and has been well accepted by our franchisee network. This has led to an increased energy with our franchisee network with motivation to move up volumes and enter higher slabs. It will result in a movement towards larger franchisees and enable much greater reach from our large partners.

Quality remains a priority for us. It is an ongoing journey, and we are proud to announce that 25 out of our 30 NABL labs are now NABL accredited. Currently, 94% of our total sample load is processed in NABL Labs, a significant achievement considering only 2% of pathology labs nationwide hold this accreditation.

To validate our commitment to quality, we conducted an independent study, published in the International Journal of Advanced Research Ideas and Innovations and Technology. The findings revealed that 9 out of 10 doctors trust Thyrocare reports and confidently recommend our services to their patients. This endorsement underscores the dedication and effort we've invested in maintaining high-quality standards.

On the quality front, this quarter, we have reduced our complaints per million samples by 70% against last year. We hosted an advisory board meeting in June 2024, with the panel of esteemed doctors to gain insights on enhancing our quality milestones. Doctors witnessed our cutting-edge technologies and stringent protocols, reinforcing our commitment to diagnostic excellence.

Beyond the work on quality, we continue to selectively expand our offering. Aarogyam has been our flagship brand in the preventive health care segment. And now we have two more brands, Jaanch and Her Check. Jaanch, as I have said before, is targeted towards lifestyle challenges for you to better understand your health. We have solutions across the spectrum for anything you might be worried about. Is it fever or something more serious? Why is my hair falling? Cancer screening, as well as deep investigations for common chronic diseases like diabetes, heart health, amongst others.

We are doing well on Jaanch, which has grown 25% year-on-year. We are very proud of some of the key milestones that we have achieved in this quarter. We have 8,100 active franchisees. As a result, we processed 6 million samples and served 4 million patients in this quarter, which is 13% and 9% year-on-year growth, respectively, in volume.

Total tests conducted during this quarter was around 41 million, which grew by 13% year-on-year. I'm happy to share that we have entered into a business transfer agreement on 2nd July to acquire Polo Labs Private Limited. Polo Labs is a pathology diagnostic company based out of Punjab with a wide presence in Punjab, Haryana and Himachal Pradesh. This will allow us to expand our footprint in North India, where we have been weak. This transaction is expected to close by the end of this month.

Partnerships business did phenomenally well in the quarter and grew as we onboarded new clients in Health Tech segments and continue to grow our existing accounts. Also, with the acquisition of Think Health last year, it has strengthened our offering for the insurance segment with the additional capability of ECG at home. This allows us to give our insurance partners a one-stop solution for blood and ECG testing and further deepen our presence in the pre policy medical checkup and annual health checkup market.

And now we are the company which offers health checks with ECG at home. And I'm sure that will enhance our Aarogyam brand. On the B2G side, we continue to execute TB projects in the

state of Gujarat and Maharashtra. On the international expansion side, our lab is now set up in Tanzania, and we are going out in the market in full swing.

With that, I will hand over to my colleague, Nitin, to cover the highlights for the quarterly performance.

Nitin Chugh:

Thank you, Rahul. A warm welcome to each one of you. I will briefly update you about the business performance highlights for the first quarter of FY '25. Overall, at a consolidated level, we did a 16% year-on-year revenue growth this quarter, which was primarily driven by our Pathology business. Our Franchise business showed a revenue growth of 11% year-on-year. We have started focusing towards opening up smaller labs in partnerships and focusing more on franchise store fronts, which will lead to a higher processing capabilities and ultimately leading to higher franchise business growth in coming quarters.

Our Partnership business, like Rahul said, grew by 29% year-on-year. And if we exclude API and B2G, it showed a phenomenal growth of 41%. Radiology business, including Pulse Hitech did a strong revenue growth of 15% year-on-year balance.

With that, I will hand over to my colleague, Alok to cover the financial results.

