

February 20, 2021

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 Thursday, February 04, 2021 at 05.00 P.M. local time, post declaration of the Company's unaudited financial results (Stand-alone and Consolidated) for Quarter / Nine Months ended December 31, 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

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The Trust. The Truth.

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## “Thyrocare Technologies Limited Q3FY21 Earnings Conference Call hosted by Nomura Securities”

**February 04, 2021**

**Thyrocare**

The Trust. The Truth.

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**NOMURA**



**MANAGEMENT:** **DR. A. VELUMANI, PH.D. – CHAIRMAN & MANAGING  
DIRECTOR, THYROCARE TECHNOLOGIES LIMITED**  
**MR. ARINDAM HALDAR – CHIEF EXECUTIVE OFFICER,  
THYROCARE TECHNOLOGIES LIMITED**  
**MR. A. SUNDARARAJU – CHIEF FINANCIAL OFFICER &  
EXECUTIVE DIRECTOR, THYROCARE TECHNOLOGIES  
LIMITED**  
**MR. RAMJEE DORAI – COMPANY SECRETARY,  
THYROCARE TECHNOLOGIES LIMITED**  
**MR. SACHIN SALVI – VICE PRESIDENT, FINANCE,  
THYROCARE TECHNOLOGIES LIMITED**  
**DR. CAESAR SENGUPTA – VICE PRESIDENT,  
OPERATIONS, THYROCARE TECHNOLOGIES LIMITED**

**MODERATOR:** **MR. PRATEEK MANDHANA – NOMURA SECURITIES**

**Moderator:** Ladies and gentlemen good day and welcome to the Thyrocare Technologies Limited Q3 FY'21 Earnings Conference Call hosted by Nomura Securities. As a reminder, all participant lines will be in the listen-only mode. 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 '\*' then '0' on your touchtone phone. Please note that this call is being recorded. I now hand over the conference call to Mr. Prateek Mandhana from Nomura Securities. Thank you and over to you sir.

**Prateek Mandhana:** Thank you. Good evening, all. On behalf of Nomura Securities, we would like to welcome all to Thyrocare Technologies Limited 3QFY'21 Earnings Call.

Today, from the Thyrocare management team, we have with us, Dr. A. Velumani- Chairman & Managing Director; Mr. Arindam Haldar- CEO; Mr. A. Sundararaju- CFO & Executive Director; Mr. Ramjee Dorai- Company Secretary; Mr. Sachin Salvi- Vice President, Finance and Dr. Caesar Sengupta- Vice President, Operations.

So now without any further delay, I would like to hand over the call to Mr. Sachin Salvi to give an update on the Financials for Thyrocare. Over to you, Mr. Salvi.

**Sachin Salvi:** Thank you, Prateek, and good evening. Thank you, everyone for joining our Post Results Conference Call for Quarter ended 31st December 2020.

I will briefly update you about the Key Highlights of Q3 Financial Performance. First, I will start with revenue from operations. Our revenue from operations for the current quarter on standalone basis has increased by about 35% YoY. Our consolidated quarterly revenue for the current quarter has increased by about 31% YoY. Our Q3 Pathology revenue of Rs.132.17 crores consists of Rs.27.32 crores of COVID RT-PCR revenue. Our Pathology revenue excluding COVID RT-PCR for the current quarter has grown by about 7%-odd in Q3. This despite of the lean period on account of festivities which we generally evidence in every year. We have seen very healthy revival in preventive care business too in the current quarter. Our

business in Pathology segment as well as Radiology segment also has revived well in the current quarter as compared to Q2. Our Q3 Radiology segment revenue is at Rs.6.16 crores, again, as I said, we have revived very good in the current quarter. Our Radiology revenue has revived to the extent to 78% when I'm comparing Q3 numbers of the last financial year. As far as EBITDA margin is concerned, our standalone EBITDA margin on adjusted basis normalized for the non-operating expenses stands at 37%. Our consolidated EBITDA margin stands at 36%, adjusted and normalized for the non-operating expenses. Our standalone EBITDA margin of Rs.49.16 crores has grown by about 15% YoY. Similarly, consolidated EBITDA margin have grown by about 13% YoY.

We have seen increase in the employees' benefits expenses, and I'm comparing with a percentage to the top line, it has increased by about 2% to the top line in a sequential quarters. This is on account of additional field marketing resources which we have deployed in the current quarter. Our COVID RT-PCR revenue has actually contracted by about 40%, though the volume has increased by 6%, mainly on account of the stringent price controls which have been implemented by most of the state governments. In terms of volumes, we have processed in the current quarter about 4.7 million samples. Same quarter last year we have processed about 4.5 million. We have performed 4,691 scans under our Radiology division, that is Nuclear Healthcare Limited, same period last year we have processed about 5,772 scans. We have done about 2,92,321 COVID RT-PCR tests in Q3 alone and we have done about 1.61 lakhs COVID antibody tests in the current quarter.

With these brief highlights, I'll pass it on to our CEO, Mr. Arindam Haldar for Business Updates to the Investors. Thank you.

