

November 06, 2020

To,
National Stock Exchange of India Limited
Exchange Plaza
Bandra Kurla Complex,
Bandra (E), Mumbai - 400 051

BSE Limited
Phiroze Jeejeeboy Towers
Dalal Street,
Mumbai- 400 001

Dear Sir/Madam,

Sub: Disclosure of information under Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

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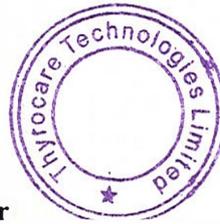
Pursuant to Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, we are filing herewith the transcript of the Earnings Call held on Tuesday, November 03, 2020 at 12.00 Noon local time, post declaration of the Company's unaudited financial results (Stand-alone and Consolidated) for Quarter / Half Year ended September 30, 2020. This transcript is also made available at our website.

Dr. A. Velumani, Chairman & Managing Director, Mr. Arindam Halder, CEO, Mr. A. Sundararaju, CFO & Executive Director, Mr. Sachin Salvi, Vice-President- Finance, represented the Company.

Yours Faithfully,

For **Thyrocare Technologies Limited**,

Ramjee Dorai
Company Secretary and Compliance Officer



Thyrocare Technologies Limited

📍 D-37/1, TTC MIDC, Turbhe, Navi Mumbai - 400 703, India ☎ 022- 3090 0000 / 4125 2525

✉ enquiry@thyrocare.com 🌐 www.thyrocare.com

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“Thyrocare Technologies Ltd. Q2FY21 Earnings call”

November 3rd, 2020

SPEAKERS: Management, Thyrocare Technologies Limited

Moderator: Good day, ladies and gentlemen. I'm Harpreet Kapoor, the moderator of this call. Thank you for standing by and welcome to Thyrocare Technologies Limited Q2 FY21 earnings call. For the duration of the presentation all participants' lines will be in listen only mode. We will open the floor for Q&A post the presentation. So I would like to now hand over the proceedings to Mr. Prateek Mandana. Over to you, Prateek.

Prateek Mandana: Thank you Harpreet. On behalf of Nomura Securities, we would like to welcome all to Thyrocare Technologies Limited Q2 FY21 earnings call. Today from the Thyrocare management team, we have with us Dr. A. Velumani, Chairman and Managing Director, Mr. Arindam Haldar, CEO, Mr. A. Sundararaju, CFO and Executive Director and Mr. Sachin Salvi, Vice President Finance. So now without any further delay, I would now like to hand over the call to Mr. Sachin Salvi to give a quick update on the numbers. Over to you, Mr. Salvi.

Sachin Salvi: Thank you for attending this Q2 Results call of Thyrocare Technologies Limited and on behalf of the management I welcome all the participants.

So I'll run first through some key highlights of quarterly results as well as quarterly financial results which we have filed on 28th of October and the brief presentation which we have filed on the same day, our standalone revenue for the current quarter stands at INR 148.54 crores, which is roughly 38% higher as compared to YoY same quarter last financial year. We have seen a good revival in the current quarter. Our non-COVID revenue has revived to the extent of 94% in the current quarter. Our current quarter COVID revenue stands at about INR 48 crores. We have done about 2.76 lakh COVID RT-PCR investigations in the current quarter. As far as nuclear is concerned, that is radiology arm of Thyrocare group, we have achieved a total turnover of INR 4.71 crores in the current quarter. There we could not see a good revival but there is a revival up to the extent of 55% in the current quarter YoY. Our consolidated revenue stands at about INR 153.25 crores, which is roughly about 37% YoY growth, which we have witnessed in the current quarter. Our EBITDA margins have improved as compared to the last quarter, where we had a significant impact on account of COVID. Our standalone EBITDA margin for the current quarter has revised back to a normalcy and currently at 42%. Our consolidated EBITDA margins are at the rate of 40% which is traditionally our margins.

We have done about 323,000 COVID antibody tests in the last quarter alone, which is significantly a good number. We have processed about 4.6 million samples in the last quarter. Our YTD numbers let me throw a brief light on that. Our total consolidated revenues at 30th September 2020 YTD is about INR 209.52 crores vis-à-vis INR 225.97 crores and that is what we said, we have seen a significant revival at the for the half year ended September 2020. At EBITDA margin level at a consolidated level for the half year ended 30th September 2020, we're at 34%. This is on account of significant revival in the margin, EBITDA margin in the Q2 and we have lost much of our EBITDA margin in Q1. With this brief information about Q2 results, I'd like to pass it on to Mr. Arindam Haldar who is our CEO to throw some light on our Q2 results as well as what is happening. Thank you very much

Arindam Haldar:

Good afternoon once more to all participants on the call. At the beginning, I would hope that all of you and your family are safe and doing well. I'm very pleased to share that your company has completed last quarter with superior business results, with a healthy top line growth of 37% and EBITDA recovering to 40% plus level. We have seen a strong recovery in the quarter from the pandemic led downturn in quarter one. And this recovery has been particularly pronounced in the month of September, where our non COVID business almost came back to last year's level. We are still not out of the pandemic yet, as you all know, and many countries across the world are seeing second or third peak. It's still unknown how India will behave, because the slope of the peak in India has been quite prolonged unlike many other countries. However, it will suffice to say that we believe that COVID testing will continue well into next year as well, even as more and more patients opting for testing and the fear psychosis goes down and people go back to medical institution, testing for COVID will probably continue for some time, with non-COVID recovering month on month. Our current experience in the last three to four weeks of October also says the same. We're seeing the same trend that we saw in September, and a slow recovery on the non-COVID business is very much visible. Currently, we are focused on improving our operating metrics and we are putting building blocks in place for ongoing superior performance going into next year. We have also added manpower at the operating end, and we are going to continue to do so, especially adding manpower to drive growth in future. We remain focused on our everyday business because in COVID, this has come as learning to us that there will always be surprises. There'll be surprises at a day level, week level, month level or quarter level. We are focused at our operating level to make sure that we can handle each new surprise as they come and we keep on improving our operating performance. I would like to conclude my opening remarks here by wishing everyone a very happy festive period, and would again like to remind all of you not to let your guard down on precautionary measures against COVID-19. Thank you; I would like to open the floor for questions please.