Alok Jagnani:

Thank you, Nitin. A warm welcome to everyone joining us today. Before diving into the specifics, I would like to touch upon the ESOP program, which we have discussed in previous quarters. This initiative implemented at group level aim to retain the talent within Thyrocare. These ESOPs issued by the parent company will best accept the policy.

From an accounting perspective, they are reflected as an expense in the profit and loss account and as an equity contribution from the parent in the balance sheet. It's crucial to note that, this represents a cashless charge and does not affect company's cash outflow. Accordingly, we calculate normalized EBITDA, which accounts for these expenses. Further details are available in presentation.

Now moving to the financial performance. Revenue for the quarter stood at INR144 crores stand-alone and INR157 crores consolidated, making a year-on-year improvement of 16% at consolidated levels. This growth was supported by strong partnership revenue, grew by 29%, franchisee growth of 12%. Total Pathology revenue increased by 16% year-on-year and Radiology revenue increased by 15%.

Our stand-alone gross margin for the quarter stood at 70%, which reduced by 1 percentage point, primarily driven by increase of material cost and foreign exchange fluctuations. Employee expenses increased year-on-year due to annual increments, addition to the growth picking and new business acquisitions. Stand-alone nonlife EBITDA margin for the quarter stood at 31%, which is lower by 1 percentage point, primarily due to the decrease in gross margin and increase in marketing and overhead costs.

EBITDA margin in Radiology stood at 8% versus 11% -- 12% year-on-year, mainly due to the increase in operational costs and change in revenue mix between scan and FDG sales. At a consolidated level, gross margin was 71% and normalized EBITDA was 29%. Reported

EBITDA for the company grew by 21% year-on-year. PAT showed a growth -- strong growth of 35% year-on-year.

Now with this, I will pass the call to Rahul for strategy coverage.

Rahul Guha:

Thank you, Alok. Briefly, I would like to take a few minutes to recap to you our strategic direction, and then we'll open it up for Q&A. First, I will reiterate our value proposition to the customer. We will continue to remain an affordable option to all patients with good quality and on-time reports. All our efforts on our value proposition is towards ensuring low cost to the patient, assurance on quality of testing through our certifications and engagement with doctors.

We have made substantial progress on this, which I updated in my initial comments and is reflected in the presentation. This will remain at our core and will continue to guide all that we do. Second, our strategy. We continue to maintain our strategy of being the B2B partner of choice to all front-end diagnostic services companies in India, whether it's a small diagnostic center in a semi-urban area, a pharmacy in a metro, a small nursing home, an individual doctor or a leading online diagnostic platform.

We are happy to work with them to provide low-cost, robust testing solutions so that they can serve their patients in the most effective manner. If they require phlebotomy, we are happy to mobilize our phlebotomy network of almost 1,300 phlebotomists to serve them better. We remain dedicated to expanding our business. And with the acquisition of Polo Labs, we plan to significantly increase our presence in North India.

Additionally, to further boost our Partnerships business, the acquisition of Think Health allows us to offer ECG at home services, further enhancing our value to our insurance partners. This strategy has been working well for us, with both our Franchise and Partnerships business posting strong growth. In order to provide affordable and superior quality services to our customers, we are committed to 3 pillars of growth.

The first is our customer success. The focus is to ensure that our customers receive accurate, timely and affordable diagnostic services. We emphasize on quality control, robust data management and customer support to meet and exceed client expectations. Through streamlined processes and advanced technology, we aim to enhance the overall customer experience and satisfaction. We invest in technology to help our franchise partners market themselves better and win in the market.

The second is network expansion. We aim to take our Franchise business deeper into India, with a focused test menu and provide our clients with a frictionless experience to transact with us. At the same time, expanding our growing private and public partnerships. In the public space, we focus on TB, an infectious disease, where we are by far one of the strongest players in these segments with large screening programs, partnering with health bodies and funding agency.

Additionally, we will continue to expand our partnerships across health care companies, hospitals and other health services companies. The third area where we are now focusing is to enhance our menu expansion. We're introducing a diverse range of new tests and health

packages to our partners, which includes adding more specialized and high demand tests to cater to a broader customer base. We aim to actively promote these high-value offerings to ensure they're well integrated into our partner services.