**Arindam Haldar:**

Thank you, Sachin and good evening to everyone on the call, and thank you for joining us today. We are past year 2020, and with the early signals that are coming in, I do hope this New Year brings in happier news, health and prosperity for all of you. We are thankful that India did not see another peak after the festive season as was widely proclaimed. And maybe it's our inherent immunity or maybe it's the low mean age of the country, case counts

are at an all-time low, recovery rate is now higher than the new case count every day and mortality rate hasn't even crossed 1.5%, far lower than many other diseases prevailing in the country. In between, Thyrocare has completed another successful quarter, sustaining and above par revenue growth which you heard of, of 35% for standalone pathology business and 31% at consolidated level, and our standalone EBITDA stands at 37% for Path and at consolidated at 36%.

You may recollect that our Path business grew by 38% year-on-year in Q2 of FY'21. And while the growth percentage has dipped slightly by three percentage points, I'm happy to announce that our non-COVID business, without all COVID and COVID-related tests have come back to last year's level, which was in last quarter around 80% against the same quarter. In fact, our COVID and COVID related tests consolidated revenue has dipped by 47% in sequential quarter, which is Q3 by Q2, whereas our non-COVID business has demonstrated a significant and robust 17% growth over the trailing quarter. This augurs well for all future periods. Our COVID RT-PCR revenues have come down significantly. So despite our RT-PCR volume going up by 6%, our revenue realized fell by 43% in sequential quarter, thanks to the drastic price controls that we all know about. This had an adverse effect on our cost of materials consumed as a percentage of revenue, which further impacted our EBITDA, and our standalone EBITDA grew by 15% and our consolidated EBITDA grew by 13% against the same period last year.

Let me now give you some more color on some significant "Business Updates." First, let me talk about the "Preventive Care Business." Aarogyam is the leading brand of preventive care packages and profile in the country. And this was severely impacted during peak pandemic. We have seen a significant revival and in Q3 Aarogyam has contributed to 46% of our non-COVID business. In post-COVID normal, we believe that people's attitude towards assessing self-immunity and doing frequent preventive checkups will increase and we are very well poised as a company to cater to that need at an affordable cost.

Talking about “Processing Labs,” as a company, we used to have one large centralized processing lab at Navi Mumbai. Our strategy, as spelt out by our chairman in last quarter, was to have three Zonal Processing Labs in north, south and east of India. I'm happy to announce that our Zonal Processing Lab at Delhi NCR has commenced operation. Our South Zonal Lab at Bangalore is expected to commission in Q4 and Kolkata Zonal Processing Lab in East in Q1 of next fiscal.

Apart from the zonal labs, we are also increasing Regional Processing Lab span. We are ready to commence operation at Lucknow and Kochi in Q4. We are also in the process of identifying few other cities, which has volume potentials for setting up more regional processing laboratories.

Now, talking about “Sales and Marketing Structure.” In the last quarter, we initiated putting in place field sales executives and managers across the country. This was again a first for Thyrocare as we never had field-based marketing executives. We have with us today more than 120 member team who have already started visiting clients and we are constantly adding to that strength. We have made some early progress over the last 40-days where we could add more than 50 Thyrocare service providers, that's the name we give to our franchisee collection centers, which is 10% of our base, and we have an aggressive plan to double our presence in this segment over this calendar year. As you know, typically, collection centers takes about nine to 12 months to stabilize, so I believe this aggression in improving our presence through collection center will bear us results by end of 2021 and in early part of calendar 2022.

On the “Radiology Business” after lockdown, most of our PET CT centers have become fully functional and seeing walk-ins. Revenues have increased by 30% in sequential quarter, while we are yet to go back to last year's level; however, we are seeing strong recovery and hopeful of improving further in current quarter.

In summary, as we look forward, I believe that with enhanced focus on health and health infrastructure in the country, as was very well elaborated by our

Hon'ble Finance Minister, private healthcare, and specifically diagnostic industry will see positive uptrend going forward. The salience of COVID tests to total may come down, but not go away. And the rest of the business, especially preventive segment, will see significant growth. Thank you very much.

**Moderator:** Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Sriram Rathi from ICICI Securities. Please go ahead.

**Sriram Rathi:** Firstly, one thing is that if I just look at the revenue excluding COVID and antibody tests, so that has grown around 1%, but there has been a volume drop of around 5% and realization growth of around 7%. So this realization growth of Rs.232 per sample, seems to be very high in the several quarters in the past. Is this sustainable or anything in particular has led to this?

**Arindam Haldar:** So, as I told you, our preventive business has been going ahead and our realization in our preventive packages is higher than standalone test. I do believe that there will be uptrend towards people in India taking more and more preventive packages, and we are quite confident about sustaining this kind of revenue in future.

**Sriram Rathi:** We have not taken any price increase as such, right?

**Arindam Haldar:** No, we have not taken any price increase.

**Sriram Rathi:** Just on the second which you alluded in the opening remarks about the collection centers that you've started and more people you have taken, if you can throw more light on that what kind of collections centers, will it be in the Thyrocare's name only or it will be like outsourced to some third-party, how this will take off?

**Arindam Haldar:** So, these are what we call "Thyrocare Service Providers", these are branded collection centers, these are franchisee operated, and these are branded exclusive centers for Thyrocare, will be doing collections alone, which will

go to the nearest processing lab and for higher end tests it will come to the zonal or the centralized processing labs.

**Sriram Rathi:** Is it fair to assume that this could be a move towards becoming going towards B2C also in addition to what we have been doing?

**Arindam Haldar:** Not necessarily. We do have about close to 500 collection centers which have been operating and that's where I talked about the 10% increase, about having 50 new of course coming in. Here, our main focus is still working with the franchisee partner. So, it is the franchisee partners who are still the face to our customer. We still remain in the kitchen. So our front end is the franchisee partners. Our accessibility in the market will increase via the franchise.

