

Vimta Labs Limited

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Date: 20.05.2021

Listing Centre
B S E Limited
P J Towers, Dalal Street
Mumbai: 400001
Scrip Code No.524394

Asst Vice President
National Stock Exchange of India Limited
"Exchange Plaza", Bandra
Kurla Complex, Bandra (E)
Mumbai – 400051
Trading Symbol: VIMTA LABS

Dear Sirs,

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

Sub: Transcript of the Q4-2021 earnings/investor call held on 17th May 2021

Please find enclosed herewith the transcript of the Q4-2021 earnings/investor call held on Monday, 17th May 2021.


Further, pursuant to Regulation 46 of the Listing Regulations, the aforesaid information is available on the website of the Company i.e., www.vimta.com.

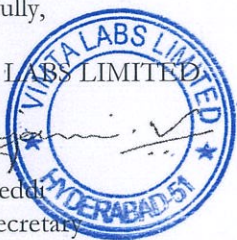
This is for your information and necessary records.

Thanking you,

Yours faithfully,

for VIMTA LABS LIMITED


Sujani Vasireddi
Company Secretary



Encl: as above.



**“Vimta Labs Limited
Q4 Financial Year 2021 Earnings Conference Call”**

At 10.30 AM on Monday, May 17, 2021



**ANALYST: MR. VISHAL MANCHANDA - NIRMAL BANG EQUITIES
PRIVATE LIMITED**

**MANAGEMENT: MS. HARITA VASIREDDI – MANAGING DIRECTOR -
VIMTA LABS LIMITED
MR. SATYA SREENIVAS NEERUKONDA – EXECUTIVE
DIRECTOR - VIMTA LABS LIMITED
MR. NARAHAI NAIDU D - CHIEF FINANCIAL OFFICER -
VIMTA LABS LIMITED
MS. SUJANI VASIREDDI – COMPANY SECRETARY - VIMTA
LABS LIMITED**

Moderator: Ladies and gentlemen, good day, and welcome to the Earnings Call for Vimta Labs Limited hosted by Nirmal Bang Equities Private Limited. 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 would now hand the conference over to Mr. Vishal Manchanda from Nirmal Bang Equities Private Limited. Thank you, and over to you, Sir!

Vishal Manchanda: Good morning everyone. We welcome to the Q4 FY2021 earnings call of Vimta Labs Limited. We thank the Vimta Labs management for giving us an opportunity to host the call. Today, we have with us the senior management of the company represented by Ms. Harita Vasireddi, Managing Director, Mr. Satya Sreenivas Neerukonda, Executive Director, Mr. Narahai Naidu D, Chief Financial Officer; and Ms. Sujani Vasireddi, Company Secretary. I now hand over the call to the Vimta Labs management. Over to you, Madam!

Harita Vasireddi: Thank you Vishal. Good morning everyone. Thank you for joining us today in our Q4 FY2021 earnings call. The first half of the financial year 2021 was a challenging period with uncertainties and operational complexities brought in by the pandemic. Despite these headwinds, we are happy to share that it has been a remarkable year with consistent performance since Q2.

Barring the aberration in Q1 of the financial year if you just extrapolate the Q2, Q3 and Q4 performances and compare to the previous financial year, the company grew by almost 30% in revenues. The severe second wave of the pandemic is upon us; however, we continue to remain optimistic about our business.

I will share a few key highlights of the quarter and our CFO Mr. Narahai will get into a little more detail on them. The performance for the quarter played out in line with our expectations. The fourth quarter's consolidated revenue from operations grew by about 38% over the corresponding quarter of last year and is at Rs.598.4 million. EBITDA for the quarter was up 260% at Rs.169.2.

Moving on to full year performance, in many ways it is fair to say that it has been an exceptional year. We think we have really been tested on our resilience. Our multi-basket service model has been validated to withstand vary testing times and I am deeply grateful for the commitment of our employees, strong leadership shown by the executive team and the incredible support and trust we have experienced from our customers and vendor partners during the year.

For the year consolidated revenue from operations grew by about 16.6% and is at Rs.2106.8 million. EBITDA for the full year was up 160% at Rs.537.9 million. On the operations side, all our service verticals have been performing steadily, which lays a good path forward to meet our short-term and long-term growth objectives of the company. We are continuing to invest in manpower and with the new capabilities to strengthen our service portfolio to our customers.

During the fourth quarter we expanded our Diagnostics business. We started three walk-in patient centers in Hyderabad and will be adding two more in the next four weeks. We are also in the process of setting up two regional reference laboratories; one in Delhi and one in Kolkata and expect them to be operational before end of this Q1.

As I had updated during the previous earnings call, our new services for electronics and electrical products have been running a little behind schedule because most of the equipment were imported and coming from Europe so there were delays in receipt of the equipment but now most of the equipment was received; however, qualification delays are there from vendors' side which is pushing the commercialization of operations by another month. Before end of Q1 we should be able to start accepting samples from customers.

Food and Pharma services are doing well.

Because of recent lockdowns in various states the environmental projects' execution and availability of healthy volunteers for conducting BA/BE clinical studies and the outpatient clinical samples are slightly impacted and we are hoping that this is just temporary. As such all our labs are functioning across our 18 locations because we come under the essential services category. Our primary focus remains the health and safety of our employees. All necessary pandemic protocols are strictly implemented and we have a very clear near and long-term growth strategy. We have good order books and pipeline of projects and we are focused on growing our services and hope for the best. I will just conclude my opening comments with this and request Narahai to please take over.

