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Vimta
Driven by Quality. Inspired by Science.

VLL\SE\016\2022-23
Date: 18.05.2022

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: VIMTALABS

Dear Sirs,

Ref: Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.
Sub: Transcript of the Q4-2022 earnings/investor call held on 13th May 2022.

Please find enclosed herewith the transcript of the Q4-2022 earnings/investor call held on Friday, 13th May 2022.

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

VIMTA LABS LIMITED HYDERABAD-51

Sujani Vasireddi
Company Secretary

Encl: as above.

"Vimta Labs Limited Q4 FY2022 Earnings Conference Call"

May 13, 2022

MANAGEMENT:	**MS. HARITA VASIREDDI – MANAGING DIRECTOR** **MR. SATYA SREENIVAS NEERUKONDA –EXECUTIVE DIRECTOR** **MR. NARAHAI NAIDU – CHIEF FINANCIAL OFFICER** **MS. SUJANI VASIREDDI – COMPANY SECRETARY**
MODERATOR:	**MR. VISHAL MANCHANDA – NIRMAL BANG EQUITIES**

Moderator: Ladies and gentlemen good day and welcome to the Vimta Labs Limited Earnings Conference Call hosted by Nirmal Bang Equities Private Limited.

As a reminder, all participants' 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. Vishal Manchanda from Nirmal Bang Equities. Thank you and over to you sir.

Vishal Manchanda: Good morning everyone on behalf of Nirmal Bang Institutional Equities. I welcome you to Vimta Labs Q4 FY2022 Earnings Conference Call. I 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 – Chief Financial Officer, Ms. Sujani Vasireddi – Company Secretary.

I now hand over the call to the company management for opening comments. Over to you, Madam.

Harita Vasireddi: Thank you Vishal. Good morning to all. Thank you for joining us in our Earnings Call covering Q4 and full year FY2022 Results. We are very pleased to have this opportunity to update you on our progress and answer your questions.

Overall, for us, the financial year 2021-2022 operationally has been quite robust, where we substantially increased our sales and profitability. Q4 and as such the entire year will remain a major milestone period for our food testing services and electronics and electric testing services.

As you may all know, we won the 25 years contract with FSSAI to set up and operate the National Food Laboratory at JNPT, Mumbai which is in a PPP model and we have obtained accreditation for 70% of testing scope in the fourth quarter and will be going in for a second phase of accreditation in June'22. The lab operations commenced in Q4 FY22 and is steadily delivering the revenues.

Likewise, during the quarter, we have also commenced the commercial operations of our new service area that is testing of electronics and electrical products. We strongly believe that our core strategy of service diversity continues to make our business more resilient and enable long-term sustainable growth.

We continue to focus on our key business drivers which are quality, knowledge, technology and service innovations. We had two good US FDA remote record reviews with no observation. We continue to invest in expanding and up grading our technology to meet the service requirements.

I will share a few key highlights of the quarter and later on our CFO Mr. Narahai, will get into a little more detail on the numbers.

As I said, sequentially we have increased our revenue numbers quite well. We achieved consolidated revenue from operations of Rs.740.9 million with a growth of about 10% from the previous quarter and 23.8% over the corresponding quarter previous year. We achieved an EBITDA of Rs.234.8 million for the quarter with a growth of 10% compared to previous quarter and a growth of about 39% compared to corresponding quarter previous year.

With respect to full year performance:

We achieved a consolidated revenue from operations of Rs.2782.8 million which is growth of about 32% year-on-year. So, in many ways it turned out to be a very good year for us. On the operations side, most of our service sectors continued to grow steadily which lays a good path to meet our short-term as well as long-term growth objectives. We entered the new financial year with higher order book and the visibility remains to be good. Accordingly, we are moving towards adding additional lab phase to our existing facilities at Genome Valley, Hyderabad. We are estimating to incur about Rs.60 crores of investments for this expansion in the next two years. This is basically to have a facility that will augment the growth of the organization.

So, with this I conclude my opening comments and request Narahai to please take over. Thank you.

Narahai Naidu: Thank you Ms. Harita. Good morning everyone. Thank you Vishal for organizing the call. Thank you for joining us for our Q4 and Full Year Results Conference Call.

We are pleased to take you to the consolidated financial performance of the company for Q4 followed by the full year ended March 2022. I will begin with the commentary on the revenue from operations. Revenue from operation for Q4 FY2022 INR 740.8 million as compared to Rs.673.4 million in Q3 FY2022. This translates to a growth of 10% sequentially and 23.8% on a YoY basis.

EBITDA for the quarter grew by about 10% sequentially and 38.7% on a YoY basis.

For the quarter, cost of materials decreased by 4.2% which is significant compared to previous quarter, driven by higher revenue from operations. Employee benefit expense commensurate with the increase in revenue from operations. However, the positive impact of economies of scale from higher revenues where to an extent offset by higher G&A expenses, largely due to higher travel expense, sales commission. Further, there was a higher depreciation, owing to the capitalization of our new product line which is electronics and electrical division.

Profit before tax for the quarter is at Rs.162.3 million which is a growth of 54% compared to corresponding previous quarter. Moving on to full year performance. Revenue from operations for FY2022 stands at Rs.2782.8 million as compared to Rs.2106.7 million in the previous financial year. This translates to an EBITDA growth of 32.1% and for the full year the growth is about 50% compared to previous financial year.