**Sriram Rathi:** One question to Sachin. This personnel costs which has increased in this quarter, is this the run rate that we should take going forward?

**Sachin Salvi:** No, as sir has said in his opening remarks, we already have about 150 people working on the field and the team is set up. Now, this will not increase in that proportion unless we require new people to hire.

**Sriram Rathi:** This quarter expense, that is something that is a normal rate now?

**Sachin Salvi:** Yes, that would be something normal thing.

**Moderator:** Thank you. The next question is from the line of Rushabh Sharedalal from Pravin Ratilal Share and Stock Brokers Limited. Please go ahead.

**Rushabh Sharedalal:** I just wanted to know that the current RT-PCR revenue is Rs.27 crores, which roughly accounts for 20% of the total revenue. So what kind of product mix do you see going forward let's say two or three quarters down the line, I mean, could it still account for at least 5% to 10% of our top line?

**Arindam Haldar:** Well, I can talk about the past because I wish there is someone who can exactly predict which direction it will go. Last quarter, all our COVID and COVID related tests put together which is your antigen antibody, COVID, D Dimer, IL-6, all put together had 44% salience. This quarter, it has 24% salience, out of which 20%, as you rightly said, is RT-PCR. Now, frankly, I



don't think it will become zero. However, whether it will be 5% or 10% or 15%, frankly, it will be extremely difficult for us to comment on the same. So won't be able to give you exact number.

**Rushabh Sharedalal:** Just wanted to understand that our COVID revenue does not include the antibody tests, right, the antibody tests are included in our actual revenue only, is my understanding correct?

**Arindam Haldar:** Yes, so Rs.27 crores if you're talking about, that is only COVID RT-PCR, antibody will be another Rs.4-odd crores.

**Rushabh Sharedalal:** Antibody will keep coming even after COVID has subsided...?

**Arindam Haldar:** It can even go up as well, because after you take the second dose of vaccine, the only way to know whether you have developed antibody is to do antibody test, so directionally, the antibody test can go up as well post vaccination.

**Moderator:** Thank you. The next question from the line of Chandramouli Muthiah from Goldman Sachs. Please go ahead.

**Chandramouli Muthiah:** First question is back to the point that was made earlier around preventive testing and Aarogyam, maybe there's going to be a shift to that post-COVID. So I think there has been similar commentary coming out from some of your peers as well. So just trying to understand Aarogyam, I think, historically has been close to 50% of company revenues. So, is there a plan to maybe grow that faster now that there could be this sort of shift towards such packages?

**Arindam Haldar:** See, Aarogyam is clearly a focus area, Chandramouli, and even in the current month, there is a specific focus that we have in one of the Aarogyam profile, and going forward, we'll be keeping that focus on. So definitely, there will be a broader market trend towards preventive and being the market leader in this space, we will play from that strength as well.

**Chandramouli Muthiah:** A follow up to that. There was an earlier question as well around value growth. So historically, I think the industry we've seen most of the growth being driven by volumes. I don't know how long this period would be, but there might be some value growth coming through potentially because of this shift. So just trying to understand what is your thinking around the pieces that drive growth going forward between sort of value and volume?

**Arindam Haldar:** Historically, our strength has always been through volume growth, and we always have believed in that if we can grow volumes that gives you sufficient leverage for getting better financials, better profit and hence lower cost. So overall, while there is no specific direction to do any price falls, so we'll still go by volumes. However, the mix will give us better value, more and more preventive tests that we do, it will give better value. If you look at our client mix, our collection centers give higher revenue per day than the other clients, the small labs, which does sample collections. So with our more and more franchisee center coming in, if I can double my franchisee business, my average realization there also will go up. I'm also going to some of the high value clients with the field team coming in; I'm also targeting some of the hospitals and high end medical clients. With that coming in there will be a further fillip in some of the better and higher price test as well. So overall, yes, there will be a growth, which will be a mix between focus on preventive tests, higher thyrocare service providers and some high value clients coming in.

**Chandramouli Muthiah:** Second question is on the COVID testing specifically RT-PCR. So I think if we back the numbers out, maybe last quarter, the realization was closer to Rs.1,700 per RT-PCR, this quarter it seems slightly less than Rs.1,000. So where are we tracking it now? And maybe just related to that, how much do we draw a line in the sand saying that below a certain price, it's not viable for us to do the RT-PCR test anymore?

**Arindam Haldar:** It's like this. Between the Q3 and Q2, the price crashed even faster probably than the cost came in. But we have been able to rationalize our cost further to offer the realization of RT-PCR is going down much more on a day-to-day basis, and that is a trend that is going to be there. We are conscious of our

margin standards. Obviously, we will not take any foolish decisions, but we are very clear that if we can get sufficient volumes, we'll be able to price it much better than any of our competitors.

**Chandramouli Muthiah:** And a final follow up to that. In the month of September, the non-COVID business was back to about 93% of normalized levels. So maybe just in the month of December, just first to get an understanding of the exit run rate, is there a similar number that we're able to provide, may be whether it's like 106% of previous years or something like that?

