

February 03, 2026

National Stock Exchange of India Limited
Exchange Plaza,
Plot No. C/1, G Block,
Bandra Kurla Complex, Bandra (E)
Mumbai – 400 051

BSE Limited
Corporate Relationship Department
Phiroze Jeejeebhoy Towers
Dalal Street
Mumbai – 400 001

Symbol: LALPATHLAB

Scrip Code: 539524

Sub: Transcript of Q3 & 9M FY26 Earnings Conference Call

Dear Sir/ Madam,

Pursuant to Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find attached herewith Transcript of Earnings Conference Call on Financial Results for Q3 & 9M FY26.

We request you to please take the same on record.

Thanking You,

Yours Faithfully,

For **Dr. Lal PathLabs Limited**

Vinay Gujral
Company Secretary & Compliance Officer

Encl.: As above



Dr. Lal PathLabs Limited
Q3 FY26 Earnings Conference Call Transcript
January 30, 2026

Call Duration	<ul style="list-style-type: none">• 1 hour
Management Speakers	<ul style="list-style-type: none">• (Hony) Brig. Dr. Arvind Lal – Executive Chairman• Mr. Shankha Banerjee - Chief Executive Officer• Mr. Ved Prakash Goel – Group CFO and CEO, International Business
Participants who asked questions	<ul style="list-style-type: none">• Prakash Kapadia – Kapadia Financial Services• Vivek Agrawal - Citigroup• Anshul Agrawal - Emkay Global• Raman KV - Sequent Investments• Bino Pathiparampil - Elara Capital• Saion Mukherjee - Nomura• Shyam Srinivasan - Goldman Sachs• Surya Patra – Phillip Capital• Vamsi Hota - ASK Investment Managers• Reet Jain - Niveshaay• Lokesh Manik - Vallum Capital

Moderator: Ladies and gentlemen, good day, and welcome to the Dr. Lal PathLabs Q3 FY26 Earnings Conference Call.

As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing “*” then “0” on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Nishid Solanki from CDR India. Thank you, and over to you, sir.

Nishid Solanki: Thank you. Good afternoon, everyone, and welcome to Dr. Lal PathLabs Q3 FY26 Earnings Conference Call.

Today, we are joined by senior members of the management team, including (Hony) Brig. Dr. Arvind Lal – Executive Chairman; Mr. Shankha Banerjee, CEO, and Mr. Ved Prakash Goel, Group CFO and CEO International Business.

I would like to share our standard disclaimer. Some of the statements made on today's conference call could be forward-looking in nature, and the actual results could vary from these forward-looking statements. A detailed statement in this regard is available in the results presentation, which has been circulated to you and also available on stock exchange website.

I would now like to invite Dr. Lal to share his perspectives. Thank you, and over to you, sir.

Dr. Arvind Lal: Thank you, Nishid, and good afternoon, everyone, and thank you for joining us for the Q3 and 9M earnings call for fiscal 2026.

Healthcare in India is undergoing a profound transformation. We are witnessing a steady rise in lifestyle-related and chronic diseases, an aging population with evolving care needs and a growing awareness among consumers about the importance of early detection and preventive health. These shifts are redefining diagnostics from being episodic and illness driven to becoming an essential continuous part of long-term health management.

At the same time, access to high-quality diagnostics remains uneven across the country, reinforcing the relevance of organized technology-enabled players who can deliver reliable and standardized services at scale. This is where our purpose at Dr.

Lal PathLabs remains deeply aligned. We are committed to building an accessible, dependable and clinically rigorous diagnostics ecosystem for every Indian.

This quarter, we made meaningful progress on several strategic priorities:

- **First one was launch of Sovaaka, our personalized preventive healthcare platform:** A major milestone in this direction was the launch of Sovaaka operating under the philosophy of science behind wellness. Sovaaka represents a strategic pivot from traditional disease detection towards science-led disease prevention. By integrating high-end diagnostics and AI-supported imaging with curated programs, we are directly addressing the rising demand for personalized preventive care in India.
- **Next is the expansion of specialized and advanced testing capabilities:** We continue strengthening our offering in high-end diagnostics, including oncology, genomics, advanced infectious disease testing, and investments in our reference labs and collaboration with global technology partners remain key enablers of this strategy.
- **Next is deepening our presence in underpenetrated markets:** Our scalable franchisee-led model continues to help us expand into Tier 3 and Tier 4 markets. Improving diagnostic access in semi-urban and rural India remains a core long-term priority.

Together these initiatives reflect our integrated approach that is combining a robust physical network, deep clinical capability and digital innovation to serve India's evolving healthcare needs while driving disciplined and sustainable growth.

With that, I would now like to invite our Chief Executive Officer, Mr. Shankha Banerjee, to share the key performance highlights for the quarter. Thank you, and over to you, Shankha.