For the full financial year as well, the cost of materials decreased by 4.3% which is again substantial, driven by higher revenue from operations. The employee benefit expense for the full year in percentage, we have done decrease by 1.6% which also includes employee compensation expense on grant of options of Rs.29 million. The finance cost for the full year has decreased mainly due to the change in mix of products largely due to availing of multi- currency loans as well as significant reduction in working capital utilization during the year.

During the financial year, we repaid a debt of about Rs.106 million and after the repayment of the debt, there is positive cash of Rs.108 million at the end of financial year. The profit before tax after providing for exceptional item of Rs.12.2 million stands at Rs. 556.8 million which is growth of 95% compared to previous financial year. The net profit for the full year increased by about 93.1% and stands at Rs.413.3 million. The better profit realization for the full year had increased in return on capital employed which stands at 24.72% compared to 78.56% in the previous financial year.

With this brief summary, I would like to hand over back to the operator and would be happy to take any further questions.

Moderator: Thank you Sir. We will now begin the question answer session. We have the first question from the line of Ankit from Bamboo Capital. Please go ahead.

Ankit: Madam, if you can broadly talk about how are the segmentary performance over the last year, I know you do not disclose the numbers but in terms of qualitative, if you can give a heads up on how has been the growth in our food, diagnostic and environment, if you can broadly explain about last year growth. What has been major growth driver for us during FY2022.

Harita Vasireddi: As such we do not segmentalize our revenues for our service vertical. We treat it all as testing and contract research revenue. I will not be able get into the statistics of it but I can just say that 60% of our business is from the pharma contract research and testing services and the rest is distributed in food, clinical diagnostics and environment business and of course, the latest one is electronics and electrical. And for us all sectors are doing fairly well. Electronics and electrical which we call E&E, E&E is still a baby for us. Its maiden operation was only in the last quarter, so we are yet to enter into the market and test the waters thoroughly.

Ankit: Madam, you said your targeted revenue values of Rs.550-600 crores over the next three years. How our strategy is evolving on the diagnostic testing side. If we are not able to achieve the kind of growth that you are expecting from diagnostic division, the other segment's growth will be sufficient enough to cover for the lack of growth which might be there from the diagnostic side and how confident are you staying to the targeted growth of Rs.550-600 crores revenue in next three years.

Harita Vasireddi: We are very confident about that goal; we have set for ourselves of about Rs.500 plus crores by FY2025. The last year's performance gives us more confidence with respect to that goal for us. Diagnostics yes, will be a key driver as we are reaching there but then we have multiple service verticals, even if one or two do not do as per expectations, we are confident of pushing majority of the services forward to reach those targets.

Ankit: Sure, last question on order book we will able to use. In your opening comments you spoke about a very significant higher order and revenue will increase. Do not just give us the number but in terms of compared to last year, how much of order book will increase in terms of percentage if u can broadly give some view on that.

Harita Vasireddi: See, half of the services are kind of retail in nature. There the order books are not going to be there. But remaining half of our business is based on projects, for example environment services are project based, our preclinical, clinical research services are also project based. So, environment, we are seeing at least a 20% increase in our order book and likewise for the pharma projects.

Ankit: So, pharma also we are seeing a 20% increase in order book.

Harita Vasireddi: Preclinical, clinical research, environment.

Ankit: Okay**,** and last question was on the recognition and JNPT lab that you have setup. How is this revenue is being recognized, because we have incorporated another company subsidiary for that but I was looking at the numbers, but these numbers, I am like not sure if you tell us how has been the revenue from those services and has been broken even in the past few months, since we have started operations there.

Harita Vasireddi: Okay, our wholly owned subsidiary name is EMTAC Laboratories. It is in the field of offering safety and quality testing services, environmental testing services for electronics and electrical products. So, with our EMI-EMC chamber capabilities that we have set up at Vimta Labs both these companies together offer a very nice package for the electronics and electrical industry. So, till now through EMTAC, we only had safety and environmental testing but once you add the EMI-EMC capability it is a very good offering that we provide in the industry. So, the EMI-EMC facility should also augment the sales in EMTAC, because they are complementary in nature. So, we should see good growth even in EMTAC during the coming year. Coming to National Food Laboratory JNPT like I said the operations started in our Q4. We have accreditation for about 70% of the scope, 30% scope is remaining which is phase-2 for us. Once we complete that Phase-2 accreditation that is when we have the full accreditation scope for testing and we will be able to realize the full potential of the samples for that laboratory.

Ankit: It will be reflected in our consolidated revenue from going forward like the numbers for the laboratory that you have set up at JNPT?

Narahai Naidu: Yes, the revenues for quarter 4 also includes the revenue recognized through NFL Lab set up. This will be a part of our consolidated as well as standalone revenues.

Ankit: And are we broken even there or we are just incurring some, operating losses since we have just started there.

Narahai Naidu: As such, we are not seeing profitability that way, but of course we are expecting a profitable investment.

Moderator: Thank you. We have the next question from the line Abhishek Shah from Valcore Capital.

Abhishek Shah: Just sort of adding a little, just confirming, you mentioned that 70% of volumes that we were looking in the FSSAI lab, those are already recognized as of Q4? Is that understanding, correct?