**Sachin Salvi:** About 105%. So we already revived. In fact, we are seeing some growth.

**Moderator:** Thank you. The next question is from line of Rahul Agarwal from Incred Research. Please go ahead.

**Rahul Agarwal:** Firstly, on the non-COVID side, when I'm looking at the volume number, and I'm excluding the RT-PCR and antibody here, my sense is it's still not recovered 100%,right,it's about 92% YoY. Broadly wanted to understand, is the air and road travel restrictions, still impacting the B2B volumes, and when do you really go back to your fiscal '20 sample volumes of 19.2 million is what you did in March '20 year, would you go back to that level in '22, how do you think about the non-COVID recovery and I'm excluding antibody here?

**Arindam Haldar:** If you exclude the antibody RT-PCR, all of that, our volume in the last quarter had almost come down, come back to the last year's level, and in fact, revenue crossed last year's level. December has been better than the overall quarter and Jan has been better than December. So by that logic, I don't see any reason why by exit of this year, the volume shouldn't come back to the last year's level and revenue.

**Rahul Agarwal:** Secondly, one participant asked on the pricing for COVID and obviously, it's gone down and drop is even sharper. But broadly speaking, are you making single-digit EBITDA on the COVID on current prices or do you think you're operating at breakeven level? You mentioned in your presentation, I think

that the price drop has been significant, but you've managed to handle that through stringent controls on negotiating reagent costs and stuff like that.

**Arindam Haldar:** Yes, we are making margin in RT-PCR tests and we have negotiated our costs down further, and we still make a comfortable margin in RT-PCR.

**Rahul Agarwal:** One small question for Sachin was what is the CAPEX done in nine months?

**Sachin Salvi:** The CAPEX figure is around some 12 to 15 crores.

**Rahul Agarwal:** And the full year target? I'm asking this purely because we're spending on zonal and regional labs.

**Sachin Salvi:** As far as the CAPEX for the full year is considered it would be in the same level because as I said most of the capital expenditure for Bangalore processing laboratory as well as for Kochi as well as for the other Lucknow laboratories already incurred and debited to the capital work-in progress.

**Moderator:** Thank you. The next question is from the line of (Sayantan Majhi) from Credit Suisse. Please go ahead.

**Anubhav:** This is Anubhav here. One is clarity on the collection centers that you mentioned. When you mentioned about starting with 50 franchisee centers for the collection center side, which city are you talking about?

**Arindam Haldar:** So this is not a single city. So typically, all our regional processing labs that we have, our current focus is having collection centers more around the same so that we can give a quick turnaround time of test over there. So this is the mix between all the regions, but in each of the regions it is more closer to where our regional processing centers are, which are the larger cities.

**Anubhav:** I was asking about the preventive test. When we look at fiscal '20 total volume, if you were to just bucket into two parts, someone who's coming from a corporate contact versus someone who is booking a test on his own, what would this test like, 80% individuals, 20% comes through corporate, what does this look like?

- Sachin Salvi:** As far as preventive care profiles are concerned, mostly we are getting these orders from the individuals and mostly we are doing home collections. So corporate customers if you are asking it will be very less, tentatively the number will be somewhere in the range of 2% to 5%, not more than that.
- Anubhav:** Last clarity on this. When you look at the profile of the customer your business over the last two, three years and when you see the traction of a preventive test, which age group you see the most traction, is it like people more than 50-years old or enrolling for more preventive tests or is it more younger generations rolling for it which age group are you seeing more traction?
- Sachin Salvi:** So, mostly the traction is coming from tier-1 cities that are number one. Of late, tier-2 cities also we are seeing some good volume. As far as age group is concerned, mostly it is from the middle age group, not from the old age group, 35 to 55 years of age you can say.
- Moderator:** Thank you. The next question is from the line of Saurav Shroff from QRC. Please go ahead.
- Saurav Shroff:** Going back to this 50 franchisee collection centers that we are adding, I just wanted to understand, does this mean we are adding a further layer between us and our franchisee?
- Arindam Haldar:** No, these are franchisee collection centers, and there is no additional layer, we already have 500 of them, it is the same, the franchisees are our direct contact, and patients come to the franchisee, so, there is no other layer.
- Saurav Shroff:** So, this addition of 50 is sort of more of the same, is that right?
- Arindam Haldar:** Yes, that is where I said it has gone up by 10% addition in the last 40-days.
- Saurav Shroff:** The reason to do this is you think that you can provide better local service in terms of turnaround times, etc.?

**Arindam Haldar:** It is to further the overall hub-and-spoke model. Because if you give better accessibility to the patient through a branded center, so the patient can walk into the nearest center and get access to the overall Thyrocare menu. We have logistics set up, very robust, which goes through every nook and corner of the country, which picks up the sample and brings it to the processing lab. And since all our centers are connected online, the reports are available as soon as enough samples are processed in the lab. So this gives better accessibility. And it also helps sweat my machines better at the lab, because all those samples drain into our processing labs.

**Saurav Shroff:** So basically, between the client and the company, there is just this one sort of franchisee or agent who's doing the collection, and then maybe the logistic part of it, that's fair?

**Arindam Haldar:** Yes, so we have our logistics system, which just picked up and the collection centers is where our patients go, and they give their sample there.

**Saurav Shroff:** The second question was on Nuclear a little bit longer term, once let's say COVID is over another 3, 6, 9 months, where do you see that business sort of stabilizing and coming to breakeven and then better, what's the sort of plan for the next 12, 18 months?