- Moderator:** Thank you so much sir. With this, we will open the floor for Q&A interactive session. So participants, if you wish to ask a question you may please press '0' and then '1' on your telephone keypad and wait for your line to be unmuted. I'll repeat, you need to press '0' and then '1'. First question of the day we have from Rahul from InCred Capital. Your line is unmuted, please go ahead.
- Mr. Rahul:** Yeah, Hi, good afternoon. Thank you so much for the call, and welcome Mr. Haldar to Thyrocare. Essentially, I had two questions. One is if you could help us understand how do you look at the second half of the year in terms of COVID and non COVID pathology? If you could, you know just break it up into three parts, you know, non-COVID pathology. Second is RT-PCR and antibody; general trends in terms of how are you looking at the second half? And you know, what would be the volumes and realizations? That's my first question.
- Arindam Haldar:** Sure. So Rahul, thank you very much for your question and for welcoming me. While it will be difficult to give a guidance for COVID business on the next year, but as I told you, in the month of September our non-COVID business which is purely like to like without RT-PCR or antibody, has come back in the month of September to the last year's level, and is slowly inching up in the month of October. We believe this trend will continue to become better and better month on month. So that's how we believe our business non-COVID which is purely like to like will continue. In quarter two, you know, almost 40% of our business has been from COVID, so most of the growth that you see in quarter two has been from COVID. As non COVID business starts growing, it's fair to say that the percentage salience of COVID and our overall hundred percent will slowly come down. So that's what one can talk about the COVID and non COVID part of the business.
- Mr. Rahul:** So essentially, the three lakhs kind of run rate on an average for RT-PCR and antibody, does that continue or you're seeing some downtrends into RT-PCR and maybe higher antibody test going forward?
- Arindam Haldar:** So it will probably be unfair for me and frankly, there is no expert in the world who can clearly predict which way COVID will go. And I'm hardly an expert over here. So it will be very difficult for me to say which way COVID test will go and RT-PCR will – will it really go up or go down, it will be very difficult to give a prediction. Yes, in recent times, in the last few months, our RT-PCR test has gone down a bit. That could be due to a variety of reasons. At our overall level, we are seeing positive cases going down and active cases going down in the country. Also a large part of the test that the government is doing is of antigen test and less of RT-PCR, and each state has a different approach to doing this testing. So, one has seen a slight dip in the RT-PCR test in the past few weeks; whether the trend will continue, it will go up or go down, it will be difficult to give an exact prediction. But one thing is sure that our non COVID business is recovering steadily month on month.

Mr. Rahul: Alright, and then lastly on this nuclear imaging business. Essentially, the business has recovered 55% as you say. So overall, it used to do about INR 35 crores of revenue at 15% EBITDA. I just wanted to know over the next three to five years, you know the long term potential of this business, what is the revenue breakeven point? And what is the peak revenue or EBITDA margin one should look at you know, from an analysts' purposes. Thank you so much.

Sachin Salvi: So as far as nuclear business is concerned Rahul, yes, we have revived up to the extent of 55 percent. These despite three of our centers are completely down. Despite of the fact that one of our centers which is at Coimbatore, we have shifted that PET-CT machine to a new location. And that is the reason why we are not in a significant revival as far as nuclear business is concerned. As regards to the EBITDA margin is concerned, to certain extent it is a fixed cost business. Because we have a CMC cost, we have center running costs which are almost fixed. As far as there is a growth in the top line, we are seeing a good EBITDA margin in that business. Going ahead, we have talked about this in the recent past that we will not be setting up a new PET-CT center and we will be ensuring and we'll be seeing to it that our existing centers are coming to a break even. As regards to the break even, any center which is doing roughly about 10 to 11 scans a day is at a breakeven. In fact, all our centers, all our existing operative centers, except the Bengaluru centers were at breakeven level pre-COVID. After COVID we are seeing a revival. We are seeing our Mumbai centre, Prabhadevi centre, Jaipur centre or even Delhi centres already reached to that maturity level. So, this is the update as far as nuclear business is concerned. One more thing which you have asked earlier; as far as COVID antibody test is concerned, as we have said in our presentation we have started COVID antibodies test only in the late week of June and in the quarter ended September 2020 itself, we have done about 3.20 lakh tests. Now most of these tests we have done were for corporates, corporates like TCS, Tata, we have done it for JSW, we have done it for Reliance. So this trend, we hope that it will continue in the near future.

Mr. Rahul: Thank you so much. I will come back in the Q&A.

Moderator: Thanks for your question. I'll repeat participants, if you have any questions please press '0' and then '1' on your telephone keypad and wait for your line to be unmuted. Next we have Srinivas Seshadri from Mirabilis Investment. Your line is unmuted, please go ahead.

Srinivas Seshadri: Yeah, thanks for the opportunity. So the first one clarification from the presentation is whether this revenue from the antigen test, is it included in the COVID number or is it part of the regular testing number? It was slightly unclear the way it was worded in the presentation, so just wanted some clarification on that part.