Harita Vasireddi: Yes, I said 70% scope. Scope is different from volume. Volume wise, we are recognized for almost catering to about 80% of the sample inflow. Some samples in the scope, they deliver lower volume as the imports are lower for the food category. The other product for which we are accredited, they have higher volumes of imports into the country. So, we are focused on higher volume products but that is phase 1 which is completed and now remaining are the ones which are in lower volumes which we will be taking up in Phase-2.

Abhishek Shah: Madam, just another data point, how many samples are we targeting for FY2023 again in this field?

Harita Vasireddi: We do not target any samples that all depends on the imports for the country. 60% of the food imports for our country, happens through the JNPT port and it is a public information that is available, sometimes it is a little seasonal. We can go and look at that information.

Abhishek Shah: Madam, how many employees have we put in the FSSAI lab?

Harita Vasireddi: There are about 50 people employed at NFL lab as of now.

Abhishek Shah: Madam, do you expect any further ESOP cost to come in FY2023.

Narahai Naidu: Yes, the entire vesting is spread across five years. So, we expect some sort of cost to be booked in future years as well, but going forward it may go down because the initial years will be taking a larger hit...

Abhishek Shah: Madam, one last thing was other expenses increased from Rs.9 crores to Rs.12 crores, does it have any one-off or this is expected to sustain.

Narahai Naidu: This includes commission from the revenue recognized on NFL revenue and also there is provision for bad debts and bad debts written-off during the quarter which resulted in an increase in other expense during Q4 FY22. Also, we had higher travel, sales promotion and communication expenditure with the increase in travel of our employees.

Abhishek Shah: Right, so of the 12 crores what will be the one-off, which may not be a recurring expense for the coming quarter.

Narahai Naidu: This could be a recurring scenario but may not be at the same level because bad debts are something we periodically evaluate and take a call based on its recoverability. So, we will not be exactly able to say this is a one-off item.

Abhishek Shah: Lastly Madam, just a suggestion, I think we missed the con call last time and the presentation it really helps investors gain some comfort if we were at least, there is quarterly con call. I am sure one-hour quarter is not an issue for you. So, I would really appreciate if that consistency is maintained for investors invested in this, as there is a support system for us, while being invested in this company for the next 4-5 years. That is a just a suggestion from our side.

Harita Vasireddi: Thank you. We will be putting up our investor presentation on the website shortly and try and update it with every quarter results, as we go forward.

Abhishek Shah: Alright and also the request on the con call, we can keep it consistent every quarter. I think last year we skipped during the AGM quarter as well, just a request from our side.

Harita Vasireddi: Yes, our plan is do this once in six months because we also noticed that there is not much to share within just a three-month period which is very short period. If there is some good news, exciting news and then we are always happy to actually come and share it with you. But the plan is now to do it at least once in six months and as such we have an AGM connect so that makes it about three times in an year, which we thought is sufficient.

Abhishek Shah: Alright, so it will be every six months as such plus the AGM and depending if there is any other news that you want to share, fair enough Madam. Thank you so much that is all from my side.

Moderator: We have the next question from the line of Kapil who is an individual investor. Please go ahead.

Kapil: I have two questions about the business one is our government is working on this Health Star Rating on the package food. So, does Vimta has any business opportunity in this and the size of business opportunity?

Harita Vasireddi: I am sorry, I did not get the name of the initiative that you mentioned. Please repeat.

Kapil: This Health Star Rating on the package food rights, so the government is saying that Health Star Rating is mandatory on all the package food. So, does Vimta has any role to play in that, in the testing?

Harita Vasireddi: We do offer package material testing. It is done mostly quite vigorously on the pharma side; Food industry is slowly beginning to do it. Of course the regulation pushed is a little slow in the food industry, but if there is regulation then we will automatically see an increase in testing requirement around it.

Kapil: Okay, thanks good to know and second question is regarding EMI-EMC business which is recently opened. So, are we already generating revenue from that if it is going to have a good revenue? Is Vimta planning to expand this business to other cities like, Danwar, Chennai, Delhi where most of the hardware is made.

Harita Vasireddi: Yes, our revenues have started in Q4 and yes, we also have plans to expand these services into other cities going forward. Like you righty mentioned, Pune and Bangalore would be the next best option to consider when we think of expanding into other locations.

Kapil: Okay and Madam, just one last question, how much as a percentage of total revenue we are expecting from electronic testing business in next 2-3 years. Is it going to be 30%, 10% or what revenue does Vimta see from this electronic testing business in Pune?

Harita Vasireddi: I am sorry, I will not be able to share that number like I always say, we do not segmentalize our revenue. So, we will not be able to give that kind of bifurcation.

Moderator: We have the next question from the line of Sunil Kothari from Unique PMS. Please go ahead.

Sunil Kothari: Madam, my request to have some real detail presentation on our Company's capability and ability to make investor aware what exactly we are doing and what scope we have? That will be really helpful, I think you are promising since long that will be updating and putting a presentation. So, just want to confirm those things, I am sure, it will be useful for us as an investor. My question is on, you have some objective to reach to some revenue by 2025. This Rs.60 crores investment will be enough to reach there or will it require some more?