**Sachin Salvi:** As far as Nuclear business is concerned, as we have said in the opening commentary, almost 78% of our business has already revived. Some of the centers like Delhi, Mumbai and Hyderabad are already seeing surge of up to 30%, 35% in terms of the number of scans which we report. In terms of breakeven, at least in this current quarter we have not incurred any cash losses, that is what we have also disclosed in our presentation. So breakeven level already attained. And we think this will continue in the near future too.

**Saurav Shroff:** So this is sustainable, and if anything grows from here?

**Sachin Salvi:** Pre-COVID period, if you see, almost for about eight quarters, we have seen positive cash flows. Just because of the COVID, it went into cash losses, and the moment business revived, again, we are seeing cash positive. And this despite three of our centers not functional, and one of our machinery already

shifted from a particular location to a new location. So, four of our machines are not active and running as of now and still this is the progress.

**Moderator:** Thank you. We have the next question from the line of Varun Goel from Nippon. Please go ahead.

**Varun Goel:** My operation questions are being answered. Just three things; on our imaging business, have we reconsidered what we were trying to do a year back trying to sell it to our promoter Dr. Velumani or get it off Thyrocare, have we rethought on that side?

**Sachin Salvi:** So you're talking about Nuclear Healthcare Limited, right? As on 31st, March 2020, we have done an impairment assessment. That is what we have reported in our numbers as on 31st March 2020. Thereafter, we have not assessed actually the progress. We will be doing that again as on 31<sup>st</sup> March 2021.

**Varun Goel:** But more strategically, what are your thoughts as to having that business within higher or otherwise?

**Sachin Salvi:** So, as I said in the earlier answer, we are seeing a good revival as far as Nuclear business is concerned. So, the call as to what is to be done with Nuclear business will be decided in our board meeting for the quarter ended 31st, March 2021.

**Varun Goel:** Second, our leggie initiative, which was to make the pricing transparent between us and the customer and the franchise in the middle, any thought on that, how is it or have we taken another route or how's that working now?

**Arindam Haldar:** So, the leggie network is growing. So, that vertical has a focus with a growth leader leading that vertical. So, that vertical is growing on its own and we believe that that will also sustain as separate significant revenue stream as the franchisee. So, as far as the franchisee collection center is concerned, there our focus will be more on direct patient walk-in referred by doctor and home collection and the smaller labs we will be servicing more through the leggie

network, and we have individual group leaders and they are focusing on each of the revenue streams.

**Varun Goel:** Any data as to what percentage of our smaller labs or something have adopted it or...?

**Arindam Haldar:** We don't have segment wise revenue of leggie turnover separately.

**Varun Goel:** A final data point. What percentage of our sample is transported via air?

**Sachin Salvi:** Most of the samples which are processed at CPL and coming from states other than Maharashtra are coming through air. Exact percentages, it is very difficult for me as of now to give you.

**Moderator:** Thank you. The next question is from the line of Bharat from Equirus Securities. Please go ahead.

**Bharat:** Sir, on MR part, since we are now employing field force. So just wanted to understand what will be the exact KRAs, whether they will be approaching the doctors or their role will be to enroll more smaller laboratories and get them associated with Thyrocare?

**Arindam Haldar:** So if I heard you correctly, you are asking about what will be the KRAs of the field staff, is that correct? So the objective of the field staff as they're going around is to get more of our branded collection centers and high value clients. So, that's where the primary focus will be.

**Bharat:** When we refer to premium clients, what we are referring to, is it like more collection centers or what is this?

**Arindam Haldar:** Their focus will be on two; one is the branded collection centers or the Thyrocare service providers, which are exclusive branded space for Thyrocare as well as high value clients, could be in high end medical client hospital of that kind. So, either a high value client or Thyrocare service provider, those will be best procured by the field staff, we will also have the office-based business development team, which is currently continuing, and



they still continue to pursue and get us more of the leggy and the smaller clients.

**Bharat:** So, whatever we have employed so far, around 120 MRs, so will there be further increase in headcount or whatever we have now employed, that is only going to be the number?

**Arindam Haldar:** It will be in line with the revenue that they generate. India being such a large country, it's very difficult to say that 120 is all that one needs. But, of course, we will go as revenue comes in, technically, if the revenue keeps growing as per our vision, yes, the number can also grow, but it will depend on how the revenue comes in. But overall, yes, if I have to go to every single city of the country, of course, 120 MRs will not be enough.

**Bharat:** What would be the value current contribution of 500 collection centers, which we already have?

**Sachin Salvi:** Somewhere in the range of 30% to 35%

**Bharat:** Whatever value we are generating from online or website as well as from our own BD team what will be that contribution to our revenue?

**Sachin Salvi:** Our B2C component is only 15%.

**Bharat:** Why I'm asking is because we said that our contribution from franchisees is around 35%. So franchisees, don't you consider as B2C?

**Sachin Salvi:** Franchisees are counted under B2B revenue only. You've asked about the B2C contribution. B2C contribution is 15%.

**Arindam Haldar:** Just to give you a little more clarity, if I just break it down, the direct sales associate revenue today is about 10%, and the direct we're booking is less than 5%.

**Bharat:** Actually, that's what I was trying to understand. Now what happens is when we look at the peers, they actually add these franchisee revenues as B2C revenue, it is not always considered as B2B revenue...