Shankha Banerjee: Thank you, Dr. Lal, and good afternoon to you all. I am glad to connect with everyone today to walk through our Q3 FY26 performance.

Our Q3 FY26 results reflect sustained growth and operational excellence. We delivered strong financial performance this quarter with revenue rising 10.6% YoY, resulting in 10.8% growth for the 9-month period. Patient volume growth was lower than our current trend at 2.7% in Q3 due to unexpected decline in our “seasonal fever portfolio”. The YTD patient volume growth is 4.4%. Our YTD sample growth remains robust at 9.6%.

In Q3, we continued the journey of significant clinical advancement with introduction of more than 15 new tests, including more than 5 which are “First in India”. These additions were across multiple portfolios, further strengthening our high-end complex testing capabilities. Our technical team had 5 international journal publications with 1 award-winning paper in the area of “using ML for rapid acute leukemia diagnosis”.

We have upgraded our enterprise IT infrastructure to next-generation technology, which has an AI-enabled environment at compute and network layer. We have rolled out a new agentic bot for patients at multiple touch points and a clinician-facing digital tool in pilot mode. We have enhanced our patient experience at walk-in labs and home collection with faster reporting standards in Delhi NCR. All these initiatives and more in the pipeline are aimed to enhance the patient and clinician experience with the brand. Our recent launch of “Sovaaka” preventive wellness program model also reimagines the patient experience with diagnostics. Together these developments solidify our position, not just as a laboratory service provider, but as a comprehensive high-tech partner in our patients' long-term health journeys.

During the quarter, Swasthfit contributed 26% to total revenue and continues to play a primary role in our B2C market growth. We are scaling this affordable preventive health model to Tier 2 and below towns to capture an untapped preventive testing market.

The transition from unorganized to organized diagnostics in India is sustained as patient priorities shift towards clinical reliability. Our competitive edge lies in stringent quality protocols and superior service architecture. Beyond the test itself, our differentiation is defined by the end-to-end patient experience from seamless sample collection to digital report delivery. Ultimately, these superior service levels are the primary drivers of patient acquisition and brand loyalty.

We are scaling through expansion in newer markets, innovative offerings and digital enablement. This approach cements our diagnostic leadership and enables long-term profitable growth.

With that, I will now hand over the call to our Group CFO and CEO International Business, Ved. Over to you.

Ved Goel:

Thank you, Shankha. Good evening, everyone, and a warm welcome. Thank you for joining us today.

I will take you through the key operational and financial highlights for Q3 and 9M of FY26, followed by our year-to date performance.

Let me begin with some key operating metrics.

- Revenue per patient for Q3 FY26 stood at Rs. 927, representing a 7.7% YoY increase over Rs. 861 in Q3 FY25. This improvement was driven primarily by favourable test mix and geographic mix rather than pricing.
- Test per patient increased to Rs. 3.11 in Q3 FY26 compared to Rs. 2.97 in the corresponding quarter last year, reflecting our continued focus on menu expansion and preventive healthcare offerings.
- As part of our commitment to strong governance and customer-centric practices, the company has gladly passed on the benefits arising from reduction in GST on reagents and chemicals from 12% to 5% through price reduction for patients. While this had a modest impact on realization, we believe it strengthens our long-term trust and demand sustainability.

Overall, our growth continues to be volume led with realization improvements coming largely from mix enrichment, which we believe are structurally sustainable drivers.

- Revenue for Q3 FY26 came in at Rs. 660 crore compared to Rs. 597 crore in the same quarter last year, reflecting a YoY growth of 10.6%.
- For the 9 months ended December 2025, revenue stood at Rs. 2,060 crore versus Rs. 1,859 crore in YTD FY25, registering a growth of 10.8%, driven by steady volumes and operating leverage.
- During Q3 FY26, we incurred a onetime cost of Rs. 30 crore related to implementation of new labour code, which has been reported as an exceptional item. This is a non-recurring adjustment and does not impact the underlying operating performance or steady-state cost structure of the business.
- EBITDA before exceptional item for Q3 FY26 stood at Rs. 179 crore compared to Rs. 154 crore in Q3 FY25, reflecting a growth of 16.3% and EBITDA margin of 27.2%.
- For the 9 months ended December 2025, EBITDA before exceptional items came in at Rs. 596 crore compared to Rs. 527 crore in the same period last year, registering a growth of 13.1% with EBITDA margin of 28.9%.
- Profit before tax for Q3 FY26 after taking the hit of labour code was Rs. 124 crore compared to Rs. 138 crore in Q3 FY25 with a PBT margin of 18.8%. For the 9 months ended December 2025, PBT stood at Rs. 509 crore v/s Rs. 471 crore in YTD FY25 with a margin of 24.7%.
- Profit after tax for Q3 FY26 after taking the hit of labour code stood at Rs. 91 crore compared to Rs. 98 crore last year, resulting a PAT margin of

13.9%. For the 9 months period, PAT was Rs. 378 crore compared to Rs. 337 crore in YTD FY25 with a margin of 18.3%.