Harita Vasireddi: As of now, this is the investment that we see in terms of facility expansion. This is mostly again to augment the growth of our pharma sector where we have seen very nice encouragement from the industry during the last few years. But this is mostly for that, so as such, as the business grows, we will have to keep on adding capacities we will have to keep on adding the knowledge base in the company in terms of manpower. So, those investments will continue, we will not be able to reach the Rs.500 crore plus growth target with the existing resources, obviously.

Sunil Kothari: Right, current year and next year we are planning to do around Rs.60 crores.

Harita Vasireddi: This is for a new building set up.

Sunil Kothari: Alright, are there any other capex?

Harita Vasireddi: CAPEX, we anyway take up on a year-to-year basis, looking at our prospects for the upcoming year and the regulations that keep coming into market.

Sunil Kothari: So, can you say, current year capex number for FY2022- FY2023?

Harita Vasireddi: We have planned approximately about Rs.50-60 crores.

Sunil Kothari: And Madam, last question is what is your major priority and focus area which you would like to as a management focus onto make this growth and the opposite which is visible and feasible to exploit those fully and what is your focus area which you would like to give a trust and to overcome any hurdle?

Harita Vasireddi: We have five major business verticals, first one is pharma under which we have analytical, preclinical and clinical research. So, that covers the entire, drug discovery development spectrum for us and as I have already mentioned, it is a major component of our overall revenue. So, that will remain to be our focus area and thrust area. Second one is our food business, we have done very good investments during the period of 2014-2016, so we will be driving that business aggressively as we have done so far. So, that will also remain our focus area. Clinical diagnostic, until very recently, we were primarily content with what we were doing in just these two states for Telangana and Andhra Pradesh and a little bit of business in Uttar Pradesh but we decided we want to go expand our geographic reach here and also convert our business which is majorly a B2B into a B2C kind of business. So, there we have started our expansion plan, we are testing out various models in the market. So, that will also remain our focus service for the upcoming year. E&E we just started so obviously we will put a lot of focus and effort behind it. The fifth one remains environment, it is not a very large component of our business. The growth prospects are not as high as in all the other sectors. So, in that one segment alone, I would say that we do not see any big numbers happening, but even in that business, we have expanded our reach and set up satellite offices in Delhi and Kolkata. So, that is also yielding us good result in environmental testing.

Sunil Kothari: Madam, this B2C experience for the three, let us take diagnosis, how competition, what is your gut feel about the success.

Harita Vasireddi: Your voice was getting broken. Can you please repeat.

Sunil Kothari: Yes, Madam regarding this B2C diagnostic laboratory business, how is your experience about the competition, what is your gut feel about major success?

Harita Vasireddi: B2C as a first step, baby step that we have taken is in Hyderabad location. So, here our brand is known, so there is a good acceptance in most of our B2C centers that we have opened up. But in newer areas, we have not put too many. We have put one in Varanasi, there our experience is not great, so we realized that we have to do a lot more marketing before we really open up B2C centers.

Moderator: Thank you. We have the next question from the line of V.P. Rajesh from Banyan Capital.

V P Rajesh: Just wanted to hear your comments on the diagnostic business, if you can just give a sense of its performance in fiscal year 2022, qualitatively and just see what you are thinking about it in the next financial year? Thank you.

Harita Vasireddi: Diagnostics we were expecting it to perform better, but it really did not perform to the level of our expectation. But having said that we have gone into new territories that is in Delhi and in Kolkata. So, it is going to take a little more time, we have very strong players in that market. So, our efforts are sincere, our efforts are aimed at getting more penetration into the market, we feel this will take a little more time.

V P Rajesh: Okay, in terms of capacity utilization what is it looking like for you in that business.

Harita Vasireddi: Our Delhi and Kolkata labs capacity utilization is only probably around 30%-40%, but again capacity is quite elastic for that, now we have deployed low volume instrumentation there. The moment our volume, scale up, we will be able to quickly replace them with high volume instrumentation.

V P Rajesh: Okay, and what is it in Hyderabad?

Harita Vasireddi: Hyderabad, it is a central lab capacity utilization, is steady, it remains around 75%-80% but I was mostly talking about the new regional lab that we have set up in Kolkata and Delhi.

Moderator: Thank you. We have the next question from the line of Nagesh Rajanna from NR-Family Office. Please go ahead.

Nagesh Rajanna: My questions are two, such an outstanding performance it sustainable for the coming year is one question, the second is what drove such outstanding performance in FY2022.

Harita Vasireddi: First of all, thank you for the nice encouragement. Yes, we are also very pleased with our performance in this year and we believe in sustainability. Therefore, we focus on all the parameters that first make us stronger inward and we believe this inward strength radiates into outward strength in the market. So, we continue our focus on our quality systems, we continue investing in new technologies. We continue to have a very close nose to the ground in the market, just to get a feel of where the trends are moving and so we have remained a first-mover in terms of new services that we are able to very quickly get to the market and get the first-mover advantage. So, I have no doubt that the growth that we are experiencing now will continue in the coming years, unless of course the market situation suddenly changes, and challenges come up and this is an unknown happening. It is not that unknown things will not happen for us, but our multi-basket services make us very resilient. Our experience during the COVID years itself validates the multi basket business model that we have. So, we are very confident on our growth strategy that we have set for ourselves.