- Sachin Salvi:** We put it as B2B revenue, we don't put franchisee as B2C revenue, and we only count the revenue that we realize from the franchisee, not what franchisees realizing from the patient, we consider that as B2B revenue.
- Bharat:** One on the preventive side, who all market this Aarogyam -- so is it even marketed by the smaller third-party laboratories also, or it is only marketed through our own digital interface as well as through our own centers?
- Arindam Haldar:** As I told you, Aarogyam is almost 50% of my non-COVID business and my direct access to my consumer is less than 5%, so obviously, which means that Aarogyam is through all my channels, my franchisee partners sell it, my other business partners and clients sell it, and of course, a lot of direct clients enquiry comes in to website, which is limited to the percentage that I said. So we get Aarogyam sales to all our revenue streams.
- Moderator:** Thank you. The next question is from the Saurav Shroff from QRC. Please go ahead.
- Saurav Shroff:** Just wanted to understand from you, what is the latest franchisee count and what is the plan on increasing that?
- Arindam Haldar:** We had about 500 collection centers, we have got about 50 additional core which I spoke about and we have an aggressive plan to take this forward, our vision of doubling this, won't be able to give you exact time plan for the same, but that's the vision with which the field team is progressing of doubling my account which we had seen about three months back.
- Saurav Shroff:** Are these the end franchisee, the 25,000, 30,000 number?
- Arindam Haldar:** No, we are talking about the branded collection centers which are exclusive collection points who have Thyrocare brands and there is a dedicated space and they only take samples for Thyrocare. We have multiple collection points across the country which runs multiple tests, and they have various colors; they could be smaller labs, who we call leggie, there could be other ends as well. When I say Thyrocare service provider, we only mean the ones which are exclusive branded collection points of Thyrocare.

**Saurav Shroff:** The plan is grow the exclusive Thyrocare collection centers and not so much the others, that's how we are sort of thinking about building the brand and the reach going forward?

**Dr. A. Velumani:** Some of the questions were asked, I have noted down and I wanted to give a brief response to all of them. The first question was, “Whether PSR, that is Per Specimen Revenue increase is temporary or sustainable?” Yes, the thyroid samples which are having the lowest revenue per sample have come down because of the COVID pressures, logistics pressures. So we have lost low value specimen, and that is one of the reasons why you see a high per specimen revenue, though, as our people explained that Aarogyam is contributing for the movement of higher side for the revenue per specimen. Second question asked was “Where COVID will go?” No one knows where it will go, because two months back, three months back, it was a huge pressure, it was all increasing, and then volume started decreasing. Today, we have a situation where rates are also low, volumes are also low. That is why we sound very pathetic. I'm very happy that COVID PCR is collapsing because saying that the country is having a better health than what we expected. We don't know whether PCR will continue with this volume or because the fear is over people will test more or no, I don't know, earlier testing was not done for the disease, earlier tests were not done because there was too much of stigma of getting positive and getting harassed by the administration. A question was asked “Is that logistics a problem?” Yes, logistics is a big problem. Above Delhi, we were totally dependent upon train, train movement completely come down, and even today, we are unable to resume our train-based solution across the country because trains are not running like what it used to be. So the logistic is the main reason why our non-COVID business has not come back. Then the question was asked, “On Nuclear, what is the dream, why Dr. Velumani he did not buy it, will he buy it?” Let me honestly admit, I wanted to buy it and run. But if I had bought it, I would have been running that only because that's a very tough thing to run. That's the reason why the board of directors said, “Let Velumani not buy it.” But let me tell you, Nuclear is not a business compared to what we have as a pathology business with 40% EBITDA, low CAPEX, wonderful business. So Nuclear business is least likely to give you big profits. I have a reason to believe it will give

you some returns equivalent to a bank deposit return in the long run. Don't count too much from it. We have scaled it down because three of the centers went for litigation, remaining centers in COVID, they are too new, let us not run and we have closed it. So we now finally are trimming down to 10 centers and we will operate these 10 centers to make sure that there are no cash losses and there is at least a fixed deposit kind of a return for the investment done. The next question asked, "What percentage of air business is coming?" Let me tell you, earlier before 2015, it was 100% air business and then we started putting up laboratories in different metros. Today, we have 15 laboratories in 15 metros. So we don't get 80% of the business which was there in air, they are locally processed, so 20% of the business only travel from metros to Mumbai, so air contribution is only 20%. And the question asked, "You have added 50. Is it new kind, is it something significant?" Let me tell you, traditionally a franchisee as a concept was introduced by Thyrocare as early as 1996. We are the strongest franchisee-based player in the country. But over a period of time, the loyalty aspect of the franchisees has come down, they felt for some of the tests, some local laboratories are giving a better rate, and they started trading different, different kinds of laboratories under them. So now, franchisee concept if we analyze it, the ones who are committed to us as of today are 500, the ones who are not committed to us are almost 5,000. So what we are thinking of adding more committed franchisees, and branded franchisees and help these committed branded franchisees to grow the business in a different mode than the business which casual franchisees are giving. I have noted down a few points because there was some technical snag and my outgoing calls were in mute mode. And now I am not having a challenge. So, if there are some questions, I will explain them and answer them. Thank you, Nomura for resolving the technical snag and bringing me in the conference call.