- Arindam Haldar:** Okay, yes Srinivas the COVID number that we have talked about is RT-PCR test only. We are not doing antigen test. So, the COVID test numbers volume and value that you see is for RT-PCR alone
- Srinivas Seshadri:** Okay. So, what is that antibody number which would have been included in the regular testing numbers, if you can give some broad idea on that?
- Sachin Salvi:** So Srinivas – as far as COVID, as our CEO has clarified our COVID RT-PCR numbers are only included in COVID revenue which we have mentioned. Of course, we are not doing COVID antigen. As far as COVID antibody test is concerned that is roughly about 14 to 15 crores.
- Srinivas Seshadri:** Okay, and that would be for how many tests
- Arindam Haldar:** For those 323,000 tests.
- Srinivas Seshadri:** Okay. And that is included in our regular testing numbers in terms of the revenue breakup. Okay, got it. Secondly, maybe if you can talk about like you were, I think Dr. Velumani had mentioned that you will be opening a center in Delhi and there is some expectation of good kind of COVID volumes from that going ahead. Maybe if you can give some idea about that and also the future plans in terms of having these larger centers or regional processing lab as you call it in some of the other cities; what is the plan going ahead from medium terms?
- Arindam Haldar:** Sure. Yes, so as you rightly said Srinivas we have initiated in the month of October COVID testing in our Delhi facility, our Delhi COVID lab is up and running. We have got NAV accreditation and ICMR nod, and we have started doing tests in Delhi already. And our plan is to make sure that we have COVID testing facility in some of our other larger regions as well. Apart from Mumbai and Delhi, we are also expanding to some specific cities, our zonal processing labs. So even in the city of Delhi we are expanding our menu width, and we'll be having our zonal processing lab there as well along with our COVID lab. And we are taking it one step at a time and we're also looking at few other cities and other regions of the country where we'll have a similar module shortly.
- Srinivas Seshadri:** And any initial trends on how the Delhi center is progressing in terms of taking COVID volumes?
- Arindam Haldar:** So it started doing the business and of course it has crossed our minimum expectation of volume. We are comfortable from a margin standpoint, of course it can do more, we are not at capacity but it is still too early days for us to do that, but we are engaged on the same effort and as I told you, we are adding to our manpower on the growth side to ensure that we sort of capitalize on the additional capacity that we have built up over there.

Srinivas Seshadri:

Okay sure. Last question is like on the receivables. Now if I look at the way it has been trending, like it is more than double of what it was last year versus our top line growth of just you know 40%. I presume a bulk of the incremental receivables will be more driven by the government business where we'll be taking COVID samples. So if we could talk about what is the payment cycle of such a business and how we kind of can keep this under control with the COVID volumes being high as they are. So what are the efforts there?

Arindam Haldar:

Sure. I'll let Sachin answer this. Your prediction is right; it is primarily because of government and RT-PCR tests but Sachin, just to add to that.

Sachin Salvi:

Yes Mr. Srinivas, you are absolutely right, most part of it is on account of government business. And most part of it is on account of COVID business too, and COVID business mostly comes from the government only. As far as the payment cycle is concerned we anticipate it to be 80 days or 90 days. Already as on 31st October 2020 we have received some payment from some government, so we are hoping or we are very much confident that all our dues from the government will be settled within this payment cycle. In fact, you must be aware we are already managing one project for BMC, non-COVID business under a project called Aapli Chikitsa. There we have an experience on managing the credit cycle. we already have an experience of collection, how to manage it and we have a payment cycle of 90 days and out of these sundry debtors which are standing as on 30th, September 2020 about some 40% is from BMC, where we have a comfort or past experience to ensure that our collections are ensured in time.

Srinivas Seshadri:

Okay, so Sachin the 40% you're talking about is the total outstanding from BMC for COVID and non-COVID as well.

Sachin Salvi:

No, so out of total outstanding as on 30th September 2020 about INR 23 crores is from the government business, out of which- out of these INR 23 crores about INR 11.5 crores is from BMC, as on 30th September 2020.

Srinivas Seshadri:

Sure, got it. Okay. Thanks for answering my questions and best wishes to Arindam.

Arindam Haldar:

Thank you. Thank you Srinivas.

Moderator:

Next we have Shyam Srinivasan from Goldman Sachs, your line is unmuted. Please go ahead.

Shyam Srinivasan:

Hi, thank you for taking my question and good afternoon and once again, welcome Arindam to the Thyrocare. So this first question on the overall strategy and if maybe even Dr. Velumani can actually chip in here. We've been run differently for so long, and we have now done a change in terms of professional CEO from outside, just want to understand what are the key strategies that you know, Mr. Arindam, the new CEO will have. Is there a way -- is there a change? Is this a fork in the bend in terms of the strategy for Thyrocare? Are we looking

at B2C as a new revenue growth area? So I just wanted the next three to five year kind of a strategy from a CEO's perspective.

Arindam Haldar:

Sure. Hi, Srinivasan. Thank you for welcoming me. I will give you my perspective on the same and then if Dr. Velumani can add a few points from his point of view, that would be also good. So as I look at the business, and I have been looking at it quite closely over the last six weeks, it is but obvious that a fantastic business model has been created over the last 25 years with a very high level of productivity and efficiency. And that is the way the operating metrics look so very strong with the volume flows in, since we have been able to keep our costs down and keep our operation very, very tight, our operating margin becomes high. So as one understands, obviously I want to build on the same. I don't think from my perspective that the overall strategy of the company will suddenly do a U turn or change. And obviously if nothing is broken, obviously we don't need to fix it. So we have a strong business model. However, what I'm looking at is building on the further growth layers on our strong fundamentals. A few broad areas are as follows. One is some of the new growth verticals I'm trying to push further. So specifically, you know, while we have done businesses from the growth side on multiple B2B customers, some channels like hospitals and polyclinics and IVF centers, I believe remains as an opportunity and that is something that we are going to aggressively change. We are putting our field team to change the same. We also have a strong network of Thyrocare service provider or so called collection centers. One is also looking at that channel strongly and seeing how do we increase that multi fold as we are increasing our regional processing centers. Because as you know, one of the big drivers of superior service and thereby revenue is quick turnaround time. As we are expanding our regional processing labs in multiple cities, those becomes our cities of focus and we are increasing depth in each one of them by going both through this new channel, one is a vertical of hospitals and of course the collection centers. And while we do that, our existing business or B2B customers that we have, we are extremely engaged on the same we are doing for the slice and dice. To understand the efficiency of each one of them, we are breaking them up by various labs and trying to see whether the same size should fit all or should we have differential strategy between larger customers and smaller customers. And just to repeat, we are, of course, going to fuel and fund is growth by having the right quality manpower in the various areas of growth. So, that's my very broad thoughts on what we are trying to do, as I am still learning the business. If Dr. Velumani wants to add a few points to the same, I can leave it to him. I know.

Dr. A. Velumani:

I said, in the end, I will be coming up for all the questions. Please proceed with the next question.

Shyam Srinivasan:

Okay. So my second question, Mr. Arindam is just on antibody strategy. We're going to have done like whatever 320,000-330,000 antibody tests. So as in the second half, as the unlock proceeds, how should one look at it from reopening strategy for corporate and for housing societies? Is there any clue do you think? I know you said that you don't know which test is likely to take precedence. But

from a simple to execute, an easier test to kind of administer antibody scores a lot better than PCR. So just trying to get your thoughts around, you know, how the unlock could happen. And we have heard several industries now starting to do and for the reopening do test every day. Do you think these kinds of testing strategies could evolve over the next six months?

Arindam Haldar:

Sure, Shyam, so first of all on the antibody test, while we have done about 3.23 lakh tests in the quarter, at an overall level we have done more than four lakh antibody tests. So I thought I'll just place that number. If you have done more than four lakh antibody tests till date, out of which little more than three lakh has been done in the quarter. And as you heard Sachin speak earlier as well, yes, as the industries open up, there could be more and more demand for doing antibody tests. One cannot compare diagnostic tests like RT-PCR with antibody because the focus of the two is very, very different; as you understand antibody test is not a diagnostic test for COVID-19. It's more a judgment of whether the population at large or the particular sample size at large, if you're talking about for a corporate whether they have developed antibodies. So from a corporate viewpoint if a large proportion of their employees have developed antibodies, that much part of the population is safe to go back to work. So it's more from an understanding of the same. So yes, we are seeing many corporates in the last quarter and that is continuing into the current quarter as well, who would be you know, trying to re-do it as they're opening trying to see whether, you know, their employees have developed antibodies. But just to remind antibody doesn't tell you that whether you have COVID today or not, it just says whether your body has responded earlier to an infection and whether your antibodies have developed or not. But yes, we do see that trend continuing, and we are of course prepared in every single way. And as you rightly said not only about being the simplicity, frankly over the last seven eight months, we have understood RT-PCR also pretty well. For Thyrocare, for us RT-PCR doing is as simple as doing a COVID antibody test as well. From simplicity's side, I don't think we are saying one is simple over the other. We have developed our logistics system; we have developed our technician team. We have developed our labs to an extent that we can handle any amount of volume either in antibody or on RT-PCR, but here it is given that it rides on the analyzer that we have. We have built our 25 year old business on blood tests; given that antibodies rides on the same blood test mechanism and analyzer, yes, it just makes it a lot more efficient to do more and more antibody test.

Shyam Srinivasan:

Alright. Thank you, and if we can squeeze in a very quick last question on the wellness part? So Thyrocare, again, has built itself on the whole Aarogyam packages. Can you just walk us through what's happening now in terms of contribution as part of the non-COVID? Are you seeing that recovery come as well? And from a 2, 3, 5 year perspective do you think wellness will now see a revival? Not necessarily a revival but awareness levels on wellness will clearly go up? So do you think this will again, come back to the fore for Thyrocare?

Arindam Haldar:

Yeah, so Shyam as you rightly said, let me start with the longer term prediction or the longer term, my view. I believe that as we come out of, you know, the overall peaks starts ebbing and more and more people have antibody, or if vaccine comes either way and fear psychosis goes down and unlock happens. One change that will definitely happen is people's attitude and aptitude towards immunity and wellness. For over a longer term period, I'm very, very confident that population at large will be a lot more focused on getting wellness tests done because COVID has taught all of us that if we are healthy from within, if our immunity levels are high, our body's capability of fighting this virus is far superior. So over time, I'm extremely confident that wellness will become in fore; whether that happens in two months or two quarters or little longer than that is yet to be seen. Our business of Thyrocare has been built, a large part of the business is based on Aarogyam and we are seeing recovery on the same. We are seeing Aarogyam recovery. And given that we already have a strong portfolio over the longer term as more wellness comes up, I'm quite sure that the company will be able to capitalize.

Shyam Srinivasan:

Thank you and all the best.

Moderator:

Before I'll take the next question, I'll announce again participants if you have any questions, you may please press '0' and then '1' on your telephone keypad. Next, we have Vikas from Focus Capital, your line is unmuted. Please go ahead.

Vikas:

Thank you, Madam. Mr. Haldar, I had a few business related questions. The first one is our business models, especially on the pathology side depends on air connectivity and with some airlines being nonoperational, how are you managing the logistics part? That is the first question. The second question I had was as part of our business model, we procure samples from franchisees but the end customer and his or her data is owned by the franchisee. So would we have it as a part of our strategy to somehow kind of own the end customer so that we can provide better service may be to the end customer? And the third question I had was, third and last question, sir, could you just share some average prices of antibody tests and average of RT-PCR tests? Thank you, sir.