For example, we have now launched histopathology in-house in our Delhi lab and offer histopathology services now to our customers, provided in-house by Thyrocare. Additionally, by leveraging targeted marketing strategies, we will push for increased adoption of premium health packages, maximizing value for both our partners and end customers. That in a brief is our mandate as management.

Thank you so much for giving us a patient hearing. I'll once again end with the quote from the Mahatma, Find purpose, the means will follow. And our purpose remains to provide affordable, high-quality testing to the masses. With that, we'll open up for Q&A.

Moderator: Thank you very much. We will now begin the question-and-answer session. We have our first question from the line of Shubh from RatnaTraya Capital. Please go ahead.

Shubh: Sir, I have two questions for now. First is more on the accounting side. What is a quarterly cadence of depreciation, it was around INR13 crores in the last two quarters, this quarter depreciation has reduced?

Rahul Guha: Okay? And your second question?

Shubh: Yes. And the second question is on the partnership front. Again, what would be like INR40 crores, INR42 crores the normal cadence of partnership revenues on a quarterly basis?

Rahul Guha: Sorry, I didn't understand the second question. You said INR42 crores of partnerships? Can you please repeat your question?

Shubh: Yes, sir. So this quarter, we have considerably higher growth in partnerships revenue. What -- how do you see it going forward?

Rahul Guha: Okay. Understood. So maybe I'll answer the first -- second question, and then I'll hand over to Alok to answer the depreciation question. On the partnerships, and I'll let Nitin add, at the high level, a lot of the partnerships got added in the second half of last year. So if you look at our jump, we actually saw a big jump between Q3 and Q4, and that jump continues to sustain.

The second part is API is now back on the growth path. So that is also giving a boost to our partnership business, and we expect this trajectory to continue. Nitin, do you want to add anything?

Nitin Chugh: No, no. So we have some strong pipeline on the partnership front, and we see that this business will continue to grow strong to a delta to even our Franchise business. So this will grow our upwards of high teen growth in the coming quarters as well on the back of good revenues -- upgrowing revenues from API, from also Corporate and Insurance business also we see a lot of potential.

Shubh: Understood. Just a follow-up on this, if you can share the contribution of API this quarter?

Rahul Guha: API has done roughly 8% growth. I think it's INR13 crores of revenue is what it would have done. On the depreciation piece, you ask questions. So answering to that, if you see compared to previous quarter, we have an increase in -- we have dip in INR1.6 crores in depreciation cost because in Quarter 4, we have taken onetime depreciation cost of delayed depreciation has happened for Pulse entity. That is normalized. So if we exclude that INR1 crore, it's going to be normalized depreciation.

Shubh: And it was around 13 quarters in Quarter 3 of FY '24 as well. So it's the same reason?

Rahul Guha: No. So in Quarter 3, we have done lots of capitalizations, if you remember, there are lots of infrastructure developments and all has happened and all the capitalization happened in September, October. And because of that, the 3 months capitalization, it has come in for September July-August in the month of Quarter 3 for Thyrocare. INR46 crores of capitalization we have done during that period of time.

Shubh: So going forward, INR11 crores to INR12 crores per quarter is...

Rahul Guha: It's going to be between INR11 crores to INR12 crores, subject to further business expansion, what's going to come in pipeline.

Moderator: We have a next question from the line of Prakash Kapadia from Spark PMS. Please go ahead.

Prakash Kapadia: If I look at Pathology revenues, they are up around 16%. So last year, we had a low base. So -- has that helped? And if I were to look at Pathology revenues, they're flat sequentially. So how do we read this? Is there a seasonality in Pathology revenues?