- Earnings per share for Q3 FY26 was Rs. 5.4 compared to Rs. 5.8 in Q3 FY25. For the 9 months ended December 2025, EPS stood at Rs. 22.4 compared to Rs. 20 in the previous year.
- Our balance sheet remains robust with net cash and cash equivalent of Rs. 1,411 crore as on December 31, 2025, providing us significant flexibility to support organic growth, calibrated inorganic opportunities and shareholder returns.
- I am pleased to share that the Board of Directors has approved an interim dividend of 35% amounting to Rs. 3.5 per share on enhanced equity share capital post 1:1 bonus issue.

Our capital allocation priorities remain unchanged, investing in growth, pursuing M&A opportunities and returning surplus capital to shareholders while maintaining financial prudence.

Overall, we remain focused on delivering sustainable growth and healthy profitability while continuing to invest in quality, compliance and customer experience.

With this, I conclude my opening remarks, and I now request the moderator to open the forum for question-and-answer. Thank you.

Moderator:

Thank you very much. The first question is from Prakash Kapadia from Kapadia Financial Services. Please go ahead.

Prakash Kapadia:

Thanks for the opportunity. A couple of questions from my end. Shankha, at a time when industry revenues have been growing in the 7%-8% range, our growth, if I look at last 11-12 quarters, has been 10.5% on an average. So what am I missing? We have brand, we have technology, we have franchisee network, we have reach, we have doctor empanelments, sales force, low cost of test, on-time delivery. What is the missing factor which is leading to this kind of a growth? Because if I look at some of the other listed players, they have been reporting higher growth. So that is the first question on revenue.

And secondly, on Swasthfit, it has been growing almost 2x of our company revenue. How is the journey been? Is it now a Tier 2, Tier 3 phenomenon also? Is that also contributing there? What is the journey in Tier 2, Tier 3 cities? Is it movement from basic diabetes and thyroid to some of these packages? And is there any possibility that Swasthfit is cannibalizing some repeat usage or revenues at the company level? Those are my 2 questions.

Shankha Banerjee: Thanks, Prakash. I think on the first one in terms of revenue, I think we have been consistent in trying to say that right now we are focusing only on organic revenue growth. If you remember, about 2 years back, we had slipped to about a 7% organic revenue. And so we were quite clear that we want to build the organic momentum back across the organization. And that is what the team has been working on.

Simultaneously, the building blocks of how to take the next jump forward are being put in place. Revenue growth in the future, we are obviously working towards making this better than whatever we have now. But the stability that you see is kind of designed to at least bring the organic growth trajectory at a level that we are comfortable.

I think we have been saying 11% to 12% organic growth for this year. And even as of now, we are confident that we should be able to deliver between 11% to 12% for the year. And once the whole base kind of comes to that level, I think other initiatives which are already being laid out should help us step up going forward.

On the second question on Swasthfit, yes, I think even in some of the previous calls I had mentioned that Swasthfit now with our expanding reach we ourselves are able to now put Swasthfit into more geographies, including the smaller towns, and we are definitely seeing offtake or acceptability of this in the smaller towns.

Also, even in the urban centers, our penetration or availability of this is, we are seeing not only direct consumer or patient pickup, but like I mentioned, in some cases, we are even seeing doctor recommendations coming for the portfolio. Those levers are still in play, and that is what is helping us maintain the growth momentum on Swasthfit.

Prakash Kapadia: Okay. And in some of these initiatives which you have been calling out over the last few quarters, be it distribution, be it new product development, be it enhancing the menu, I think increasing the sales force. Where will that trajectory come in? Now is FY27 going to get us there? Because I think last call, you had hinted suburban has stabilized, the IT issues are done, Mumbai reference lab has stabilized.

Will West and South contribute more meaningfully to that, then we will see that delta or incremental revenue coming through us? What is the tipping point or what as analysts and fund managers we should focus on, this is what it is and we are there?

Shankha Banerjee: I think for a size of organization and the scale that we are running, I do not think one single city, geography will really help in kind of taking the overall number higher. What has to work for us is slightly different strokes in different geographies, but all

geographies will contribute towards a higher growth momentum. I would say, starting Delhi NCR, North, East, West, even South, international as well, all of these geographies put together will contribute to the higher growth trajectory that we are aiming for. It is unlikely that one geography will help the overall number of the organization to go to the level that we want it to move towards.

Prakash Kapadia: Okay. Understood. And from next year, we should see some better growth? Is that the path we should expect?