Arindam Haldar:

Vikas, thank you. I know you had asked three questions. Your first question was quite clear. If you could repeat the other two as I couldn't hear.

Vikas:

Yeah, so question two was the end customer is owned by the franchisee or at least the franchisee is the one who is interacting with the end customer whereas we are just procuring samples from the franchisee. So as part of your long-term strategy do you have any plans of reaching out to the end customers and the third question was, I was seeking the average prices of antibodies tests and the prices of RT-PCR tests. So was it clear sir?

Arindam Haldar:

Yeah, sure. So, I'll just repeat just so that we are clear. So one question was about air connected cities on air connectivity, and second was something about our business model of going via franchisee and end consumer and whether we



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have any plans to approach the customers direct, and the third one was about your average price of RT-PCR tests correct?

Vikas:

Yeah, yeah.

Arindam Haldar:

Okay, so I will take up the first two and while Sachin maybe you can just add on to the average price that we are getting on both of those tests. So in terms of air connectivity, your point is very, very right when the pandemic lockdown was announced by honorable Prime Minister on the 23rd of March, last 10 days of March and better part of April, we faced a huge challenge, and that was reflective in our business as well. Our business practically went down to nil or single digit versus what used to do in the same period last year. So it was very severely affected. But as we all know, progressively market has opened up. And today we are being able to shift samples from all parts of the country. So April was very, very bad. Over month of May and June and July, we have slowly started seeing revival especially in the month of September, most of the sample deliveries are happening in a close to normal I would say and that is continuing in October. So air connectivity today is not seen as a very big challenge. Of course, we have still not gone into full-fledged unlock. But as you know, more and more flights are opening up even for commercial and passenger travel every week, more and more flights are opening up as well. So one is only seeing better days as far as air connectivity is concerned and especially in the last five to six weeks, we have seen less of challenge due to air connectivity. Coming to your second point, while we are engaged via our franchisee and our partners to drive our business, we believe that, that is also a very effective way of reaching out to our consumers because finally our Thyrocare report anyway reaches the final patient and sometimes to drive a business model in a geographically distributed country like India, a franchisee model can actually become a very superior and efficient model if you really have to expand fast. So as I said in my opening remarks, and while answering question from one of the other persons, I did say that we are trying to increase our franchisee network in all the cities where we are now putting regional processing labs. Along with that, we also have our Thyro app. It's a small part of our business where consumers can also call and get their tests done, so which is there both for COVID as well as for non-COVID business. It's a small part of our business, which is growing, which is growing at a very fast pace. But the salience of the business is very, very small to say in immediate terms whether it will swing the needle. There are larger opportunities available in going into some of the B2B segments which we haven't gone earlier, e.g., bigger hospitals as well as increasing our franchisee network fast. We are engaged on the direct-to-consumer route as well and that is seeing a very healthy growth. But I wouldn't say that in the immediate future that is going to swing the overall needle of the company. Coming to the average price, Sachin, can you throw some light?

Sachin Salvi:

Yes, Vikas, as far as average price realization for COVID antibody test and COVID RT-PCR test is concerned, for the last quarter if you are asking COVID RT-PCR test average realization was somewhere in the range of INR 1700 whereas for COVID antibody test it was somewhere in the range of INR 450.

But let me tell you this is changing because as far as COVID RT-PCR test is concerned, the prices are regulated by the respective state governments. We have almost 27 plus states and for each of the states there are prices which have been defined and these are changing almost like within 15-30 days they are changing the prices downwards. Not only that, the prices which have been regulated by the government for home collection are different, for sample collection are different, for sample collection plus processing are also different. So, to answer to your question as far as average realization for COVID RT-PCR test is concerned, the current indicator for the quarter ended September 2020 shall not be a benchmark. It is likely to change further. As far as COVID antibody test is concerned, I have already said we have started at INR 600 a test and we have reduced the test price further and, therefore, the average realization was about INR 450. This is the prices. At the same time, the costs of doing this test are also going down. So, our margins to certain extent we are maintaining in both these technologies as a test.

Vikas:

Thank you, sir.

Arindam Haldar:

Thank you.

Moderator:

Next question we have from Chirag from DSP Mutual Funds. Your line is unmuted. Please go ahead.

Chirag:

Yes, sir. Good afternoon. Thank you for the opportunity. Sir, this infrastructure that we've put for the COVID PCR test, what does it mean for other PCR platforms like, you know, tuberculosis or HIV? As you look at the next two years, beyond the current COVID crisis, what does this mean for these other tests? You know, do you think pricing will come down? Will it expand the market? Just broad thoughts of your will help?

Arindam Haldar:

Yeah, thank you. Thank you, Chirag, for this question. I think that's a very interesting and thought provoking question. With COVID coming in one thing that has happened is, you know, technological RT-PCR today is lot better known and not just for Thyrocare, it is known across India, if not the world, and a large amount of capacity, both between government and private labs have been put up across. So, yes, it is fair to say that given the supply or the capacity has been put in by multiple players and consciousness about DNA testing has also gone up, you know, various other tests on the PCR platform will be now available and it is a question of demand and supply directionally with lot more supply being there and the consciousness being there. Yes, it is fair to estimate that both demand will go up and prices may come down. And as long as there are volumes, and we have proven that multiple times over the last few decades, as long as there are volumes, as a company, we know very well how to manage our operations efficiently and maintain high margins.

Chirag:

Okay, fair point. And then on genetic testing, sir, how big is the pot today and just your thoughts on the outlook, say over the next couple of years? Whether it is neonatal or, you know, other tests that you may have expended.