Rahul Guha: Yes. Maybe I'll take both questions. I'll take the second one first and then the -- see, the business is seasonal. Actually, if you go in the past, sequential between Q4 tends to be the best quarter in our business. And actually, normally, we see a mild dip in Q1. So a sequential growth is actually quite welcomed from that point of view because as you might be knowing, in Feb and March, a lot of people do the annual health checkup because of the tax benefit that you get against that.

So we do see Q4 tends to be quite strong and Q2 also tends to be very strong because we get into the fever season and the monsoon and all of that. Q1 is normally quite a dull quarter. Actually, we normally see a mild dip in Q1, which we haven't seen.

Now coming to the second question, year-on-year, actually, if you look at our non-COVID business, right, that has been growing at a CAGR of, I think, roughly 18%, 19%. So I wouldn't say last year was a low base from a non-COVID side. Every year, our non-COVID business has been growing between the high teens and in the 20% range. So I would not contend that it's a low base. So growing on top of that at 16% is actually quite good in my opinion.

Prakash Kapadia: Okay. Understood. And if I look at the Franchisee revenues, I think they are up around 11%. Last quarter, you did mention the contribution of larger franchisees has been increasing. So could you give us some sense on the growth and contribution from larger franchisees, what are the factors which could drive Pathology revenues from here on? Obviously, you mentioned

about the Partnership revenues, which have grown quite healthy. So would Franchisee and Partnership be in this range? What are we looking at for further growth for Pathology?

Rahul Guha:

Yes. So, let me answer the first question, and then I'll come to the second question. So if you look, we bifurcate our 8,100 roughly franchisees into large and small; roughly about 3,500 are large today and about 4,500 are small. If I go back last year, the equivalent would be roughly 2,900 and 4,600. So we've added actually roughly about 600 large franchisees year-on-year, right? Whereas our small franchisees have stayed more or less stable. So the mix of large to small has moved quite substantially over the year, and that is what is actually driving our growth.

And on the second question in terms of -- we don't -- we try to avoid giving guidance. I will say, though, that our Franchisee business will be range bound in the low double digits to mid-teens. And I expect our Partnership business to grow faster than that.

We may not be able to maintain the 29% that you are seeing. But I definitely feel our Partnership business will grow faster than our Franchisee business. And our Franchisee business is picking up. So I expect it will remain in that, I would say, low double digit to mid-teens with Partnerships growing faster.

Prakash Kapadia:

And this Partnership -- Sorry, you were saying something.

Rahul Guha:

No, no, I was asking Nitin, if you would like to add but you can go to your next question.

Prakash Kapadia:

Yes, the Partnership business, you mentioned will grow slightly faster. So is it some of the new products or customized products, which certain partners are looking at or certain geographies where there is some new launches. So what is going to drive that?

Rahul Guha:

Understood. There, I'll have to take you a little bit into the history, okay? If you go back in the past, Partnerships was never a large business for us as Thyrocare. And over the last couple of years, a lot of health tech players have come in, where we had not tapped into that potential.

The other is actually multiple insurance players control a large amount of volume because they all do pre policy medical checkup and they also give an annual health checkup to the policyholders. So there's significant volume that sits with the insurance companies where we have not been present, right?

And so therefore, just focus on these 2 segments, Health Tech players or health player -- players who are in the health services space, which includes hospitals, clinics, many of these larger chains, plus focus on the Insurance segment is what has been yielding us dividends. We have been actually -- we were almost practically hardly anything in these segments. And with putting in place the Partnership team and dedicated key account managers and all of that is actually what you're seeing yielding the dividends now.

Moderator:

We have our next question from the line of Bino Pathiparampil from Elara Capital.