Shankha Banerjee: Yes, that is the trajectory that all of us expect, including me.

Moderator: Thank you. Next question is from Vivek Agrawal from Citigroup. Please go ahead.

Vivek Agrawal: Thanks for the opportunity. In the opening remarks, you talked about that the quarter has been also impacted or the volumes have been impacted by adverse season. So is it possible for you to break it down how the seasonal volumes or the fever-related volumes have grown in this quarter or how the specialty or semi-specialty test-related volumes have grown in the quarter? Thank you.

Shankha Banerjee: Yes. I do not think we will get into that micro detail, Q3 is usually not a thing where we discuss season or fever or things like that. But it has been an unexpected quarter in the sense that we have seen an impact due to our seasonal fever portfolio has got negatively impacted. We have declined on that portfolio. And yes, that has resulted in lower patient volume numbers and even to a certain extent the lower sample volume numbers.

Vivek Agrawal: Understood. Basically, it has declined, right? And approximately, what is the share of this portfolio in the overall patient volume, approximately? Can you give any ballpark number?

Shankha Banerjee: You see that share is different by quarter, so I am not too sure, and that is not something which we focus upon. I am not too sure that is the data we would want even any of you to be focusing upon.

Vivek Agrawal: Yes. No problem at all. Another question is if you look at the patient volume growth, so although this quarter has been impacted, but even if you look at the 9 months, it is around 4%-5% kind of growth. And this is despite that you are pushing significant growth as far as in the Tier 2, Tier 3 town, expanding the network and all. Is it the right way to look at that? Your core markets, like, for example, Delhi NCR or in the Tier 1 markets, is there any kind of a structural slowdown as far as the growth is concerned? Or how to put it.

Shankha Banerjee: I think the patient volume numbers are seeing a steady growth. I think quarter-to-quarter fluctuations are there. But if you at least see in the last 2-3 year movement, from an annual low of almost 2.7% that we saw 2 years back, we are going upwards. I think expecting a jump at the scale of patient volumes that we do, expecting this number to suddenly go up by 3%-4% in one calendar year or one financial year may not be the right expectation.

But yes, there is a slow and steady improvement that we are trying to build on the patient volume number. And that you will see in the YTD number this year also. We have obviously this impact right now in this quarter, but we are seeing some increase in the patient volume numbers this financial year as well.

Moderator: Thank you. The next question is from Anshul Agrawal from Emkay Global. Please go ahead.

Anshul Agrawal: Thank you for the opportunity. Sir, my first question is on margins. I think generally, we see a dip in margins in the current quarter, and we had previously indicated that H2 margins would also be lower than H1 owing to network investments and other expansion projects. Are the current margins, I am talking about 9-month ended margins, sustainable at around 29% going forward?

Ved Goel: I think if you see H1 margin was higher this quarter. If we take out the impact of labour code, it is 27.2%. And later part of the year we said it will be lower than first half of the year. Overall, earlier, we said a similar number, around 28% kind of margin. And we are confident that we can achieve in this financial year between 27%-28% even after this impact of labour code.

Anshul Agrawal: Got it. Going forward, the margin trajectory would remain firmly around this 28% is what I am trying to understand despite us passing on those GST-related benefits, et cetera, and all that stuff.

Ved Goel: Yes. I think we are hopeful that we can maintain the trajectory between 27%-28%.

Anshul Agrawal: Got it. Second question I had was, can you provide us with an update with the advanced radiology pilot project that we had undertaken in Delhi? Is there any update that you can share with us with regards to traction or any plans to sort of expand on that?

Shankha Banerjee: The traction on the advanced radiology is that we were running a one center pilot in Delhi NCR, and we are looking at it and it is kind of going as per the planned trajectory that we have. We are now starting or just started another center in Delhi

NCR on advanced radiology because we want to now see how replicable is our first pilot in another location which is geographically apart. So that is the status as of now.

Anshul Agrawal: Got it. This would be an advanced center only, sir, right? It will include MRI and CT scan machines.

Shankha Banerjee: Yes, this is another center with the MRI and CT scan.

Anshul Agrawal: Just one last bookkeeping question from my end. Can you help us with the CAPEX number for the current quarter? Any full year guidance incorporating these high investments in radiology and even Sovaaka preventive wellness program?

Ved Goel: Anshul, this year, we have made 2 investments, one, we bought one property which is for our precision diagnostic center, and, of course, the Sovaaka, which we have just started. Roughly, we will be spending about Rs. 150 crore to Rs. 160 crore kind of CAPEX in this year. Normally, we spend about Rs. 50 crore - Rs. 60 crore - Rs. 70 crore on an operating kind of capex.

But these radiology center, let us suppose if we take one center, it takes away about Rs. 15 crore - Rs. 16 crore kind of investment. And if we take, let us suppose, going forward 1 or 2 more, then accordingly someone can factor in 2 more investments.