Narahai Naidu:

Thank you Ms. Harita. Good morning everyone. Firstly, I hope you and your loved ones are in good health.

Let me talk about a few key performances on the financial side. Despite the unprecedented challenges of pandemic Vimta sustained and grew. We have delivered steady financial performance during this quarter with the highest ever quarterly consolidated total income of Rs.600.8 million. Our consolidated revenue from operations increased due in the quarter by 2% sequentially and 38.3% year-on-year.

The total consolidated revenue from operation stands at Rs.598.4 million, our consolidated EBITDA of Rs.169.2 million compares well with Rs.169.7 million of previous quarter and it grew by 158% year-on-year driven by strong underlying performance across almost all the business verticals of Vimta.

Profit before tax stands at Rs.104.2 million which stands well compared to previous quarter and grew by 128 times year-on-year. This was owing to strong operating performance and reduction in working capital utilization.

Moving on to full year performance, our consolidated revenue from operations increased during the year by 16.6% to Rs.2106.8 million. Our consolidated EBITDA reported significant growth of 63% at Rs.537.9 million compared to previous year with strong performance across most of the business verticals supported by careful cost management during the year.

Profit before tax for the full year stands at Rs.285.4 million which is a growth of 3.5 times compared to previous year. With strong underlying operating performance and disciplined capital allocation we were able to generate free cash flows of about Rs.53 million during the year, which was indeed utilized to reduce the working capital. During the quarter, the board has recommended a dividend of Rs.2 per share.

With this brief summary I will hand it over back to the operator and would be happy to take questions.

Moderator: Thank you very much. Ladies and gentlemen we will now begin the question and answer session. The first question is from the line of Parag Someshwar from AG Securities. Please go ahead.

Parag Someshwar: Good morning and thanks for this opportunity. In one of your interviews and also in Q2 earnings call, you had stated that with the current infrastructure, the company will achieve revenue of Rs.300 Crores plus and an EBITDA margin of 30% plus so I would like to know whether the company can achieve these numbers in the current year or next year?

Harita Vasireddi: Mr. Parag, the company refrains from making any forward-looking statement. So I would actually not be able to answer on those specific numbers.

Parag Someshwar: As you mentioned in your opening remark that you grew by 30% in Q2, Q3, and Q4 at least you can give us some sense of what kind of revenue growth you are expecting in the current year, some color on that?

Harita Vasireddi: I can give you a long term goal that we have. We have made plans to grow at least an average of 15% to 20% level year-on-year during the next five to six years so some years could be high, some years could be less than that number so that is a ballpark number. I would not be able to give you more details in that please.

Parag Someshwar: My last question, in Q2 and Q3 calls you had mentioned that Q4 you are expecting better than both Q2 and Q3 so I think Q4 was on par with Q2 and Q3 so was there any difficulty in Q4 which restrained you from doing better than what you have actually done?

Harita Vasireddi: Q4 we just entered into the second wave of the pandemic as you know and March was a slightly difficult month compared to the previous months so yes there were operational challenges in terms of execution of projects outside in the field, and the outpatient business like I mentioned, was slowly beginning to come down and also we do some studies with volunteers so that has also been slightly impacted and additionally, availability of our own staff, because people are getting infected likewise our staff is also, and some of the staff have been infected so their availability at work took a little impact.

Parag Someshwar: Thanks a lot that is all from my side.

Moderator: Thank you. The next question is from the line of Dixit Doshi from Whitestone Financial Advisor. Please go ahead.

Dixit Doshi: Thanks for the opportunity. Firstly, in terms of so you did mention that March was slightly impacted due to the second wave so how do you expect Q1 because of the two things one is the impact on the businesses and secondly in terms of how the diagnostic business has been performing Q1 given the surge in the COVID cases?

Harita Vasireddi: Your voice was not very clear but I will try to respond to whatever I understood. In Q1 of this year April has done fairly well and we do continue to have the same operational challenges that we had in March. Diagnostic business on one side, the OP business has been coming down because of lockdowns in various cities but on the other side just the COVID sample testing is in demand so that business is steadily flowing in.

Dixit Doshi: So you mentioned that 15% to 20% kind of growth we are expecting in a long term, so can we consider that the base has a 60 Crores quarterly or you would see that 210 Crores as a base year because runrate wise we are doing around Rs.240 Crores, Rs.250 Crores?

Harita Vasireddi: Mr. Doshi like I said I would not be able to make any specific comments on the growth percentages either quarter-on-quarter or year-on-year, it is a policy and I do not wish to make any more comments on that number.

Dixit Doshi: Lastly one question in your Q3 concall you mentioned that you know we have a big plan for expanding our diagnostic business and you mentioned we will discuss it in Q4 so if you can elaborate a bit more over there as how we are planning to expand our center or lab and how much it is currently for diagnostic business?

Harita Vasireddi: As I just mentioned in my opening remarks we have taken up Hyderabad as the first city where we will consider expanding into a B2C business model so to continue with that strategy we have established three patient service centers two more are coming up in the next four weeks we also have regional labs that are in the process of being set up Kolkata and Delhi. These will be set up and be operational before end of Q1 and we also have plans of setting up another five patient service centers in other cities and one branch laboratory in Telangana state. So for now in this year these are the plans but we have also already significantly invested in expanding our sales team so we have strengthened the number of people in and around the areas where we are expanding which are mostly Delhi, Kolkata and the southern states of Telangana and Andhra Pradesh.