- Bino Pathiparampil:** Just a further clarification on this EBITDA margin that has come off by 100 basis points Y-o-Y. I believe you attributed a bit to the increase in material costs. Is that the only reason? And what is the outlook going forward? Is it going to be a bit less than what you earlier expected?
- Rahul Guha:** Alok, I'll let you take that.
- Alok Jagnani:** So this is -- for EBITDA margin, there is a dip of 1% percent but...
- Management:** Gross margin.
- Alok Jagnani:** So I've given EBITDA margin, 1% dip has come. If you compare year-on-year, mainly come from material cost that is one of the reasons. And some cost has increased on account of other expenses also like volume -- because of the volume increase, other costs has gone up by 13%, in terms of phlebo and LME cost has gone up.
- Some marketing spends, what we have to start spending from last Q2 onwards, has in the same line or some increase has seen there? And employee cost has also gone up on account of increments and business expansion. So these are the major 3 reasons; if we consolidate all then 1% margin dip has come in EBITDA. And for the subsequent quarters, we are expecting it's going to be between 25% to 30% that is the target which we are looking for.
- Bino Pathiparampil:** Sorry, did I hear between 29% and 30%?
- Alok Jagnani:** Between 25% to 30%, it's going to be between 27% to 30%.
- Moderator:** We have our next question from the line of Laxmi Narayanan from Tunga Investments.
- Laxmi Narayanan:** I have three questions. First is the stock options, which are being allocated. This is all Thyrocare's share, right? That's my first question. Second question is that if you look at the employee count, if you look at it on a long-term basis, let's say 2019, we had around close to 1,200. I think now the employee base is around 1,700 or so or even more. Just want to understand how do you look at this equation between employee cost to the overall revenues?
- Is it that the employee cost as a percentage will change over a period of time? That's the second question. And the third question is related to the total capital outlay for non-Indian operation. How much is the total plan? And how much we have done so far? Three questions.
- Rahul Guha:** Okay. On the first one, these are ESOPs granted from the parent. So these are actually API ESOPs that are granted to Thyrocare employees and recorded in the P&L. So there is actually no cash impact and no share dilution at a Thyrocare level. It's mostly at the parent level. Does that explain that?
- Laxmi Narayanan:** So how it looks at the parent's balance sheet? I'm just trying -- curious to understand how...
- Rahul Guha:** The same is reflected in our P&L as a charge and whereas in the balance sheet, it's contribution from parents as soon as in our balance sheet.
- Management:** And in the parent balance sheet, it is basically share-based payment to the subsidy.

- Laxmi Narayanan:** Got it. And why not Thyrocare shares itself?
- Rahul Guha:** The pool that, when we wanted to create a sufficiently large pool, the pool available at Thyrocare was not large enough to appropriately incentivize the leadership team here. And if you go for additional pool, then it is go for dilution of sales, which you don't want at this point of time as an impact.
- So that was your first question. Second is employee count. See, the employee count largely is because if you go back to 2019, I think we had 10 labs. Today, we have 30 labs and that is largely the increase in employee cost, running 10 labs versus 30 labs. And the second is we have put a lot of investment in feet on street and outbound calling. So that is the other.
- But if I break up that journey from 1,200 to 1,900, I would say almost 80% of that will be largely because of the number of labs that we have opened and the remaining will be in business development and all of that.
- Laxmi Narayanan:** Got it. And when do you think the utilization of those will go up so that we have an operating leverage? Is it like are we 10%, 20% utilized of the incremental head count? What is the normalized employee cost or something which we can actually expect?
- Rahul Guha:** Look, our labs -- actually, we are now reasonably efficient from a lab point of view. I think our overall utilization will be in the 60s, which is a good comfortable position to be because we have -- this business is seasonal plus seasonal in the week as well. So the peak versus trough is quite substantial, both at weekly level as well as monthly and quarterly levels.
- So I think 60% to 70% utilization is a good place to be. If you see over the last couple of years, last year to this year, we haven't added much headcount, at least in lab operations. So you should start to see the operating leverage come in, especially now that we are growing at 16% plus, then you get -- if you go back to previous years, at an overall revenue level, it was -- while we were growing on non-COVID basis, at the overall revenue level, we were not growing.
- Laxmi Narayanan:** Got it. So we can take around 200 employees per year, it would be an increase to support a 15% growth in the top line?
- Rahul Guha:** I think as a percentage, you should roughly expect the employee cost to track 0.75 of the revenue. If your revenue is growing 16%, you can anticipate employee cost to grow 12%.
- Laxmi Narayanan:** Got it. Okay. Fair enough. Yes. And the third is regarding African.
- Rahul Guha:** So Africa, I think we have spent INR8 crores. We spent INR8 crores. And as of now, we have no plan. Further plan is going to come depending upon how the outcomes are going to come.
- Alok Jagnani:** Yes. So, at this point, our capital outlay in Tanzania is actually not even INR8 crores because half is INR4 crores from us and INR4 crores from the partner.
- Rahul Guha:** So yes, it's actually a total of INR4 crores.