Anshul Agrawal: Right. So sustainably, capex could settle at around, say, around Rs. 60 crore - Rs. 70 crore of operational capex plus 2 center capex on this figure. About Rs. 100 odd crore could be the right number?

Ved Goel: Plus some new initiative or new investments. So near to time, maybe you can see between Rs. 100 crore - Rs. 150 crore kind of CAPEX someone should assume.

Moderator: Thank you. The next question is from Raman KV from Sequent Investments. Please go ahead.

Raman KV: Sir, I have 2 questions. One is, sir, can I get the total test volume for the quarter?

Shankha Banerjee: Total test volume?

Raman KV: Yes, number of tests conducted, not the sample collected?

Shankha Banerjee: Number of tests.

Ved Goel: We have done 22.2 million samples in this quarter.

- Raman KV:** Yes, that is the sample collected, right? I just want to understand the number of tests performed on those samples?
- Ved Goel:** Raman, we generally give sample numbers. What you are talking about the parameter where, let us suppose, if we do one test, which is TFT, LFT, let us suppose, and within that, there are so many parameters, which we do not report directly. So these are not reported. So we generally give sample numbers.
- Raman KV:** Okay. Understood, sir. And sir, my second question is with respect to Swasthfit. I just want to understand the margin difference between Swasthfit and the rest of the portfolio. Where I am coming from, I just want to understand if once your contribution of Swasthfit improves further, will it aid margins or will it be a pressure on margins or the margins will remain flat?
- Ved Goel:** So realization is, of course, higher in Swasthfit because of bundle and packages, but same time, we provide discount because these packages are at discounted rate. Obviously, we get operating leverage. And overall, net-net, it is not like very different, but yes, realization is higher and operating leverage is always coming, be it consumption, be it other operating overheads. But somebody should not factor in that higher contribution from Swasthfit will give very high margins. That one should not factor in.
- Shankha Banerjee:** It is not margin dilutive.
- Raman KV:** Okay. Understood, sir. Sir, my third question is with respect to the newly launched Sovaaka. Can you just elaborate what are the tests the company will be performing under this?
- Shankha Banerjee:** Sovaaka is a very new conceptual setup. It is focused on preventive wellness testing only, and if you want more details, you can go on to Sovaaka.com, which is the website dedicated to Sovaaka. You can type S-O-V-A-A-K-A, Sovaaka.com, and you will get details. But it is all preventive health checkups.
- These are packages, there is a pre-consultation with the doctor, and depending upon individual conditions, family history, etcetera, packages are suggested and finalized, and then the testing happens and report consultation and diet consultation post that. So it is a wellness and preventive focused testing only.
- Raman KV:** Understood, sir. And sir, B2C share during the quarter, is it still 75% or has it increased?
- Shankha Banerjee:** B2C share is still around 75%.

Moderator: Thank you. Next question is from Bino Pathiparampil from Elara Capital. Please go ahead.

Bino Pathiparampil: A couple of questions from my side. On one side, we have seen a sharp depreciation in Rupees. and at the same time, we have seen this European Union trade deal which cuts tariffs. Does either of this favourably or unfavourably affect our cost base and can it impact margins?

Ved Goel: I think dollar is moving up, we all know. And most of our reagents and chemicals are imported. Indirectly, we are also impacted. But we are able to absorb that inflationary cost because of our volume. Right now, we do not have any which is linked to - directly linked to dollar because we buy from Indian companies. On the other side, this EU trade deal is very early to comment on. Definitely, there may be some opportunity in future which can come. But right now, it is too early to comment on that.

Bino Pathiparampil: Okay. And in case these reagent prices actually go up, do you think you can pass them on without impacting volume growth?

Ved Goel: We have long-term contracts with most of our large suppliers. Right now, we are not having that. But yes, of course, if dollar trajectory is upwards like this, then definitely we have to review our pricing again.

Bino Pathiparampil: Understood. And one question on the radiology plan. So you mentioned that it is going as per plan. In the normal course if it goes as per your plans, when can we see a significant ramp-up on that strategy? Would it be in a couple of years or would it be in 5 years?

Shankha Banerjee: Radiology contribution to our business is less than 5%, and even a significant ramp-up may or may not immediately impact the overall fortunes of the company. But having said that, we are definitely understanding the business model around high-end radiology in brand strong urban markets, and then we will also maybe try and understand in some other markets and then figure out our long-term strategy. Having said that, in terms of time horizon, like you said, it is unlikely to be a significant contributor to top line growth at least not in the next 2-3 year scenario.

Moderator: Thank you. Next question is from Saion Mukherjee from Nomura. Please go ahead.