Dixit Doshi: Lastly one question from my side so you mentioned like our electronic business can start from April onwards so can we expect a decent revenue from that business also in this year?

Harita Vasireddi: It is a maiden year for electronics and electricals. The equipment qualifications are slightly delayed because we have vendors in other cities, who are finding it difficult to travel here and do the equipment qualifications. So we are thinking maybe by June mid or end June we will be able to start commercialisation and we do have aggressive targets for a maiden year. So, we expect that we will be doing as per our targets during the year.

Dixit Doshi: That is, it from my side. Thank you.

Moderator: Thank you. The next question is from the line of Sunil Kothari from Unique Investments. Please go ahead.

Sunil Kothari: Thanks for the opportunity. Good morning Madam. Madam, my question is relatively on a larger scale. During last one to one and a half year, we all have faced so many things, which was not anticipated and so many people were trying to accelerate their research or their product introductions like vaccines the way it has come. Do you see any major change for you in terms of operating, maybe electronics or Food or some medicines, Pharma, anything? Would you like to just throw some of your thoughts on the opportunity change or how you are preparing for that?

Harita Vasireddi: Pharma definitely we see the opportunities growing for various reasons maybe more molecules in the pipeline to address the pandemic or for other reasons. We see opportunities

growing in the Pharma. Food opportunities are steady. It is not as if they are not growing. The Food industry is also growing at a decent rate, but that is nothing to do with the effect of pandemic as such so, nothing odd or unusual in the Food business growth. E&E we expect that in the future years the industry could significantly grow not only because of the make in India push, but also because the huge influx of R&D setups that are being put up in India by MNCs in other countries. You see the possibility of a good growth in the E&E testing segment. The other sectors that we are in.... Diagnostics of course is in a very good growth rate for the past few years and we expect that to continue for the next five-six years as well, because you may know that the organised sector is very small, maybe about 15% only and the major players have only about 4% of the business even in this organized sector. There is huge potential for companies like Vimta to actually gain from that trend. The other business is environmental, consultancy and things like that is steady business. We do not see any major growth in that area, but having said that the company can still invest in expanding its operations and grow that business as well.

Sunil Kothari: What type of capex are we planning? In the last year as per cash flow, we invested some 37 Crores, this was about some 15 Crores, 16 Crores. So, what type of cash outgo should we count in terms of adding fixed assets?

Harita Vasireddi: Every year the depreciation amount is definitely reinvested for the next year. That is our plan as well for this year and we also have contingency budgets because to handle any sudden needs, we are planning at the same level about 30 Crores plus or minus few Crores. That is our plan for this New Year.

Sunil Kothari: Thanks a lot Madam. Wish you good luck.

Moderator: Thank you. The next question is from the line of Chetan Cholera from Pragya Equities. Please go ahead.

Chetan Cholera: Congratulations for a good set of numbers. Madam does this PLI scheme opening up any new avenue for us or are we looking at any other areas of testing or something or whatever?

Narahai Naidu: Thanks Chetan for asking the question. PLI scheme as such we do not have any advantage. We have SEIS scheme which is applicable for us. We have been claiming for the past years and for the current year also it is applicable.

Chetan Cholera: No advantage to us to follow because of this PLI scheme?

Narahai Naidu: At this point of time there is no advantage which I foresee.

- Moderator:** Thank you. The next question is from the line of Jayesh Parekh from JMP Capital. Please go ahead.
- Jayesh Parekh:** Good morning. Madam, you tell us one thing see if you see the last five years' revenue growth and if you see the last five years the major growth in EBITDA and if you see the increase in financial cost do you really think that something still has to be achieved from whatever we have invested so far in the company?
- Harita Vasireddi:** When we make large investments in growing a particular portion of our business usually it takes time, it has a curve before it can reach a peak so that is what is happening for us in some of our business segments so yes there is a lot to be still achieved from the investments that we have made.
- Jayesh Parekh:** Because last five years we do not see anything in terms of profit generated vis-à-vis incremental revenue because if you see what was our faith or what was it five years back even today in absolute terms we have same amount of EBITDA in spite of incremental revenue achieved in last five years then our growth is not more than 10%?
- Harita Vasireddi:** If you can go back a little more maybe you will see that in the last seven years, we have actually increased the company revenues from Rs.100 Crores to now Rs.200 Crores plus so that is a significant topline increase now the bottomline may not have commensurately increased but that is because like I said the economies of scales have to now start kicking in. When that happens your EBITDAs and your profits and the margins get better.
- Jayesh Parekh:** So can we presume that as and when we grow from here the EBITDA will grow better than the revenue growth?
- Harita Vasireddi:** Yes, we expect that our EBITDAs will get better.
- Jayesh Parekh:** Right now our EBITDA is around 25% so can we say that this EBITDA can jump much, much superior way for every incremental revenue?
- Harita Vasireddi:** Not in arithmetic proportion. They are not directly proportional. With every step you would always need to infuse more resources into the organization so it would not be a proportional growth but yes definitely their EBITDA will improve.
- Jayesh Parekh:** Because your guidance is only 15% so I was just wondering that on incremental revenue of 15% what incremental contribution will come to the bottomline?