- Management:** Provision of INR4 crores upon further expansion.
- Laxmi Narayanan:** Just one last question from a rent point of view, what is the annual rent expenses you have for all the 30 labs approximately?
- Rahul Guha:** I don't think I have that number on hand. Maybe Alok will look at it and come back. Maybe we go to the next question, I'll interrupt the call at some point and give you that number. Rent is around INR60 lakh to INR70 lakh, we are spending monthly. This is for all 30 labs.
- Moderator:** Should we take the next question, sir?
- Rahul Guha:** Yes, please.
- Moderator:** We have a question from Niraj Vijay Kamtekar from ProsperoTree.
- Niraj Kamtekar:** Sir, my question is regarding the subsidiary company. That is the Radiology business. Sir, we have a meaningful investment in the Radiology business but the contribution is very less or hardly there is any contribution at the bottom line level. When this business will really contribute to the balancing up to the bottom line?
- Because only the Pathology business is performing, Radiology business is not performing. We have increased the number of centers from 9 to 10, but there is a very hardly there is a revenue improvement and the profit is very negligible. So my question is -- first question is regarding the Radiology business improvement.
- Rahul Guha:** So again, I'll take you to the history before I answer that question. NHL used to be a loss-making entity. At least now it is no longer loss-making and not negative in the P&L. That has taken us about a journey of almost 2 years to turn around this business. Now that it is profitable, yes, I agree with you. It is not generating a lot of profit.
- Primary reason of that is because the maintenance cost of the equipment has gone up substantially because the equipment is very, very old. So we would have to invest substantially in this business, if we are to expect this to come into a meaningful contribution overall. As it is currently, I don't expect the business to do -- I mean we can take the business up a little bit, INR1 crore EBITDA may become INR2 crores. But in the INR45 crores, INR50 crores that we are targeting, it will not be meaningful.
- But if we are going to make this a meaningful business, we are going to have to invest substantially. And for that, we are making the plan now that at least the business is not loss-making, we are now more confident to evaluate investments there, but the investments will be substantial. So therefore, we have not taken that decision at this point.
- I would not bank very much on the Radiology business becoming a substantial contributor of the profits.
- Niraj Kamtekar:** Because my question is the when the -- originally, the PharmEasy has taken over the business of the Thyrocare, there was a substantial investment earlier also. Now we are putting more money into the Radiology business, which is not generating the desirable IRR from that

business. why we are interesting on the Radiology business and why we are not concentrating only on the Pathology business?

Rahul Guha: No, no. So let me clarify. We have not taken any decision to invest in the Radiology business. We are currently happy with where it is just now. It is not loss-making. It adds and it is not cash flow negative. So with that, we are happy with where the business is now. All our focus is on the Pathology business, which hopefully you are also seeing in the figures. We will continue to maintain the Radiology business. But rest assured, not a lot of management bandwidth is going behind the Radiology business.

Niraj Kamtekar: So now onwards, there will be no major capex for the Radiology business. Is it correct?

Rahul Guha: It is not anticipated. If we have it, we will, of course, first consult with the Board and make a thorough plan. But as of now, there are no plans to substantially invest capex in the Radiology business.

Niraj Kamtekar: Okay. And sir, my second question is regarding the cash flow. Though the company is distributing the very good amount of the dividend. But when we declared and we paid the dividend, we have to encash some investment which we made in the mutual fund or somewhere else. So is there a -- can we curtail the dividend and maintain the investment for the future possibility of investment, other investment in the business investment? Or will we maintain such high dividend every year?