- Arindam Haldar:** Sure, our current profile of neonatal testing and other genetic testing is currently quite small. So, at this stage to say that how that will impact for Thyrocare's revenue in the immediate future will be difficult to say. At a very broad, you know, India level or a segment level, of course, the gynae portfolio in general is growing. You can see the trend in the various IVF centers that are coming up and neonatal and prenatal tests, and overall gynae tests and the various markers at a broader segment one has seen growth, but currently, that segment is a very small part of our Thyrocare's business.
- Chirag:** Understood sir. And the last question, sir, in terms of volume split between your regional labs and the central labs, were was this two years back and where are we now?
- Arindam Haldar:** Sure. So at the current level, the volume split, if you just talk about the volume, not the value is almost 50-50 between the central lab and the regional processing labs put together. Value wise, of course, the central processing lab will still be higher, because most of the RT-PCR test in quarter two has been done in the central processing lab. So this, of course, directionally, as one can say has only gone up. So exactly how much was it three years back, we may not have the data right now with us but directionally it's fair to say that the regional processing labs workloads are going up and this percentage, I'm quite sure three years back would have been far lower.
- Chirag:** Over the next five years, do you foresee a need for a central lab, any other location?
- Arindam Haldar:** So as I said earlier, Chirag, we have put up a COVID lab in Delhi in Gurgaon, and as we speak, we are expanding that facility to have our zonal processing lab, which will be like a mini version of our Mumbai lab. Not 100% match, but very close to that having menu much wider than our typical regional processing lab. So we are already doing it. We are not talking about very long term in future, this is already work in progress and hopefully will come in place in the next couple of months. And we are deeply engaged along with the team to figure out where should be our next zonal lab. So that is a broader plan that we have that we should have zonal labs, in each of our four regions of the country and then in some of the priority cities will have regional processing labs. That's how the overall model will be developed.
- Chirag:** From a volume capacity versus our central lab in Mumbai, sir, how big can Delhi be say two-three years down the line?
- Arindam Haldar:** Difficult to give exact projection of how big it will be. From our capacity building possibility, of course, we can build the capacity as big as Mumbai, for the test that there we'll be doing, but to say exactly how much will be delivered two or three years down the line will be difficult to say.
- Chirag:** Okay, sir. Thank you, sir.



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- Moderator:** Next question we have from Shanti Patel from Shanti Patel Investment Advisors. Your line is unmuted. Please go ahead.
- Shanti Patel:** Yeah. Sir, I just wanted to ask you what is our market share in the organized sector, if it is possible to answer? And secondly, how many new collection centers we opened in the last quarter and how many franchises have been added? That's all.
- Arindam Haldar:** Sure. Thank you, Mr. Patel for your question. So I'll take the second one first. So as far as our collection center or our Thyrocare service provider as we call them, due to the lockdown and the COVID pandemic, most of our focus was not on opening too many collection centers. So in the past quarter, our opening of collection center has been very, very few and limited. However, that is one of the future growth areas and we are gearing ourselves one of the, you know, sort of building blocks that I talked about, one of the two important building blocks is being able to increase these collection centers multiple fold. I won't be able to give you exact week or month-by-month plan on how many because we are putting the team in place as well for the same. This will also mean feet on street to be able to add but on a slightly longer term horizon, we plan to at least double our collection centers that we have today. So we are clearly focused on the same but in the last quarter we haven't added too many. Your other question, can you just repeat that once more please? The first question.
- Shanti Patel:** How many franchises have been added and what is our market share in the organized sector? Market share.
- Arindam Haldar:** Yeah, yeah. So as you know diagnostic industry, there are no formal ways unlike say your FMCG or white goods where you have a Nielsen or IMRB who does those studies and give very more or less sample based of indicated market share. It's a little difficult for one to get a formalized market share in the diagnostic business, but overall industry estimate between the large national diagnostic chains like ours and some of the little more organized regional players that you know. So between the regional and organized put together, the industry estimate is we are about 17% or 18% of the overall pathology market of India. Now in that 17-18%, the national players will be roughly about half of them and then Thyrocare will have a portion of that half of the overall market. So it's fair to say that the headroom available for all players as the overall consolidation happens and more and more unorganized players become organized, I see potential for growth for many, many years to come in if that trend happens. So, that's my overall take but very difficult to give an exact percentage market share of Thyrocare because there is no formal estimates available.
- Shanti Patel:** Okay, and how many franchisees have been added in the last quarter?