- Harita Vasireddi:** I have not made any specific guidance as such. I want to correct that understanding. I said on an average.
- Jayesh Parekh:** Thank you.
- Moderator:** Thank you. The next question is from the line of VP Rajesh from Banyan Capital. Please go ahead.
- VP Rajesh:** Thanks for the opportunity and congratulations on a great set of numbers. My question is the investment that we are making in the electronic side, what is the potential revenue when that capacity ramps up to its 100%?
- Harita Vasireddi:** We are making an investment of about Rs.70 Crores to 80 Crores in electronics, the first phase of investment will complete in Q1 which is around Rs.20 Crores – Rs.25 Crores and the revenues.... now this is a maiden year for us. We do have some business plans made, but all those plans I think will be continuously tweaked as and when we understand more and more about the market potential the factors that play in the market.
- VP Rajesh:** Right, but this Rs.75 Crores I understood that it will get done by this financial year or maybe early next financial year so my question is that?
- Harita Vasireddi:** Rs.75 Crores is a plan for the next five years.
- VP Rajesh:** Next five years okay I am sorry. So in that case, let us say once we do are you planning to add more capacity in this year in the electronic side?
- Harita Vasireddi:** No not in this year.
- VP Rajesh:** With that Rs.25 Crores of investment what is the potential revenue, I assume that it would not get 200% in the current year clearly but in the next year probably it will get 200% I think revenue once you are using all that capex?
- Harita Vasireddi:** Third year we expect that it could be 100%.
- VP Rajesh:** Okay third year and what will that number be? is it two times of the investment or more or lower if you can just get some idea of this?
- Harita Vasireddi:** We are expecting that it could be 1:1 after three years.
- VP Rajesh:** 1:1 okay all right. Thank you.

- Moderator:** Thank you. The next question is from the line of Viral Bansali, an Individual Investor. Please go ahead.
- Viral Bansali:** Thanks for the opportunity and congratulations for a very good set of numbers. It is very heartening to know that our company has finally woken up to the opportunity available in the diagnostic space. My question is regarding those two labs that we are planning to open up in Delhi and Kolkata so what kind of laboratories would be these?
- Harita Vasireddi:** These are regional reference laboratories that means they will be slightly bigger in scope when compared to branch laboratories which do just the basic tests but we have a central reference laboratory which is Hyderabad, where we have a full scope of tests so this is something in between.
- Viral Bansali:** Would it be safe to assume that this will be like the main lab and then we will have collection centers if may be throughout the city?
- Harita Vasireddi:** It is main lab for that region.
- Viral Bansali:** Yes, I agree. So then we need to have some collection centers also throughout the city right because not everybody can reach the place where our lab is?
- Harita Vasireddi:** Yes, the plan is to have collection centers.
- Viral Bansali:** Okay so both for Delhi and from Kolkata right?
- Harita Vasireddi:** Yes. We do have franchisee centers already across the nation. Now we have started with company owned centers so we will be slowly adding those.
- Viral Bansali:** What about the next five cities that we have planned will be the same model of reference labs?
- Harita Vasireddi:** Yes, we expect it to be the same model. We might tweak it as we get more experience.
- Viral Bansali:** What will be the scope of testing in these reference labs?
- Harita Vasireddi:** Like I said it would not have the complete menu that the central lab will have and it would not just offer the basic biochemistry, hematology tests. We do intend to have microbiology and molecular biology as well.

- Viral Bansali:** Okay so now will these labs be very close to adjacent to our already existing Food labs there or will be separate location?
- Harita Vasireddi:** They are independent.
- Viral Bansali:** Okay so this should add up to our cost going forward right at least initially?
- Harita Vasireddi:** Yes of course.
- Viral Bansali:** Thanks for the answer. Now the second question is regarding the clinical trials. Have we made any progress around Q2 we had announced that we are entering full spectrum clinical trials right so have we made any, I agree it is a very difficult year and it must be very difficult for you to even just run the normal operations but have we made any progress on that front?
- Harita Vasireddi:** We do have a few projects on hand but the customers have currently withheld in moving ahead with the projects so that is where the status is.
- Viral Bansali:** So those projects are currently on hold right?
- Harita Vasireddi:** They are on hold by the customers.
- Viral Bansali:** What is the opportunity size that you look? I am not interested in your number example what I am interested in the opportunity size in this business as to what kind of business this segment basically commands and how are we positioned to gain a share of it?
- Harita Vasireddi:** Clinical trials globally is a multibillion dollar industry and India also has a decent portion of that business, most of the business is in the hands of directly the Pharma companies otherwise it is in the hands of some of those multinational CROs so the potential is very, very huge.
- Viral Bansali:** How are we positioned to gain a share of this?
- Harita Vasireddi:** We are just beginning. So I think our maiden projects are yet to take off so we will know more as we execute them then we will understand what is our appetite for that business.
- Viral Bansali:** So will it be like testing on volunteers or just the animals?
- Harita Vasireddi:** No clinical trials are on patients. They have to be done in hospitals.