So because in the first half, mostly we divested some investment and paid the dividend out of that money. So can we have a minimum amount of dividend and keep the investment for the business purpose, is it possible?

Rahul Guha: That is always possible. But right now, we are generating a healthy amount of cash flow. Even in the first quarter, our cash generation will be, I think, close to INR40 crores. So we generate INR150 crores, INR175 crores in that range of cash every year. We don't require that much cash. We are almost negative working capital business to some extent. So our cash requirements even to grow the business are not substantial. Then we feel it's better to reward our shareholders with a good dividend rather than keeping the cash in our treasury.

Niraj Kamtekar: But, then can we...

Moderator: Mr. Kamtekar, I request you to join back the queue, please.

Niraj Kamtekar: But my question is not over, madam. I will join in the queue, but my question is not over.

Rahul Guha: Please take this question, no problem. Please continue, please ask question, sir.

Moderator: Sir, I believe his line got disconnected. I'll take the next question. This is from the line of Aditya from Securities Investment Management.

Aditya: Sir, firstly, how do you define a large and a small franchisee. So is there any regular target set for a franchisee to become large or small?

Rahul Guha: Yes. So at Thyrocare billing levels, a large franchisee is, I think, INR50,000 plus and small franchisees is someone who does less than INR50,000 at Thyrocare billing, which just to give you context, while the thyroid MRP is in the range of INR300 to INR350, our billing to the franchisee is roughly about INR60, INR60 to INR70 you can take it. So when I say it is at Thyrocare billing, it is a multiple at the franchisee level, but that's the definition. More than INR50,000 less than INR50,000.

Aditya: Understood, sir. This Franchisee business, who would be our major competitors? Would it be the larger listed players only or there are smaller players as well?

Rahul Guha: It's -- there are competition. I'll let Nitin take this question.

Nitin Chugh: So see, the competition is also very, very area specific. The competition comes from both sides. Large established players like Metropolis and Lal and in certain areas, there are a lot of local players as well, which are very, very region-specific.

Aditya: But if I have to understand the kind of volumes which the larger players would be doing, the cost -- the cost advantage, which we would have, those cost advantage the smaller player shouldn't have. So ideally the larger players should keep gaining share in this market, right?

Rahul Guha: Yes. I think both in terms of share and profitability. If you study the larger players versus the smaller players, you will see both from a growth rate point of view as well as from a profitability point of view, the larger players, which are listed stand out. And if you study any of the unlisted, you will not see similar growth or profitability in many of those businesses.

Aditya: Understood, sir. And sir, now this Partnership business, excluding API and government, we have been seeing very good growth. So is this growth coming from new partners or there has been increasing contribution from existing partnerships?

Rahul Guha: I'll let Nitin answer.

Nitin Chugh: So it's a mixture of both. Like Rahul said, see a couple of years back, the partnership business was negligible. And like if you see last year also, we added major partnerships during the quarter 1 and quarter 2 of last year, which are giving us the desired results this year as well. So it's on both sides, we are -- while we continue our efforts on adding new partners, but on the other side, for players like corporates and other insurance partners, we try to get in the more wallet share from there, either the PPMC business, a Prepolicy Medical health Checkup or annual health checkup business as well.

Rahul Guha: And just to underscore one point, with Thyrocare, actually, we are the best person for partnerships, whether you're an insurance player, a health tech player, or, let's say, a health clinic or a hospital chain because we are -- actually we have a complete company-owned phlebotomy fleet, and we have a full tech backend that has been built.

So today, with one single API business -- API integration, Thyrocare can enable you in 300 cities in the country. And that actually, as a proposition is leading us to win in the franchisee network -- sorry, in the Partnerships business because if you are a very large insurer, actually,

with one single API integration, you can start your entire prepolicy medical checkup and annual health checkup, across 300 cities with just one partner Thyrocare.