**Moderator:** Thank you. The next question is from the line of Vikas Kasturi from Focus Capital. Please go ahead.

**Vikas Kasturi:** My first question is, would you be expanding the test menu?

**Dr. A. Velumani:** A very interesting question. But last 25 years test menu expansion is not happening in the pathology. Very little tests have been added. All those new tests added, they don't have volume. And let me tell you what COVID made a wonder. COVID is the only test which in the first month itself became the most profitable, most volume test because of the COVID disruption. Subsequently, the COVID also has slowly gone down in the chart. Today, COVID test is not as much as Aarogyam test is. Coming specifically to your question, we are not introducing any new tests, we are trying to make new kind of packages, we have introduced LC-MS and we have added for 10 LC-MS machines. We are interested in adding costly tests, making them affordable and making into package and having better value. To be very honest, there are not many tests available for us to even experiment to increase the menu.

**Vikas Kasturi:** Sir, my next question was in today's scenario, what is the competitive intensity like?

**Dr. A. Velumani:** It is no less. I think for the last 25-years I'm seeing the competition is growing much faster than the industry. In spite of that, the large players are sustaining some good traction. So, if you ask me post-COVID, the intensity of new laboratories coming in, new people getting in, all these things have increased. In fact, there are plenty of medium-sized laboratories who got an opportunity to do PCR tests have made three times more turnover in quarter-over-quarter basis, whereas all the organized players are suffering around 30% growth. So, if you look at it, there are huge pains in the industry. Equally, there are some opportunities in the industry. What worked before COVID will not work the same way. All have to reorient. Patient walk-in culture to the center is stopping, patient demanding for home services increasing, and a lot of changes happening. So it's very difficult to comment as of today, whether competition intensity is 10% more, 20% more, but certainly it is more.

**Vikas Kasturi:** Going forward, where would your investments be?

- Dr. A. Velumani:** Well, there is very little investment made, that's why we are periodically declaring a dividend, business is low, you understand from all listed company balance sheet. So, there is a likelihood we will invest on some higher end technologies, but the higher end technologies also could be at the maximum Rs.20 crores per annum, and for Rs.500 crores turnover company Rs.20 crores per annum is not at all anything to be truly worried about or planning about. I see high end machine in preventive care, in Mass Spectroscopy, that is either ICTMS or it is LTMS or it Gas Chromatography, GCMS, all the three are most likely to find a better place in the balances in a competition-driven market, because routine tests doing, you are not differentiating, you have to differentiate by doing those tests for which there is no readymade kits available.
- Moderator:** Thank you. The next question is from the line of Ravi Naredi from Naredi Investments. Please go ahead.
- Ravi Naredi:** Sir, how much growth plan are we assuming for next three years' timeline?
- Dr. A. Velumani:** If god comes and asks, I can tell him 100% but if an investor comes and asks I cannot tell him. Having said that industry is likely to have around 20% if it was only 10%, 12% growth for the last 10-years, next 10-years it will be 20% growth. "Dilwale Dulhaniya Le Jayenge" the company who has a good aggression, the company which keeps less price perhaps that company will have growth. So it's very difficult for me motivate you in investor call because if I don't do it, you will feel that Velumani says a lot but did nothing.
- Ravi Naredi:** No, no, I'm not just complaining or anything. In last AGM, you have ensured that there will be a 15% to 20% growth for next five-years. So just asking in terms, how is the situation now since six months has been passed? That's why I'm asking you.
- Dr. A. Velumani:** So if I have said nine months back or seven months back, be assured this year we will end at least 20%-plus growth. How the next year will go we have to see that.

- Ravi Naredi:** How much CAPEX plan we are planning for financial year '22?
- Dr. A. Velumani:** Yes, Sachin said, post-COVID because of PCR business, we have aggressively invested around Rs.15 crores in this fiscal. I think it should not exceed more than that, because once the good growth is there, we need to invest in regional processing laboratories. So, I would say at the maximum Rs.12 crores to Rs.15 crores for next year.
- Moderator:** Thank you. The next question is from the line of Varun Goel from Nippon. Please go ahead.
- Varun Goel:** I had a couple of questions. First around turnaround time. From the customer collection of sample to a lab to the report, is there any improvement in that turnaround time or what is it currently or how are we benchmarking that with our peers, any data or any insight there will be useful?
- Arindam Haldar:** Varun, if you see the profile of our test, half of the test is preventive. So, there the desperation on turnaround time is relatively less. So, overall, in the cities where we have regional processing labs, technically, the turnaround time will be better because sample will take less time at least for the basic tests to be done over there. So, to that extent, for the samples nearby the new regional processing labs, those turnaround time will be slightly better than earlier. So, if you look at a quarterly level, we are seeing over the last three quarters if I look at the overall data and pre-analytical turnaround time is reducing.
- Varun Goel:** I understand the high-level point, but do we track it in terms of number of hours or number of days?
- Arindam Haldar:** So, I'll just give some data points to things. So, we track it at all India level, if I talk about a quarterly progression, the pre-analytical turnaround time has gone down by about 3 hours and we track it at every pin level.
- Varun Goel:** By 3hours, what is the base?
- Arindam Haldar:** From 26 to 23-

**Dr. A. Velumani:** We consider turnaround time as pre-analytical turnaround time and analytical turnaround time, that means testing turnaround time, another is the specimen reaching to the company. 90% of the specimen, the analytical turnaround time is three hours. So, once the specimen has come inside the laboratory within three hours 90% released, within four hours 99% released. So, that is irrespective of whether the specimen comes from which city. The pre-analytical if you look at this business always sample is collected in fasting. So, sample collection time is 6 a.m. to 10 a.m. Always courier moves in 6p.m. not before that because courier is supposed to be traveling in the night. So, if you analyze it, around 50% of the samples are collected within the city, which is coming to the laboratory at the same day and reported within four hours. But the other cities will come only next day morning. So, it is 24 hours plus four hours. And this we are constantly trying to see how to decrease it, but I think we have arrived at the best. But please note, we are not at all copying with our peers, because they have very different business models, they have hundreds of laboratories which are running in the nearby proximity, we are only operating with 15 laboratories and one centralized laboratory. So, we are not into competition in terms of higher fast track. And let me give you a punchline, "I am not focusing on fast track. I am focusing on better quality."