- Viral Bansali:** Thank you so much and best of luck for a wonderful future.
- Moderator:** Thank you. The next question is from the line of Sunil Kothari from Unique Investment. Please go ahead.
- Sunil Kothari:** Thanks again for opportunity. Madam in reply to my question about opportunity in electronics you said many MNCs are setting up R&D in India and that also becomes opportunity so if you can little bit elaborate on what you mean to say and as an investor what we can understand from that base?
- Harita Vasireddi:** You may know that automobile industry has been growing and there are a lot of automobile manufacturing that happens in Chennai, Pune and Bengaluru is a hub for electronic products. Delhi is also a hub for electronic products and you have lot of these MNCs that have come to India to setup their R&D operations, so when they are developing new prototypes of products, they typically have to put their products through electronic EMI-EMC testing. So that is the capability that we have built now at Vimta. So all these companies are big ones, they may have some sort of EMI-EMC capability within their organization but there are many who do not have this kind of capability, so they typically tend to outsource and you also have a lot of components that go into your defense items, military items, aerospace, many items, you have telecom products, you have Internet of things, products related to IoTs, there are Wi-Fi products so practically everything is digital and electronic these days and there are medical devices which are now under DCGI, so all these products during the development and also if they are regulated, they will need testing for safety, for their environmental stability and also their EMI-EMC so we are offering these services now with the setup of the EMI-EMC chamber at Vimta.
- Sunil Kothari:** Which type of R&D centers increases from MNCs it gives us better opportunity?
- Harita Vasireddi:** Yes, the market basically grows within India.
- Sunil Kothari:** Thanks a lot.
- Moderator:** Thank you. The next question is from the line of Mahesh Karda, Individual Investor. Please go ahead.
- Mahesh Karda:** I just want to know a little bit about the management leadership background. Yes, we have been looking at this company for long, but have never heard a concall but has there been any change in the management thought process or for the leadership team which is driving the company to look into growth going ahead. If you can just elaborate bit on what has changed in the management side?

Harita Vasireddi: The Company's founder is Dr. S.P. Vasireddi. He was running the organization up to 2018 since its inception later he took on a Non-Executive role so he is our Non-Executive Chairman now. The Co-Founder Mr. Harriman who started the company is still part of the management. I have been with the company for now almost 23 years and I have been the director since 2002 so mine is also a long tenure here. We do have a young person joining the board recently, Mr. Sreenivas Neerukonda. He has been with the company for 12 years now and he leads our Business Development efforts across the globe for all the divisions and this is basically the senior management. So yes there has been a slight change but not significant in terms of who is at the helm.

Mahesh Karda: Second thing is on the shareholding I know it is not very low also but neither very high so any thought process on the management or the promoters to look at the change of shareholding pattern because currently we are at about 36%, 37% which is not very decent considering that you are looking at a growth potential going ahead over next five, seven years, so are we seeing something that make higher shareholding and that leads to a lot of focus area to the potential investors going ahead?

Harita Vasireddi: To the best of my knowledge I do not think there are any intentions to change that. You may know that the promoters in other companies with less than 5% shareholding also so I do not think there is any set guidance around how much the promoter should hold.

Mahesh Karda: Thanks very much.

Moderator: Thank you. The next question is from the line of Viral Bansali, Individual Investor. Please go ahead.

Viral Bansali: Thanks for the opportunity again. My question is regarding the electronics testing. Very recently we have seen that some companies like Dixon have signed the huge manufacturing, contract manufacturing contracts with MNCs to manufacture their products here and these are basically assembling units so they will be having the PCBs and all getting imported and then getting assembled here and Dixon also has manufacturing plants in Karnataka, so is that the reason why you said Bengaluru and Delhi, is this the segment that we intend to cater to?

Harita Vasireddi: Any product that has an electronic component on it could be a potential customer for us.

Viral Bansali: Okay because they are expecting huge billions of dollars of business coming to them in the next three, four years so obviously it goes without saying that the opportunity comes to us as well for the testing space?

- Harita Vasireddi:** Yes, it all depends on their own setup you know. Some people like to do everything in house, there are some companies that believe in a highly outsourced kind of business model so it all depends on how they strategize.
- Viral Bansali:** So there are not any regulations as such that that should be a third-party testing of the products?
- Harita Vasireddi:** Some products are regulated by BIS, TEC, and EEE. Some of them are., I am not really sure what their (Dixon) products are and if they are regulated or not, we will have to study that.
- Viral Bansali:** Thank you so much.
- Moderator:** Thank you. The next question is from the line of Apurva Mehta from AM Investment. Please go ahead.
- Apurva Mehta:** Good morning Madam and congrats for a great set of numbers. I just wanted to know the breakup of our turnover, how much Food is contributing, how much environment is contributing and rest of the testing are contributing?
- Harita Vasireddi:** Mr. Mehta we do not give a breakup of revenues because that is not how we measure.
- Apurva Mehta:** Broadly Madam because how the things have moved over the period of time we want to know because, Food we have invested a lot of money in that and what do you see the potential and current what is your turnover from Food means probably speaking on the percentage basis as such?
- Harita Vasireddi:** Voice was not very clear but I will try and answer on the numbers. 60% ballpark is business that we do with the Pharma industry. The rest is within Diagnostics, Food and our environmental business as of now.
- Apurva Mehta:** What will be our growth segments, where we will be focusing for next three to five years or two to three years' kind of thing?
- Harita Vasireddi:** Sorry your voice is not clear. It has a very big echo around it.
- Apurva Mehta:** Can you throw some light on what will be our growth segment for going for next two, three years' kind of thing where we will focus more on and which can yield good growth for us?

Harita Vasireddi: All our businesses are doing well. We intend to work on all of them. Pharma has been steadily growing and that will continue. Food and Diagnostics, we have put some extra thrust. Food from the last four, five years we are doing that and now Diagnostics, we have decided to step up and expand our operations so that is where we think the growth will come in the future from and then we have electronics and electrical. So this is a new business. It might take some time for it to reach any significant portion of our total revenues, but in the future E&E business is also expected to drive the growth of the organization.