Nagesh Rajanna: So, happy to hear that, in fact I, at some point of time was one of the customers for you as part of Pepsico. I used to be one the leaders and Pepsico who would actually interacts with your set up. I am very happy to hear that. But what about the margins? I think your margin has substantially grown; would you see that margins levels sustaining in the coming year?

Harita Vasireddi: Margins should sustain because as the volumes go up, margins should get better. But again, margins quarter-on-quarter might vary with the mix in the services that were pushed in that quarter. Food is a very seasonal business. The margins in food will not be as high as what you would normally see in pharma. So, there will be slight fluctuation but I strongly believe that we are at a margin range that we can aim even for the upcoming years and achieve.

Nagesh Rajanna: Awesome, happy to hear that. One last question, I do not see enough cash in your balance sheet but however, you do have a certain capex plan. So, where and how would you find the capex?

Harita Vasireddi: We will able to manage the capex from our operating inflow, we do not see a challenge there and we do have sanctioned limits with our bankers which we are currently not using at all. So, we have enough bandwidth to manage our capex plan for the year.

Moderator: We have the next question from line of Aman Vij from Astute Investment Management. Please go head.

Aman Vij: My first set of questions are on the pharma business, so on the preclinical side, if you can talk about briefly like you had explained nicely last time. What is the current market size in India and what is the growth looking for the industry? Are there any frequent changes in the dynamics of requirements of our study if you can talk about the same? As well as, who are the top three players in India?

Harita Vasireddi: To estimate the Indian market size, I do not think, we have exact number because most of the players are not listed companies and it is very difficult to capture the amount of business that we are doing in India. But, preclinical business for us is not only India oriented, we work in the overseas market also especially US and Europe and the global market is actually very nice. I am unable to recall the exact growth rate but I am sure the CAGR that is projected for the next five years is 10% plus and it is a very large market.

Aman Vij And Madam, are we among the top three players out of India either export or domestic in preclinical? If yes, then if you can talk about who are the other one or two players.

Harita Vasireddi: I think we are definitely among the top players in the market. The biggest player, I know in India is Eurofins Lab in Bangalore.

Aman Vij: You are talking specifically about preclinical right?

Harita Vasireddi: Yes.

Aman Vij: Madam, estimate they will be like 2x our size, 3x our size or may be 30%-40% kind of bigger than us.

Harita Vasireddi: I have not clearly looked at their numbers off late but I am sure you will be able to find them. Eurofins is also a listed company.

Aman Vij: No in India, it is not, so India numbers they do not disclose much that is why I just according to your estimate, are not they much ahead of us?

Harita Vasireddi: It will not be right for me to comment on the numbers without knowing the exact numbers.

Aman Vij: Let me get it from this point of view, in terms of capability, are there any capabilities which we do not have where global giants like Eurofins have or we are equally if not better in our capabilities in preclinical part?

Harita Vasireddi: Capabilities wise, we have been predominantly for the pharma services with respect to preclinical during the last two years. We have also built scientific asset to even support the agrochemical and specialty chemical industries, whereas I think Eurofins which was erstwhile Advinus, for them it is the other way round. They were mostly focused on the agrochemical and later got into pharma services. So, I am thinking there would be a very nice overlap of our services with theirs. I do not think; we would fall short in terms of capability.

Aman Vij: Sorry, because I am little new on the clinical part, so when a customer is looking for a CRO player, so there will be Eurofins who is a global giant. So, how do we compete with the global giant who has a history of 10 years, 20 years working or they are trying to opposite Agrochem and specialty chem, is it like we are plus 1. They want to risk all their businesses to one player, so we get the benefit or do we have some capabilities which where we went because of our cost advantage. If you can explain a little bit on this part.

Harita Vasireddi: Costing wise, I think we are comparable to any top CRO in the country. I think where the service differentiated comes, is the service that you provide to the customer and inputs you are able to give on the study design. So, there I think we are very strong, our service is quite speedy and very effective. We are very true to the timelines that we commit to our customers and our client attention is very high. So, it is mostly a word of mouth that helps us, it is a small industry all said and done, the pharma world. So, we have very good reputation in preclinical services especially.

Satya Sreenivas: History of Vimta is not new in preclinical. We have over two decades of experience in the studies and we were only the second lab apart from Eurofins which was called Advinus, earlier. Rallis was the original name that had a GLP certification. We were having a GLP certification way back in the late 90's and the asset history, the service portfolio, the models Vimta offers is much wider than what Eurofins or other labs in India offers. So, that is why we become a discovery partner for both the domestic companies and also small and mid-size biotech companies outside of India. It is a very unique set up which Vimta has in the preclinical.

Aman Vij: Final thing of preclinical before I move on with export business which we do. Is it predominantly preclinical or there are other portions also in this part?

Satya Sreenivas: Export business is linked to all of the pharma service sectors

Aman Vij: So, if not, only pharma, it has other food and other portion also.

Satya Sreenivas: Predominantly, pharma

Aman Vij: Madam you had explained that we have a good traction in the clinical part, the PAP studies part also. The order book is like 20% higher. We had discussed about the bed capacity where we are and may be close the full utilization. So, any plans of expanding now given you have now clear visibility on this part and also are you seeing any increase competition in this part, if you can talk about these things.