Saion Mukherjee: Good evening. Thanks for taking my question. Sir, you mentioned about the patient volume growth at 4%-5%, which you think can increase going forward. It may not be a step-up, but it can go up. If you can share your thoughts as to what we should look

at, what would drive that? And also acquisition, small, big task, is that a possibility you see in the current environment? And can that emerge as a driver for you?

Shankha Banerjee: Right. For the organic patient volume growth there are 1 or 2 obviously quite clear levers that I think we have spoken about earlier, and the most important one is the spread and the access that we are increasing for patients. You see the number of new testing labs and the collection network expansion that we have stepped up over the last 2 years is aimed at getting more wider geographic spread, and therefore, ability to access a larger population and give more access to population to come and use our brand for their diagnostic needs. I think that is number one.

And then primarily over and above that, even through our existing network, there are patient acquisition activities that we keep doing from time to time. And our Tier 3, Tier 4 and rural push that we have been undergoing for over, I would say, maybe 4-5 year journey that we have had on that is also going to help us get the organic volume.

On the inorganic side, definitely, there is appetite for us to be looking at inorganic opportunities and we are on the lookout for suitable inorganic opportunities which can fit into our portfolio and our strategic growth areas.

Saion Mukherjee: And sir, I mean, are you looking at, how should I say? Like is it like midsize chains, big chains or individual labs? What kind of acquisitions are most likely?

Shankha Banerjee: It is not that we look at all kinds of options because it is geography specific. I think the South market is something where we would definitely like to have something which is reasonably large, at least maybe a top 3, top 5 player in a given city with a slightly larger platform play, which we can then adopt and grow.

Whereas in some of our other Northeast, maybe even some parts of West, we are open to doing standalone lab acquisitions, which gives us maybe access to some micro market or some other benefit which we are maybe not able to get through our normal organic business.

Saion Mukherjee: Understood. Sir, on the pricing front, I understand like it has been like 3 years there has not been any price increase. In fact, you mentioned there has been the GST cut on inputs were passed on. So what is your view on pricing? When do you plan to take some price increase? Can we expect this year or next year? Any thoughts around that?

Shankha Banerjee: Like Ved mentioned, we have just taken a decision to do a price cut to pass on the GST benefit. So that cycle has to run for some time before we consider a price

increase. So therefore, I definitely do not see a price increase on the horizon, at least not for the next 2-3 quarters.

Moderator: Thank you. The next question is from Shyam Srinivasan from Goldman Sachs. Please go ahead.

Shyam Srinivasan: Just one on the realization part. Again, I am just calculating revenue per patient from your revenue numbers and the patient numbers. So that comes up by 7.5%. You mentioned I think the GST cuts have not come in Q3. So I am assuming it is in Q4. What would be some of the enablers of this? Would it be higher Swasthfit? Can you just explain that? Or has the environment from a competitive standpoint been a lot more easier, do you think?

Shankha Banerjee: The GST price cut was taken in Q3, but it was maybe towards the end of Q3. So obviously, the full impact is not reflecting in the RPP of Q3. To that extent, you are right. It is a combination of test and geography mix that we are seeing in terms of RPP. As we said, Delhi NCR continues to grow double digits and we all understand that Delhi NCR is a higher RPP market for us compared to the rest of the country, and we also have some test mix benefits that are there. So those are the major contributing factors for the geography and the test mix for the RPP increase that we see.

Shyam Srinivasan: That is helpful, sir. Just the second question is you alluded to higher growth over time. Are we talking about not the 11% to 12%, but are we talking about higher than that? We think, and at some point of time, if it is 3-4-5 quarters later, we are looking at price increases. Could we then go beyond the 12% on a medium-term basis? I am not holding you to a specific year, but just want to understand are we in the trajectory looking up at any point of time?

Shankha Banerjee: Yes. I think the thought process that you are saying is reasonable. We are looking at 11% to 12% is what we have been saying for this financial year. So going forward, if that becomes our baseline, we obviously would like to be slightly better than that. And maybe 3-4 quarters down the line, the price increase window may open up again.

Shyam Srinivasan: Yes. And what would be a trigger for a price increase? I am just curious. We have not done it for many, anything that you think will then say this prompts us to take prices? Is there something that we monitor closely? Is it inflation? I am just curious. What would trigger the price increase.