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- Arindam Haldar:** As I said that it has been just a few handful. I Don't have exact number, but it has been very handful because our primary focus in the last quarter was on ensuring we come out of pandemic, we ensure the logistics, keep the safety of our people while operating all the labs and grow a sizable business on the RT-PCR and antibody. So those were our primary focus of last quarter.
- Shanti Patel:** Thank you very much. Thank you, sir.
- Arindam Haldar:** Thank you, Mr. Patel.
- Moderator:** Next, we have Shriram Rathi from ICICI Securities. Your line is unmuted. Please go ahead.
- Shriram Rathi:** Yeah, thanks for the opportunity. Sir, basically, one question was largely on the strategy part, I mean pre-COVID basically in the last couple of years, our growth rate had slowed down to lower double digits versus 20% plus in the past. So, I mean, what kind of measures we can expect that the growth rate moves up further or above that? So, I mean, what we are focusing on I mean whether it will be like increasing the menu, the test basket that we are offering and basically you talked about the most tie-ups with the hospitals and IVF centers. So, are we looking to increase the number of tests that we are offering towards the complex categories or something like that?
- Arindam Haldar:** Sure. Thanks, Mr. Rathi for your question. Some of the steps that we are taking is as you know already we have increased a few regional processing centers, we have got more processing centers today than what we had pre-covid. We have already done that and we are increasing a few more over the next quarter. One is we will have lot more processing centers and as you know once you have more processing centers, our ability to give those tests at a quicker turnaround time for better service will be enhanced and specially for some of the customers like hospitals and the clinics. With lot more processing centers, we believe that we'll be able to do that. We are also supplementing that with our field approaching some medical institution so that we can have the benefits of higher revenues. So that is one area of growth that we're seeing. Second area of growth is really increasing the number of franchisee, the Thyrocare service providers that we have. We believe that there is large headroom available there and again as we are increasing our processing centers that gives us the ability to increase depth of our Thyrocare's presence in each of those cities and in nearby areas by having a lot more branded Thyrocare centers run by franchisee. So, those are the areas of our current focus which we believe will give us better growth in future.
- Shriram Rathi:** Okay got it. That's helpful sir. And sir, secondly, I mean in the past our strategy has been more on the pricing disruption. So will that continue and how should we look at the average realization going forward?
- Arindam Haldar:** Sure. So, as you know, that we have, as a company, been able to disrupt this market again and again and despite doing the disruption, our business model and the efficiency and the productivity that we have developed, we have still been

able to maintain our margin profile. So, our overall strategy does not change. Even in future if there are opportunities for getting higher volumes, we will be very much open and willing to disrupt the market further as we have done earlier as well. But at the same time, we are extremely conscious on the price disruption that we do, how that gets higher volume, because at the end of the day, the volume leverage is a very critical component over here to be able to retain high operating margin. So, yes, we will be looking at some kind of disruptions in future as well on a selective basis to ensure that we have higher volume throughput.

Shriram Rathi:

Sure, sir. Sir, lastly on the antibody testing assuming that a large part of it will be through corporate. So, I mean these are going to be like one time kind of business or it may be recurring part also in the medium term?

Arindam Haldar:

Well, again, the fact is out there, Mr. Rathi on how long the antibody stays in our body. All of us have seen expert's reports, which talks about anywhere between three months to five months. That's what I have seen. No one can really say given the strain of this novel virus is so new, it is novel as one knows. So, technically speaking, if it is between two and five months, if a corporate has done an antibody test, they should ideally repeat that test after four or five months to ensure that their employees are safe. But that is a corporate to corporate what will be their philosophy. For us to exactly say what it will be, it will be difficult, but it's not a test that you will get done every week or every month for sure. I think ideally, some corporate should do it maybe once a quarter, once in two quarters ideally, is what I feel but exactly how it will develop only time will say.

Shriram Rathi:

Okay, okay. Got it, sir. Thank you so much.

Arindam Haldar:

Thank you. Thank you.

Moderator:

Next, we have Rahul from InCred Capital. Your line is unmuted. Please go ahead.

Rahul:

Yeah, hi, thanks for the follow up. The second quarter business update talked about new facilities also being created for COVID at Bangalore and Calcutta. I'm just relating it to the CapEx number reported in the cash flow about INR 13 crore for first half. Could you guide us what really this is what kind of capacity are we building up in Bangalore and Calcutta and what would be the full year CapEx number you're targeting?

Sachin Salvi:

So, Rahul thanks for your repeat question. As far as current quarter capital expenditure addition is concerned that includes expenditure on Delhi COVID laboratories. We have not spent anything as of now for Bangalore and Kolkata. That expenditure also includes some of our spending, which we have done for other than COVID business too, because our Bhubaneswar as well as Pune laboratory was also functional in the month of March, but we have not installed the analyzers at these locations due to COVID. As far as a capital expenditure per COVID laboratory is concerned, since we will not be going to invest in the

place and we will be placing it in leased premises, we will be spending only on fittings and equipments, it would not exceed somewhere in the range of INR 4 to 5 crores per location.

Rahul: Okay. So, what would be a full year number we should look at? Should be like INR 20 crores, should be good enough?

Sachin Salvi: It depends upon whether when and in what month or in what quarter we are going ahead with our Bangalore and Kolkata laboratory. As I said, we have already started our Delhi processing laboratory and we are identifying a place in Kolkata. Bangalore, we have already identified a place so it will be certainly in the range of some INR 15 to 20 crores.

Rahul: Perfect. And just lastly for the non-COVID pathology testing, basically, you were talking about 4.5 million samples per quarter last year, in the third and fourth quarter, do you see there will be growth on this number to essentially, you know, because of the unlock happening and people would have postponed some testing in earlier quarter, would you say a 20% growth kind of, you know, number based on the 3Q and 4Q run rate is fair enough, assumption. That's my last question. Thank you.

Arindam Haldar: So, Rahul, just to reiterate our like to like non-COVID, which does not include RT-PCR or antibody is, as I said, by the end of the quarter, which is in the month of September, came to the same level as a year back and we are seeing a progressive growth in the last three or four weeks and I believe this will further go up, every month will become better than the previous month. So that's how I am looking at it, the non-COVID without RT-PCR, without antibody every month, I believe the growth rate will improve as one goes through this period of unlock and of course the antibody and RT-PCR will add on to the same.

Rahul: Got it. Got it. Thank you so much and all the best.

Arindam Haldar: Thank you, Rahul.

Moderator: I'll repeat participants, if you still have any questions, you may please press '0' and then '1'. So at this time, there are no further questions from the participants. So, I would like to know hand over the floor back to the management for their closing remarks. Over to you, sir.

Arindam Haldar: Right. Thank you.

Sachin Salvi: For the closing remarks, I'll request Dr. Velumani to please pitch in and give his thoughts as far as the Q2 results and direction further.