Harita Vasireddi: This business is quite a mature service segment in the country, so we do not see actually the number of CRO's growing, the net remains the same because even if new ones come up, there could be some old ones getting shutdown. The price is more or less driven down almost to the ground and is remaining stable there. So, as of now coming to your question, we do not have any plans of expanding the capacities here. We still think that the capacities that we have will take us through for at least this year and the next year. But if suddenly, we see very strong rise in our pipeline, then of course we will be able to react quickly and add to the capacity.

Aman Vij: And Madam, you had explained that we are in touch with couple of customers on the clinical trials are the PAP part, the cytokinesis or something like that, you had explained but I think because of COVID or other reasons that has still not rectified. So, any visibility on that, you have may be by H1 or by Q1, Q2, we will finally have such orders.

Harita Vasireddi: Ours clients have actually not moved on those projects yet. So, we are continuous touch with them as when they are able to prioritize those projects that's when these things will move. So, as of now, it is status quo for us.

Aman Vij: Madam, we cannot target any other client meanwhile because if their project is stuck, we can still try to build capability while targeting your clients.

Harita Vasireddi: It is always very difficult to win the first project in any new service line. And for clinical end point studies are new so until we are able to deliver this and demonstrate that we are doing a good job. It is not very easy to go into the market and get more projects. So, our efforts are anyway there, as you rightly put up, we continue to try getting those first opportunities. We got an opportunity especially because it was COVID, may be the other players who would normally take up such projects could not deliver those, so they came to us and for us it was the same situation. So, the projects are continued to be in a backburner for these customers and we will keep pushing.

Aman Vij: Madam, coming to food side, if you can explain the non-NFL part of the business which we have been doing for the last couple of years, not included in the JNPT lab, I am talking about. Is there a sudden change in the industry dynamics because I think this year we did quite well in this, I may be wrong if you can correct me on that part. If you can explain do you see very strong growth excluding JNPT part also.

Harita Vasireddi: Yes, food business has been growing for us steadily, the growth rate is quite good YoY. Despite a challenging early Q2 and also the previous year, where food business was quite affected for us because of the pandemic situation. Our food business steadily grew. Now coming to future growth prospects, I believe that the growth rates that we are experiencing will continue, but here we are talking about growth those growth rates on a bigger size number. So, if you look at the absolute growth numbers, then I think we are going to experience bigger absolute numbers in the coming year.

Aman Vij: On the JNPT part if you can explain, though we had a rough target of, I think the numbers that was mentioned was Rs.1 lakh for three years sample. So, that is approximately 30,000 samples a month, or sorry a year or is it 3000-4000 sample kind of a run rate. So, is this the peak utilization only we can get or because I think our capacities are may be 3x of this number. So, any ways we can may be use this facility to do other two testing or do you think the traction from imports itself is strong enough to scale this number much ahead than the historical track record.

Harita Vasireddi: Now coming to NFL volume, we have to understand the FSSAI. FSSAI distributes the samples through its own mechanism to all the labs in the region that support the import sample testing. Now FSSAI has come up with its own food laboratory in Mumbai, which is the PPP that we have entered into with them. So, the objective is to do majority of the sample testing at NFL. But there will still be some samples that will go into the market because those laboratories survive mostly on these samples only. So, I think the government is trying to take a very balanced view especially in these earlier years, so as to not cause any great discretion on the existing businesses there. They are trying to walk that fine line. Now, how they fine tune that balance going forward is actually a scenario that we do not know. They are not going to obviously share those things with us. So, its basically dependent on how FSSAI will move those samples into their own NFL lab in the coming year. So, we have to experience it, even I have to experience those things and I think we will take a year to really understand the mind of the regulator.

Aman Vij: Madam that part you had explained very well but meanwhile are we not allowed by the contract to use this facility because the people are there, business opportunity in India is there. Cannot utilize the same lab till the time the government figures out all those things to other food testing for, I do not know may be export also may be some other kind of raw material, if you can talk about it.

Harita Vasireddi: We are allowed to do other samples there but the lab is mostly designed to handle high volume of samples. So, one-off samples like what we normally have in our other seven laboratories there we will not be able to get efficiency to deliver those small size samples. That is one thing, so if we are able to hit some large volume samples in that region, we will definitely take those up at the NFL lab.

Aman Vij: On the accounting part, for commission, if any, the portion of government take is that included in other expense or when we will record the revenue, we will net it off and then record it. How will it work?

Narahai Naidu: This is included as part of other expenditure.

Aman Vij: So, the increase in other expense can be linked to this increasing scaling of our JNPT division

Management: Yes, one reason for other expense increase for the quarter is commission on NFL revenue we have provided for.

Aman Vij: And ease off writing in the employer expense. Madam, finally on the electronic business if you can briefly talk about, are we targeting only a particular sector like and if there is an opportunity to do target other also. What is the feedback as of now? Yes, its very early days but the typical order size will be in lakhs or will it be in crores also. My point is do we require 100 customers to eventually fully utilize that capacity or even 10, 15, 20 customers should be enough over a period of time.

Harita Vasireddi: That is a very nice question. First, I will address the part about the what industries will target. So, Hyderabad is hub for defence component manufacturer because there are defense government institutes here so there is a very nice ecosystem of suppliers in Hyderabad, so that will be our target number 1. Coming to the size of the projects, they can be mostly in lakhs but it will be great to have customers in the size of crores, it is quite possible to have such a customer provided we become a strategic partner for one of the MNC for their R&D projects in India. So, both are possible but typically I would say, the probability is more on having projects sizes which are in lakhs.