- Shankha Banerjee:** I think there are two triggers we look at. One is, obviously, internal cost is one thing which we continue to look at, how much we can absorb or what is it that cannot get absorbed, et cetera. And second would also be the external pricing table, because we do not want to get into a situation where we are not or we seem to be falling off the pricing premium table because there are quality connotations associated with price in our country still.
- Moderator:** Thank you. Next question is from Surya Narayan Patra from Phillip Capital. Please go ahead.
- Surya Patra:** Thanks for the opportunity. My first question is on the Sovaaka initiative. So I just wanted to understand, sir, how is this different from the Swasthfit and whether this will be complementing Swasthfit growth. And another point here is that, can the Sovaaka initiative be scalable and scalable beyond the NCR?
- Shankha Banerjee:** Sovaaka and Swasthfit are very different in their idea and execution. Swasthfit is a pathology only and widely distributed and accessible testing portfolio, which we said not only do we do in urban centers, it also goes into Tier 2, Tier 3, Tier 4 towns across the country. Sovaaka is a personalized, customized wellness, preventive wellness setup which integrates pathology and imaging, including high-end imaging and is a specific center-driven touch and feel experience for people who are looking at really in-depth understanding of their individual health status. So this is kind of center driven. As of now, it is the first center that we have launched. Again, this will be on a mode where we will see how we are scaling this, the patient footfall, the walk-ins, etcetera, and the buildup of this center. I think only on the basis of that will we decide how do we scale it. But there could be possibly multiple modes or models of scaling. But yes, the scalability is way beyond Delhi NCR once we get the model right.
- Surya Patra:** Okay. Is it fair to believe Swasthfit is a kind of annual testing mechanism, while Sovaaka would be a once in lifetime or once in 10-year kind of thing?
- Shankha Banerjee:** Both are annual. It is just that the type of testing is different and the offering is very different. Both are annual in nature from a preventive side.
- Ved Goel:** Surya, I mean, just on the Swasthfit, it is not only preventive wellness, but in our case, most of the time it is upselling. Maybe patients who are coming for individual tests, they are trying to take this package because it makes sense and avoid multiple visits where they can get a lot more tests in a single visit. It is not always preventive wellness. While Sovaaka is purely preventive, preventive and wellness kind of thing. But Swasthfit is always where we have patients who comes in need also.

- Surya Patra:** This is helpful. Just one more. Whether we do get any benefit out of this Ayushman Bharat Digital Mission success? What we have seen?
- Shankha Banerjee:** As of now, we are enabled to incorporate ABHA IDs into our system. So whosoever is giving us their ABHA IDs, we put it into their records the ABHA IDs. But primarily, ABDM is still focused on the hospital care. Diagnostics as of now we have not yet seen any reasonable thing to believe that this can become a key driver of growth for us right now.
- Moderator:** Thank you. The next question is from Vamsi Hota from ASK Investment Managers. Please go ahead.
- Vamsi Hota:** My first question is on the extent of utilization of both the Mumbai and Bangalore reference labs. Given that we continue to open about 600 to 800 collection centers annually with greater focus on the high-growth North markets, ex of Delhi, how do you plan to ramp up the utilization of these 2 specific reference labs?
- Shankha Banerjee:** The reference lab capacity by design is very high because it depends on what type of machine modularity that is currently deployed, and there is obviously ability for us to keep deploying more. A lab is designed with a life which says, we are looking at maybe a 10-15-20 year outlook on a reference lab kind of a setup. So I do not think that kind of correlates with the structure of network collection that is going in other parts of the country.
- The reference lab actually helps in building the tier-wise hub-and-spoke model that we work on. We have got reference labs and hub labs and cluster labs and satellite labs, and then front end, we have the collection network.
- It is about putting a certain test menu in the market and then our ability to really build that test menu with the local prescribing community in the catchment area and our ability to deliver that timely reports and the quality report from the reference lab that we have for that geography. So that is an independent task and does not necessarily correlate with saying that more collection network will certainly mean more capacity utilization at a reference lab.
- Vamsi Hota:** That is helpful, sir. I will just ask one more question. Given that we follow a revenue sharing arrangement with our franchise network and that in markets, ex. of Delhi, we end up sharing more than 25% of our revenue with the network, do you foresee incremental margin dilution given franchisee-led growth? If not, how much more bandwidth do we have on expanding our EBITDA margins via process efficiencies

and leverage, given that all of our growth has been volume and price led at least over the last 2 years?

Shankha Banerjee: I think Ved will add to whatever I say. I think one must understand that when a franchisee is given a margin, there are certain tasks of the whole process which also get outsourced. And there is a certain benefit that we also get because of accumulation of samples, and on top of that, we get an independent entrepreneur who is also kind of really running after generating business for us.

So, there are multiple reasons why the franchisee footprint works for us, and we have been able to really develop a very strong mechanism of franchisee management. If you see, besides Delhi NCR, the model of franchisee revenue share is different in certain other geographies, depending upon how the competition, layout, etc. is. We have been able to manage it quite well till today in terms of our overall portfolio margin and we do not see any reason why that cannot be managed going forward as well. So Ved, do you want to add anything to that?

Ved Goel: No. So I do not think margin, where it is dilutive because, first of all, this model of having a franchisee is because of scalability and not putting a fixed overhead on our head because there is an entrepreneur who always drives, and it is a variable model where you share out of your revenue share instead of incurring on your own infra cost.