Dr. A. Velumani: Hello, yeah. Good afternoon everyone. Thank you very much. Shyam Srinivasan asked me what is the new strategy using the new CEO? Obviously, I was answering all the questions in the previous call. Now the CEO has answered for all the calls and also I remember two days back our Prime Minister was telling there is a double engine. I believe Thyrocare also has got a double engine. Call it double engine, call it co-pilot whatever it is, Thyrocare intends to make a better

journey. That's why we have inducted a new CEO. Though he has come from competition, he owned the last 25 years of business and answered all the questions I was very happy to listen to him. Let me answer to some of the questions very briefly, within maximum 300 seconds I will take. Mr. Rahul asked antibody, COVID RT-PCR tests will go up or down. I am sure even the health minister of the country may not know and the country is ruled by 25 health ministers they also may not be knowing. So it's very difficult to tell the trend will move up, remain as it is or go down both for antibodies as well as RT-PCR. It's a very fluid dynamic unknown, uncertain space, very difficult for us to give any prediction. Rahul also asked the question what will happen to NHL's profitability, capacity? Let me tell you, NHL business will be treated like a fixed deposit. In another two quarters, it will come to a steady state. We don't intend to put in more money into that business. We intend to milk out as best as possible returns from that business. Please don't count NHL as equity. Count that as a fixed deposit kind of returns. And Srinivasan asked the question that Delhi, Bombay, Calcutta what are the loads, what is the plan and what is the strategy? Let me tell you our business is a very fluid business, cloud business either about coming to Mumbai or going to Delhi or going to Hyderabad is an option. So is for Patna. So there won't be any center specific load growth. Country growth will be distributed to all the four locations. So there is no concern about a specific city area growth. Nationwide is we are growing. We will be able to distribute the work. Now Shyam Srinivasan also asked the question what is Arogyam, what is happening to that segment? I'm very pleased to tell post COVID, home collections are going up. Center collections are not going up. Why I am pleased with, I had lot of already feet on street business, walk-in patient business. So now I am seeing that I'm having capability to service at home much more capable across the country single largest player. All the online companies are our major customers. For all their needs, we are the major suppliers. Arogyam is moving up, fortunate that 15 years back I created this brand. Today, wellness names it is more important. Let me tell you, there might have been many industries which might have got disrupted. Airlines is down, 1200 crores is quarterly loss of Indigo which says that globally airline business is down. Travel tourism is down. Hospitality is down. But I'm pretty sure worldwide pharmaceutical, hospital, diagnostic business is doing really well. Wellness, fitness, nutrition is doing very well. So for me, the double advantage is, one is diagnostics another is wellness, both put together is Arogyam and I'm extremely happy to tell in the non-COVID business, all the remaining are not growing, Arogyam is growing and that's a very positive news for our own stakeholders that we are doing very well. Vikas asked the question logistics is a challenge. Yes from some parts of the country still flights are not connected to Mumbai. So obviously there are challenges. Some geography we have grown 300% post COVID. Some geography we are still minus 40%. So there is a challenge and once all flights are in place, we should be seeing the non-COVID business doing very well. Now some question was asked about the ownership of the patient if it's franchisee patients. Let me tell you the ownership of the patient is with the brand. 99% of the patients who receive our report receive it in our letterheads. So, as a promoter of the company as a brand owner,

I am not at all worried about the ownership, it is with the company through whom it goes is the only matter. And the next question was from Chirag asking what will happen to other PCR tests while we are all focus on COVID PCR tests? Let me tell you COVID PCR test is a very great education for the entire industry. Industry cried 4500 rate is too less to do business. Today with INR 1200 business is going on. So at any price tests can be done. It's a very new lesson for every player. Of course, Thyrocare knew it very well at any price there is a 40% EBITDA. So I have a reason to believe other PCR tests will also be disrupted and I am intending to disrupt them also, without price disruptions, volumes will not be growing. Genetic testing, someone asked that question. Let me tell you genetic testing, there is no volume in the country. There is no spending capacity for the individual, very few elite, which only can go for it. We don't see that as a huge opportunity for volume disruption and doing business. And I think Shanti Patel asked a question what is market share? Let me tell you, there are 300,000 locations where blood is collected. Our interest is to touch all the 300,000 locations. And let me also tell you all our competitors are very busy in learning how to handle the patient, we are very busy in learning how to handle the specimen. That is a very, very different business model for the last 25 years, everybody has seen it. We will continue to focus on specimen management with more emphasize than the patient management because we are good at it. The last question was asked on price disruption. Shriram Rathi asked. We will be disrupting. We will be disrupting the pricing. There are plenty of tests which we do. We are doing only four a day, five a day. There is no fun in doing anything less than 500 tests a day. How to do to get that 500 tests is our goal, not to how to keep the current profitability. As our CEO explained very clearly, there is no meaning in working on any test without volume. To get volume, if price disruption makes the sense, we would be doing it. So I want all of you to understand that the healthcare is going to do very well. I've been talking in various webinars. I want to repeat government was spending too little. Government will double its spending. Common man was spending too little. He will double the spending. I have a reason to believe there will be overall healthcare pie will grow and in overall healthcare pie, diagnostics will grow without any limit because there is no capacity limitations for diagnosis. And in diagnosis, wellness will grow and then wellness Arogyam will grow. Thank you very much all of you for attending the call. And I wish you all and I can promise next two quarters will be more exciting. Wish you all a wonderful time. Thank you very much.

Moderator:

Thank you so much sir for addressing the session. I would like to thank all the speakers and request all the participants, you may all disconnect now. That does conclude our conference call for today. Thank you so much for your time and joining the call. Thank you everyone and have a good day.

Arindam Haldar:

Thank you.

*** End of Transcript ***