Aman Vij: Just one clarification. So, when we talk about defence is it mostly import related, is it R&D or even say India is talking a lot about trying to manufacture in defense sector. Will we get benefit of all these three opportunities? Which opportunities are we looking at?

Harita Vasireddi: I think it is mostly for our domestic consumption.

Aman Vij: So, with manufacturing increasing we should get more traction in this business, provided we get more customers.

Harita Vasireddi: Yes.

Aman Vij: Thank you so much for answering the question patiently and Madam on the quarterly con call part, yes, we understand sometime there is not big update but Madam, you can always have a half-an-hour call and the reason I am asking is because we have set up two new businesses in the last quarter and there was hardly any updates we could get. So, may be for one year till the business stabilizes if possible do it quarterly, you can change the time period. There is no fix amount, many companies do a half an hour quarterly call and may be half yearly we can do one hour call. Because there is lot of moving part in our business, we are also testing water. So, the only way, we can get update is through such con call and in worse case if you cannot do con call at least have a quarterly presentation upload so that we can get an idea about updates that has happened in the quarter.

Harita Vasireddi: We will definitely put up our presentation that is updated every quarter and on the calls your input is well taken, we will definitely consider it.

Moderator: Thank you. We have the next question from the line of Dilip Sahu who is an individual investor. Please go ahead.

Dilip Sahu: Madam my question was in last-to-last con call you had said there were logistical issues regarding our exports business in terms of engaging the client as well as the client sending samples etc. My question is are we on track now that the COVID years are over and give me some color on the export business how it shaping up, what kind of proportion of our revenue comes from exports?

Harita Vasireddi: I think that reference was mostly made in connection to the import of animals. We import animals for our preclinical study. So, those things have come back to normal state, no issue there. There was little challenge in getting timely standards as well which we mostly import. So, that is also no longer a concern. Coming to export business, China should have actually win better for us by now but during these last two years, that is the market that we could not access and therefore could not grow.

Dilip Sahu: Okay, so export a substantial portion of our revenue going forward it is going to be?

Harita Vasireddi: Historically, it has been around 27%-30% for us. It is our constant endeavor to make these numbers higher but as our pie is growing, we see that at the exports and domestic business both are growing parallelly.

Dilip Sahu: My second question was regarding EMTAC it has been two years since we have acquired this business, still not a substantial, no traction there. Can you please elaborate on some of the initiatives we are taking both in terms of capability building, filling the competency gaps as well as geographical reach out to customers in this business.

Harita Vasireddi: The pandemic year, especially the year 2019-2020 was very difficult for this organization they could not reach out to the customers. So, we could not actually push any more business coming in. But what we have done during this period, is we looked at our scope of services. We went ahead and expanded our scope, added a few more tests and few products to the scope. So, that way, we have strengthened our capabilities but going out into the market it has been difficult and most of the customers were not really operating, so that issue was there but this year, we hope, we will be able to push these services nicely especially because of the complemented EMI/EMC capabilities that you have at EMTAC.

Moderator: The next question is from the line of Dhwani Desai from Total Capital. Please go ahead.

Dhwani Desai: So, the first question is that our accretion of reaching in Rs.500 crores plus does come by, as whatever numbers or calculations that you have internally. Is diagnostic a very significant part, I am asking this question because we are still testing waters, trying out a lot of things on the business side. So, if does not workout the way we expect, do we see significant change in our numbers or accretion for FY2025?

Harita Vasireddi: As of now diagnostic is a significant portion there but if that does not work out for us, then I am not really thinking in those lines yet. If that does not work out for us then we will come up with plan B.

Dhwani Desai: Okay, there is a plan B, you have other consideration which can still take you to Rs. 500 crores.

Harita Vasireddi: Like I said, I so far have confidence on the service mix that we have decided for ourselves, targeting for ourselves to reach that number. So far, we do not have any hesitancy that something could be off but we have enough buffers built-in to manage any dip in any of our service mix. If something does not go well, then obviously we have to switch gears and push something else, that I cannot comment at this point of time.

Dhwani Desai: Second question is more of a clarification so we are putting up with Rs.60 crores for a new facility, this is in addition to about 20-30 crore typically capex that we do every year. So, in next two years the total outflow for capex would be Rs.100 crores plus. Is that a right understanding?

Harita Vasireddi: Yes, possibly where our estimate would also be same.

Dhwani Desai: Madam, can you give more color without getting into a specific number but without JNPT, is the scope for this business growing at above the 20% or we are yet to see that kind of a traction in the retail business.

Harita Vasireddi: 20% is on the higher side but we are very close to that.

Dhwani Desai: Madam, last question is that having from all our introduction one thing that it is quite clear is that whenever we are multi-mover for the possible three year, we get an opportunity to get good pricing with the help of the margin but as other player enter and as we scale up volume, the pricing, we need to revise pricing downwards in many of our areas. So, in that context what gives your confidence that we will be able to maintain this 29%-30% kind of a margin.

Harita Vasireddi: We were expecting some price compression on the pharma analytical side but we have been able to counter the price reduction with very good increase in volume, thereby maintaining our margins.