In spite, you see our contribution has increased so much. We are not diluting our margins. In fact, we are getting operating leverage because we already have testing outlets. We have already capacity which is available, and we can leverage on that. So I do not think this will dilute our margins.

Vamsi Hota: Sure, sir. Incrementally, how much more scope or rather another way to ask this is, what is the dream state EBITDA margin that you kind of look at?

Shankha Banerjee: I think we are very near the dream state, if you ask me, because we would rather see if we feel that we are in a position to generate more margin, I would rather see how can it be deployed back to generate growth, sustainable growth, over the long term. I think the margin profile that we run, 27%-28% EBITDA, we are maybe in the quote what you say, "dream state".

Moderator: Thank you. Next question is from Reet Jain from Niveshaay. Please go ahead.

Reet Jain: Sir, basically my question was the molecular diagnostic players like 3B BlackBio or Mylab, Molbio, they are coming into the industry, like Molbio filed their IPO, DRHP.

Basically, are they a competition or are they a supplier to us for kits? And how is that molecular diagnostic industry doing? Can you give a color on that?

Shankha Banerjee: Molbio is a vendor, is a supplier. They are not really into front-end retail pathology as far as I am aware. And so that is one question. And molecular testing, obviously, has seen increase over time and PCR testing, et cetera. Yes, I think that part of the portfolio should increase. I think maybe more traction will come on that portfolio.

Also because of the oncology testing, et cetera, happening, I think that portfolio will see, and I think the second thing which Dr. Lal is also mentioning is that we see Genetics, again, another area where quite a bit of traction we foresee will come in the market.

Reet Jain: Basically, can you give the reasons why that side of portfolio is doing well and such extensive tests are taking market share from this simple testing?

Shankha Banerjee: I do not think it replaces simple testing. Please understand what is happening is when you get into Genetic testing or molecular testing, these are more personalized, customized and more deeper testing. But that does not take the need away of routine or regular testing. Actually, on the contrary, as people get diagnosed with more difficult or complex conditions, for therapy and the patient management the routine testing is required and that need may actually go up.

I do not see it to be a replacement. Rather, it is more about building and helping build your clinical superiority as well as the trust with the clinicians of our ability to really solve the complex diagnostic problems. I think that is where these portfolios also play a role in our business.

Dr. Arvind Lal: We are also acutely aware of the increase in testing for all these noncommunicable diseases, NCDs, which are basically basic diseases in our jargon. But at the same time, the numbers are humongous, led by diabetes, high blood pressure and lipid profiles. And of course, cancer is catching up, liver, kidney. All these are a very large set of diseases which we club under NCDs. So there is a remarkable improvement for performing because 65% of the Indians are dying from these diseases every day, noncommunicable diseases, lifestyle diseases. Of course, infectious diseases have not left us. They are about 35%. But right now, NCDs are catching up.

Moderator: Thank you. Next question is from Lokesh Manik from Vallum Capital. Please go ahead.

Lokesh Manik: Sir, just one clarification I needed. The new initiative of Sovaaka, would you say this is more like a DTC foray, direct-to-customer foray, v/s. our established model where

the doctor and the lab setup may not exactly be in the same premises v/s a Sovaaka, which would be in the similar premises with obviously more advanced testing and advanced services product portfolio? Would that be a correct assessment?

Shankha Banerjee: Sovaaka, like I was mentioning earlier, is a preventive testing and a wellness testing-driven platform. So to that extent, it can see more self-generated test, but it does not mean that there is not going to be clinician-referred testing here as well. I think even annual health checks which people do, they may end up showing it to a clinician after that. Therefore, it is not an either/or. But yes, compared to the standard diagnostic lab testing where primarily much more prescription-driven testing is happening, in this situation, we might see slightly more self-driven testing as well.

Lokesh Manik: Right. So this would be company owned, right? This would not be franchisee or channel partner.

Shankha Banerjee: Yes, this is company owned, fully company owned.

Lokesh Manik: And even when you plan to scale, it will be a company-driven model. It will not be outsourced to franchisees.

Shankha Banerjee: The scaling model we will enumerate later, because once we have the experience of running the center, obviously, many more details will be with us for us to then decide. But the flagship store is company owned.

Moderator: Thank you very much. We will take that as the last question. I would now like to hand the conference back to the management team for closing comments.

Ved Goel: Thank you all for joining the call today and for your continued trust and support. We hope we have been able to address your questions satisfactorily. Should you have any further queries, please feel free to reach out to us. Thank you once again, and have a good evening.

This is a transcription and may contain transcription errors. The Company or sender takes no responsibility for such errors, although an effort has been made to ensure a high level of accuracy.