Apurva Mehta: On the new plan on the B2C front what kind of growth do you see and where you want to scale up kind of thing, I want to you go to a 50 lakhs, 100 lakhs kind of thing, new collection centers kind of thing or what is your long-term vision for that?

Harita Vasireddi: Those numbers will be slightly competitor sensitive so I would not be able to share them but then last year we have just began to expand. Q4 we just began to expand and this year we have plans for further expansion so as we go ahead with the plans and see how that pans out for us we will build more confidence and therefore solid plans will be made as we progress.

Apurva Mehta: But any ballpark this year what numbers will be there because Q1 you told around 8 to 10 kind of thing coming in various cities but any ballpark by your end what is your number of collection centers or what will be there?

Harita Vasireddi: The collection centers as I have already indicated three are done, two more in the immediate future and then plan for five more during the financial year and there is a plan for two regional labs and one branch lab in this year., So that is our expansion plan in this year.

Apurva Mehta: Thanks a lot and I wish you all the best.

Moderator: Thank you. The next question is from the line of Abhishek Shah from Valcore Capital. Please go ahead.

Abhishek Shah: Thank you for the opportunity. I had a quick question trying to understand the opportunity that we have on Food testing. I remember earlier maybe a year or five quarters back we did mention that Food testing as big as Pharma testing in the future but lately I was just trying to understand nothing has been spoken about that so I am just trying to get a sense that is there optimism on Food testing going down because lately in the last few quarters we are now focusing on having our own diagnostic centers and so if you can perhaps give us some light on that?

Harita Vasireddi: Now we have multiple services and they are all equally focused in terms of business plans. Food, you are right I did mention that it has huge potential and just the testing revenue wise for a laboratory, Food definitely has more potential than Pharma even today but it is a highly fragmented market. There are hundreds of Food testing labs and most of this business is regulator driven and because of the pandemic the regulator has allowed people to skip the biannual tests that are normally required on each and every product so that concession is still continuing in this year as well. So we are expecting that FSSAI might lift the concession and from there on we expect the revenues to again flow in but the business is definitely there., Potential is definitely there. We are highly optimistic around it and quite bullish as well.

Abhishek Shah: We still stick to us so I am saying that there could be huge opportunity over there maybe forget COVID a year, two years or three years down the line that there could be significant growth from this sector also coming in for us?

Harita Vasireddi: Absolutely.

Abhishek Shah: That is all from my side. Thank you Madam.

Moderator: Thank you. The next question is from the line of Gaurang from Nirmal Bang Equities. Please go ahead.

Gaurang: just a bookkeeping question, this year our tax rate has been 25% so can we expect it to continue at around that rate or so what is our guidance on that?

Narahai Naidu: Yes, Gaurav you are right. We can expect the tax rate to continue around 25% going forward as well.

Gaurang: Secondly on clinical trial side you said we are yet to commence our first clinical trial so any specific therapy segment or business segments? Are you targeting or you will be bidding it?

Harita Vasireddi: We are focusing on a few therapies. I do not have the exact details with me.

Gaurang: You said that Food analytics side of business is fragmented and that regulatory push will be the growth driver so are there any other growth drivers for this business?

Harita Vasireddi: The Food processing industry is growing quite healthily. The exports and imports market although there is not growth in double-digit numbers it still is a very huge component of the Food industry like for example the shrimp business, the exports from India and you have many other agri products that gets exported so a lot of testing is done to meet the importing

countries regulations, so the imports and exports will always continuously drive this business and this is not just by volumes. Maybe year on year, the countries are finding better technologies to detect contaminants at the lower levels, so as and when those specifications change then that also creates more opportunities for labs that are high tech in nature and then the regulator also right now FSSAI is very, very strong but then you also have the state governments, which some of them have maintained a good thrust on quality of the Food products while some are yet to build their infrastructure so when this whole environment starts getting more vibrant then the potential will go up.

- Gaurang:** Thanks a lot.
- Moderator:** Thank you. The next question is from the line of Aman Vij from Astute Investment. Please go ahead.
- Aman Vij:** Good morning Madam. My first question is on the market size of the clinical trials and Food testing in India if you can talk about that completely?
- Harita Vasireddi:** Food could be in the ballpark range of Rs.5000 Crores to Rs.6000 Crores. Clinical trials I do not have the exact numbers with me sorry but it is very common information that is available on the Internet.
- Aman Vij:** Sure and this you are talking about India number only right?
- Harita Vasireddi:** Yes, India numbers.
- Aman Vij:** Also could you talk about the capex we have incurred in the two broad segments which we talk about Pharma as well as a Diagnostic and Food till now?
- Harita Vasireddi:** From which period onwards?
- Aman Vij:** I just want to understand whatever our gross block is so how much is in which division just to understand the block?
- Narahai Naidu:** The major portion goes to our Pharma vertical that being the major chunk. We have added about Rs.19 Crores of capex during the full year. Almost 60% to 70% of our capex addition goes to analytical and Pharma.
- Aman Vij:** Sir If i look at historically like Rs.140 Crores, Rs.150 Crores of gross block which we have so is it correct to assume 60%, 70% will be Pharma gross block and the remaining will be the other segment?