Aditya: So sir, is this business granular or the share of top 5, 10 partnerships would be contributing 70% to 80% of revenue?

Rahul Guha: Actually, there is a long tail in this business. But you're right, the top 5 will account for 50%, 60% of the revenue.

Aditya: Understood. And sir, if I look at the realization per test in Partnership business. So it has been constantly declining. So it was around INR345 in December '22 quarters and now it is around INR303. So what is the reason for the same?

Rahul Guha: Actually, that is realization per sample across the Partnerships business. What happens is we have been focusing a lot on upsell or, let's say, add-on tests at the patient's residence. So what happens is as tests get add on at the time of collection, an additional sample is used, but the realization of that sample is lower.

So that mix is what you're seeing playing out in the revenue per sample. So I mean, it's just adding on -- customers adding on tests that they want to add on during the time of collection, which typically, if our average collection will be about INR1,200, they're adding another INR200 to INR400 of test. So that is what is -- but that is an incremental revenue that comes at no additional cost. So that flows straight to the bottom line. But that is the effect you are seeing in the revenue per sample.

Aditya: Understood, sir. And sir, is there a difference in margins between our Franchisee business and our Partnership business at a gross or EBITDA level?

Rahul Guha: I'll let Nitin take it.

Nitin Chugh: No, so it's not like that. So even if our partnership business is increasing at, say, range of 29%, the EBITDA and the gross margin levels, they are fairly similar. So it will not dent our EBITDA margin. I think that's the question that if the Partnership business is growing at a faster rate than partnership, will there be an impact on EBITDA, then the answer is no.

Aditya: Understood. And sir, you mentioned that we have invested around INR8 crores in Tanzania. So if you could just provide a brief outlook. How do you see this business shaping up in the next 3 to 4 years? So can this business become 7% to 8% of revenue? If you can provide an outlook on Africa business, that would be helpful.

Rahul Guha: Just to clarify, it is INR4 crores from our side and INR4 crores from our partner side. The total investment is INR8 crores, but it's a 50-50 JV. So we've only put INR4 crores. It's too early to say. It's our first foray into the market. We are understanding a new geography, it's the first time in a long time that we have done an international foray.

The last was almost a decade ago in the Gulf, but now in Africa. So I think it's too early for me to give you a forecast of where I think Tanzania will go. Maybe by the end of this year is when I think I will have full clarity on how much we can scale that business.

Moderator: We have a next question from the line of Aniket Kulkarni from BMSPL Capital. Please go ahead.

Aniket Kulkarni: Sir, can you give some brief commentary on how competitive intensity has been in the market? And what is the pricing situation which we are witnessing right now? Just the brief commentary will be fine.

Rahul Guha: This is Nitin's favorite subject. So I will let him take it.

Nitin Chugh: I didn't get the full question. One is...

Rahul Guha: Competition and pricing...

Aniket Kulkarni: Competition and pricing, yes.

Rahul Guha: If competition increases...

Nitin Chugh: The competition, I feel it's slowly, I think cooling down. I think initially, the impact post-COVID was definitely a lot of competition coming in and decreasing prices and trying to win the market. But as the non-COVID business has stabilized over the last couple of years, we are now seeing some cling-on effects of the pricing decrease that the competition was doing. This has also led to -- we're also stabilizing our prices. Like we said, we last year went live with us lab based pricing, which led to some goodness on our side, and we now don't see that much intensity and price pressure from competition now.

Moderator: Thank you. Ladies and gentlemen, we'll take that as the last question for today. I now hand over the call to Mr. Rahul Guha for closing comments. Over to you, sir.

Rahul Guha: All right. Thank you for all the questions and the engaging discussion. I look forward to seeing you in the next quarterly presentation. And have a fantastic evening, and I wish you a good day.

Moderator: Thank you, members of the management team. On behalf of Thyrocare Technologies Limited, we conclude this conference. Thank you for joining us, and you may now disconnect your lines.