**Varun Goel:** Just two more questions. One, we have a very rich history, almost operating for 20-years now. So what are we doing in terms of technology initiatives to improve our repeat customer rate, provide better analytics to the customer, or how are we using our history of tests, is there any investments there or initiatives there?

**Dr. A. Velumani:** Actually, your question is right if we were operating in a conventional model. 80% of our business comes through our franchisee. So he is the face for our company. So he keeps the database, he persuades them and he gets the business. Only 20% of the patients who come directly to us. We do have a loyalty program, we do persuade them, they are coming back to us, there are some people who do the test four times in a year and some entire family four times in a year. So there is a persuasion but to be very honest with you, we



are not like other players who are totally onB2C and they are fully committed to persuading. For us, 80% persuaded by franchisees.

**Varun Goel:** Just a continuation of this, we are perceived as price leaders. So are we doing any branding investments or digital marketing of promotions which are non-price related?

**Dr. A. Velumani:** In that way if you look at it, the way in which we got so many times subscribed in our IPOs is our brand is a very powerful brand in the eyes of the common man. With Aarogyam as a brand where a common man can relate without going to the doctor, he can come and avail the service. We are very strong there and we have also spent substantially even in this lockdown period in some digital marketing. So we are working on it, at the same time we are not direct B2C player. So all is going through our franchisees now. We are quite happy at that volume.

**Moderator:** Thank you. The next question is from the line of Sujit Paul from Prabhudas Lilladher. Please go ahead.

**Sujit Paul:** Where do Thyrocare stand currently in pre-natal and anti-TB business?

**Dr. A. Velumani:** They are two different businesses; in pre-natal business, we were planning to do NIPT which is attached to a pre-natal late pregnancy, early pregnancy testing. But the business before it took off, COVID disrupted and COVID wanted more space, and we did not find justifying to keep the NIPT because we don't know when it will assume, when the COVID had collapsed, no idea what is this COVID is going to do. To see the end of the year itself was a very big dream. Now that COVID has gone mild, we may review and restart NIPT. As of today NIPT has been closed down. TB business has been constantly growing. We are in to TB business for the three years. And I must tell you we have grown in these last three years from zero to a substantial Rs.20 crores per annum. And in my opinion this will grow 15%, 20% minimum year-over-year because government has a very ambitious program of end TB, and we are growing and I'm happy that I have started, and it's going to help to add to the bottom line as well as the top line.

- Sujit Paul:** Are we making profit at operating level?
- Dr. A. Velumani:** Yes, entire pathology business, there is no loss at all in any part of it, because the CAPEX in that business was only Rs.3 crores, now the revenue is substantial with 50% EBITDA, so there is absolutely no worry, it is doing well.
- Sujit Paul:** Another thing is that when Thyrocare is getting into branded premium segment of collection centers, is it a harbinger of going forward, any kind of specialized acquisition or similar kinds of things?
- Dr. A. Velumani:** 27-years, I haven't gone for any inorganic acquisition. Least likely I will be going for one. If all of you give me 30 multiple, 40 multiple. Unlisted company also is demanding more than that. So it is not wisdom for investing too bigger money for an inorganic growth. We believe organic growth is much affordable than inorganic growth.
- Moderator:** Thank you very much. As there are no further questions, I would now like to hand the conference over to Dr. Velumani for closing comments.
- Dr. A. Velumani:** Thank you very much, Nomura, and thank you all who have participated for the last 65, 70 minutes. I think country is safe, Indian per se COVID is over. I very confidently tell because in September, we were 1,200 per day death, today we are less than 100 deaths per day. And this is not probably because of COVID what we are currently counting. When the western world is having second wave, third wave, it is very-very pleasing to see that we have gone out of it. Of course, had it been there for longer, I might have made better Balance Sheet, but I don't think that any wisdom. And economy has revived, the stock markets have been booming. So with all said and done, the Hon'ble Finance Minister, Nirmala Sitharaman, has claimed that they have given 130% or 140% more to the healthcare, not directly into healthcare, some form of healthcare, a lot of money is invested into vaccinations, which I believe now probably is not desperate need for the country, but that is my personal view. Having said that, more money is certainly coming into healthcare from the government, more money is going to come from the investors, more money will come from the common man's pocket because now he has fear for

life, so that means there will be more into healthcare business, more job opportunities, more growth opportunities, I am of that opinion. The financial year 21-22 will have much better growth than what we had in the year 2021. And 2021, it looks like it is booming. But it looks like as I said that we are likely to declare when the year ends roughly around 20% growth. So thank you very much and hope to see you in the last week of April when the year ends and we have a call. Have a great day.

**Moderator:**

Thank you very much. On behalf of Nomura Financial Advisory & Securities India Limited, we conclude this conference. Thank you for joining us and you may now disconnect your lines.

\*\*\*End of Transcript\*\*\*