- Narahai Naidu:** Yes, general capex it may be right to assume. There could be specific projects additions going forward which may tweak the proportion.
- Aman Vij:** That was my next question. Going forward madam talked about Rs.30 Crores of pending which is mostly equivalent to our depreciation so will it remain like 70 towards Pharma or will it reverse and more will be towards the new segments like Diagnostic, Food and environment?
- Harita Vasireddi:** Diagnostics is not very capex intensive and the Food we have already made our investments during the past few years, so there will be minor investments proportionately to our business mix.
- Aman Vij:** Bulk will continue to remain Pharma only?
- Harita Vasireddi:** Because bulk revenues are from Pharma.
- Aman Vij:** How is that business growing? Is it growing in double-digit or is it a higher single-digit for us?
- Harita Vasireddi:** It is growing in double-digit.
- Aman Vij:** That is, it from my side. Thank you.
- Moderator:** Thank you. The next question is from the line of Jigar Shroff from Financial Research. Please go ahead.
- Jigar Shroff:** Thank you for taking my question Madam. I have two questions. One is the Diagnostics business would be approximately how much of our revenue about 15%, 20% I think or of the total revenue of Rs.212 Crores?
- Harita Vasireddi:** Mr. Shroff we are one segment organization. We do not give that kind of bifurcation but just for general understanding I have shared that 60% is pharma business and rest is everything else so beyond that I will be unable to share any more details.
- Jigar Shroff:** So 60 is Pharma you said right?
- Harita Vasireddi:** Yes.
- Jigar Shroff:** The rest Food, Diagnostics and environmental etc., would be the remaining?

- Harita Vasireddi:** Yes.
- Jigar Shroff:** Secondly madam at the end of Q3 conference call you mentioned that a new video release is due to be put up on the website of the company relating to our services, has that been updated?
- Harita Vasireddi:** Not yet. I think we are running a little behind there again because of some slowness on the vendor's side, because of their own challenges but this quarter it should be out there.
- Jigar Shroff:** Thank you so much and best of luck.
- Moderator:** Thank you. The next question is from the line of Sanjay Shah from KSA Securities. Please go ahead.
- Sanjay Shah:** Good morning Madam and thanks for opportunity. Can you highlight on the opportunity you see on this COVID-19 testing what we you highlighted you have done good on that side in last quarter, so have you innovated any new development for detecting in identifying new variant and what opportunity you see that side?
- Harita Vasireddi:** Mr. Shah we are not into R&D in the Diagnostics. It is based on reagents that we procure from people who manufacture these reagents so we have the same tools that all the other companies have in the market and I did not say that we have done well on COVID business. I have just said that outpatient business has come down but this is well compensated by the COVID business. Because the COVID testing you know the tests from the news that every day you are seeing about 3 lakhs plus so just multiply that by four or five times and that is the number of testing that is happening across the country so we are very local in Hyderabad, we are doing a good number of tests and the prices for the test have come down significantly compared to last year so we are doing much more, but the revenues are lower because the prices are hardly 20%, 25% of what they were last year.
- Sanjay Shah:** My question was more related because we have got a good investment from a leader like Eurofins. They are a good investor in our company so do we have any technical support from them or they are silent investors?
- Harita Vasireddi:** They are silent investors.
- Sanjay Shah:** Thank you very much.
- Moderator:** Thank you. The next question is from the line of Viral Bhansali, Individual Investor. Please go ahead.

Viral Bansali: Thanks for the opportunity once again. My question is regarding your diagnostic space. I presume a major portion of your Diagnostic business will be coming from COVID, is it true COVID testing?

Harita Vasireddi: No.

Viral Bansali: Obviously may be not in the Q4 but I think in the Q1 of this year, it must have picked up as the COVID wave accentuated from April onwards. So have you seen a pickup in the business from April?

Harita Vasireddi: In April, it was significant portion but was it the largest portion? No.

Viral Bansali: The largest portion among the Diagnostic business in the Diagnostic?

Harita Vasireddi: It is not.

Viral Bansali: Okay and can you share as to how many tests we have done for COVID?

Harita Vasireddi: I do not have the exact numbers with me.

Viral Bansali: If you could share like a rough figure as to how many have we done in the Q4 and maybe in till now in the Q1?

Harita Vasireddi: Monthly, we can expect around 30000.

Viral Bansali: Around 30000 tests.

Harita Vasireddi: Yes.

Viral Bansali: Because sitting here in Mumbai I will not be able to do a channel check. What could be the average price of an RT/PCR with Vimta Labs?

Harita Vasireddi: Government has priced it at Rs.500. We have no play in that.

Viral Bansali: Now since you said that the prices of RT/PCR have gone down right but then the prices of kits have also gone down, we experiment this for testing right?

Harita Vasireddi: Yes.

- Viral Bansali:** So I would not say it may affect your volume, but the margins wise the margin should be maintained, preserved?
- Harita Vasireddi:** They are maintained.
- Viral Bansali:** If you could share a total number of tests done by Vimta in Q4? Not just COVID, just the number of tests done by our Diagnostic business?
- Harita Vasireddi:** We do about 3000 to 3500 samples every day.
- Viral Bansali:** That is average realization per test?
- Harita Vasireddi:** You are asking for too much detail, Mr. Viral. I would not be able to share all that. It is competitor sensitive.
- Viral Bansali:** But then even the competitors can know your price from the market right?
- Harita Vasireddi:** I do not have to publish it right?
- Viral Bansali:** I agree but just to get an idea of the potential of your Diagnostic business currently and going forward like you know that is why?
- Harita Vasireddi:** The potential is very good and that is why we are expanding. I cannot share specific numbers that you are asking for.
- Viral Bansali:** I agree. I understand that. Now I want to understand the mix because after this COVID obviously significant chunk like, if not majority but a significant chunk of your diagnostic business would be composed of COVID tests?
- Harita Vasireddi:** It is.
- Viral Bansali:** Right so, like after the COVID wave subsides, there is obviously going to be a dip in this, now will that be adequately compensated by the non-COVID testing, my worry is regarding that?
- Harita Vasireddi:** Yes, we do not expect it to happen.
- Viral Bansali:** As such expect it that the drop in COVID will be more than considered to the other testing that people have been holding on to?

- Harita Vasireddi:** The outpatient will again pickup right once COVID comes down.
- Viral Bansali:** Okay, so any plans for a lab in Mumbai because Mumbai is really desperate need of labs and every lab goes full?
- Harita Vasireddi:** Mumbai, we have no current plans.
- Viral Bansali:** Do think about it. Sitting here in Mumbai and having faced the COVID wave, the big guys like Metropolis and Thyrocare and they were asking for seven, seven days for a test now which is too much?
- Harita Vasireddi:** I understand Mr. Viral and your input is respectfully taken.
- Viral Bansali:** Thank you so much.
- Moderator:** Thank you. The next question is from the line of Abhishek Shah from Valcore Capital. Please go ahead.
- Abhishek Shah:** Thank you for the opportunity again. I just had a quick question, trying to understand since electronic testing is something that we are seeing really good opportunity and to some extent it would be a feel that we have not ventured into earlier, so what sort of expertise would be needed if you can explain as the management bandwidth that we have on this and if we have recruited someone who specializes in this or someone on the board or someone at a management level? Thank you.
- Harita Vasireddi:** Typically for all our business units, the head is a technocommercial expert more technical and less commercial if we have to choose between both of them. So yes, we have recruited the right people at the top and the team is also getting built up now and traditionally this is a scientific organization and we have mostly scientists on board. We do have some engineers but they are called environmental engineers who do those kind of projects, so here for the first time company is hiring electronic engineers so that is the kind of expertise that is needed for managing our E&E business and we do have plans to build the team as we go forward.
- Abhishek Shah:** In terms of the expertise madam, is it a complementing thing compared to our other testing business or this will be a completely new field, because officiators expertise also?
- Harita Vasireddi:** The test instruments are different, the tests could have some overlaps with other divisions because some products you may not only just test the E&E component, but for other things also. It is different.

- Abhishek Shah:** Got it and also Madam you mentioned automobile products that could be tested, so telecom products also be an opportunity that we would be looking at in the electronics space?
- Harita Vasireddi:** Yes, telecom is also a segment that we target.
- Abhishek Shah:** Thank you.
- Moderator:** Thank you. The next question is from the line of Aman Vij which from Astute Investment. Please go ahead.
- Aman Vij:** Thank you for the opportunity again. My question is on the Food testing business in India, you had talked about the market is like five Rs.5000 Crores, Rs.6000 Crores, could you talk about who are the big players and maybe what is the organized versus unorganized in this industry?
- Harita Vasireddi:** There are no exact numbers out there based on any structured market research here but if you go to the NABL website, there are many labs, hundreds of labs that are NABL accredited for Food testing and there will be probably many more labs which are not really accredited and some have accreditation for BIS, some for APEDA, some for EIC, some for Tea Board, some may have Spices board. So the variety and size of these labs is very big and I do not think there is any published information on the exact numbers but the potential is huge. Some of the biggest players and of course we are one of them, you have SGS, you have TUV SUD, you have Eurofins, you have locally in Hyderabad... we have competitors like FirstSource, there is Reliable LaB, Envirocare these are all second tiers but the big ones are all mostly multinationals and we are the only Indian origin company that is in that league.
- Aman Vij:** Any of the MNCs and it will be obviously your estimate no numbers or doing like Rs.200 Crores, Rs.300 Crores, Rs.500 Crores business or they will be like around Rs.100 Crores only, the bigger MNCs I am talking about the main big ones?
- Harita Vasireddi:** I would not be able to say because they do not publish those numbers, but most of the MNCs rely on their inspection business and the regular food testing is a component of that inspection business.
- Aman Vij:** Okay, while for us food testing is the main business versus the inspection business?
- Harita Vasireddi:** We are not into inspection.

- Aman Vij:** My second and final question is on the Molecular Diagnostic which you talked about may be not now, one, two, three years hence, could you talk about the opportunity in India and may be who are the players, who will be competing against in this sector?
- Harita Vasireddi:** Molecular Diagnostics is not a basic level test but it is a mid-level test and so basically all the labs mostly any decent reputed lab will have Molecular Diagnostics.
- Aman Vij:** What is the size of this segment of the Diagnostic in India? I am just looking at that and how is it this Molecular Diagnostic business growing?
- Harita Vasireddi:** I would not have the exact numbers on that sorry but am sure that information is available publicly on the internet.
- Aman Vij:** I will try to find out. No issues Madam. Thank you for the answer.
- Moderator:** Thank you. Ladies and gentlemen due to time constraint we take that as the last question for today. I would now like to hand the conference over to Mr. Vishal Manchanda for his closing comments over to you Sir.
- Vishal Manchanda:** Thank you all for joining on this call. A special thanks to the Vimta management. Thank you. Bye.
- Harita Vasireddi:** Thank you all. I wish and hope you will all stay healthy. Thank you.
- Moderator:** Thank you. On behalf of Nirmal Bang Equities Private Limited we conclude today's conference. Thank you all for joining. You may now disconnect your line.