Dhwani Desai: Okay, is it a right understanding that essentially what we are setting on is operating leverage going out with higher volume and are sustaining the margins in spite of price decrease.

Harita Vasireddi: Yes.

Moderator: Thank you. We have the next question from the line of Dixit Doshi from Whitestone Financial Advisors. Please go ahead.

Dixit Doshi: Firstly, clarification you mentioned that whatever volumes of input come from JNPT, FSSAI distribute the volume to the many legs. So, in the RAP the volume was mentioned that 3000 samples per month that is for this leg. Right?

Harita Vasireddi: They have given an indication of volumes but there is no commitment to the lab.

Dixit Doshi: But pre-COVID this leg was handling 3000 samples a month?

Harita Vasireddi: Sorry, I did not understand. Can you please repeat.

Dixit Doshi: I am not asking for the future commitments by the FASSI but prior to the COVID this leg was doing around 3000 samples a month. That is a fair understanding?

Harita Vasireddi: No, FSSAI did not have any lab of its own, it was sending samples to private labs.

Dixit Doshi: Okay, so this 3000 samples, a month mentioned in the RAP what was that?

Harita Vasireddi: That is the volume that is experienced from the imports. That is the existing volume. That is the market for import sample testing.

Dixit Doshi: Okay, my second question is in the diagnostic center how many centers we have currently, diagnostic business?

Harita Vasireddi: We have nine locations, the largest is in Hyderabad and we have substantial menu at Kolkata and Delhi, rest of the places we have much smaller menu. So, totally nine locations.

Dixit Doshi: Okay, I know you do not share the percentage what we have committed to FSSAI but is it fair to assume that it will be more or less near to the Ghaziabad or it be substantially higher than that.

Harita Vasireddi: Ghaziabad and JNPT lab are not comparable business models.

Dixit Doshi: Okay, fine that is it from my side.

Moderator: Thank we have the next question from the line of Nitesh Jain who is an individual investor. Please go ahead.

Nitesh Jain: Just a few questions while you do not give the revenue break up for your different vertical. Could you at least tell in the March quarter rise so what is number of samples that got tested at JNPT?

Harita Vasireddi: Sorry, your voice was not at all clear.

Nitesh Jain: While you do not give the revenue break-up can give the number of samples that got tested in JNPT for the March quarter.

Harita Vasireddi: No, we will not be able to share that information.

Nitesh Jain: Okay at least on the pharma side, you said, you are doing very good. So, was there a good revenue jump from the December quarter to the March quarter? Are we seeing the traction quarter-on-quarter?

Harita Vasireddi: Your voice is not clear.

Nitesh Jain: On the pharma side of the business, you said you are seeing a very good traction in order flow also. So, are we seeing a great increase in the business from the December quarter to the March quarter? What I want to ask you, is there a quarter-on-quarter increase in the growth that we are seeing?

Harita Vasireddi: Yes, there was an increase.

Nitesh Jain: Okay, it is not possible to tell the numbers, how much should be near if it increase?

Harita Vasireddi: No, that is very competitor sensitive information.

Nitesh Jain: Okay and on the FDA, you said you got two approvals, right? So, does that substantially help us in our exports this year?

Harita Vasireddi: They are not called approvals; the approvals are given to our customers for the applications they file with US FDA. So, for us we just go through such reviews or audits and the expectation is, we perform well and from there comes, the customer confidence in us to work more with us.

Moderator: Thank you. We have the next question from the line of Yogansh Jeswani from Mittal Analytics. Please go ahead.

Yogansh Jeswani: Most of the questions have been answered but a few follow-ups I have, in the beginning of the call you mentioned about having a significant order book compared to what we have had so far. And if you look at the margin profile that we have known for last 3-4 quarters that has improved considerably from 20%-22% odd to 28% and above 30%. So, this order book that we have, do we have margins in this built up which are in line with this 28%-30% range or do we see some dip there?

Harita Vasireddi: No, we do not anticipate any dip as of now No.

Yogansh Jeswani: Madam, in terms of the capacity addition that you mentioned for Rs.60 crores and you said for next two years the growth will be taken care of from this. So, beyond this capacity addition do we have more scope to increase in the same facility or will be the max out of post this?

Harita Vasireddi: I just want to clarify we will be beginning the construction of the new facility this year. It will take two years to complete the facility and make it ready for occupying it. So, we are actually going to start building it now. Did I answer your question completely?

Yogansh Jeswani: Yes, Madam that was sensible. Madam next thing would be on the EMTAC investment that we have done. So, how much more investments do we need in this subsidiary any number that you could share?

Harita Vasireddi: They might have a capex investment of about Rs.70 lakhs to Rs.1 crore during the year, again depends on the customers that we are able to build for that organization. Depending on the interest for the services we will add respective capex.

Yogansh Jeswani: Okay, so this will be small and a gradual scale up business there, in the overall capex.

Harita Vasireddi: Yes.

Yogansh Jeswani: Madam, in the FSSAI business that you have mentioned on the call and you also mentioned that currently there are many labs which are already doing this. So, in terms of margin profile, is this business margin diluted because there is already a lot of competition and is this business also in a similar margin scale.

Harita Vasireddi: Margin should be better here because the volumes are higher and now if you take a particular product you will get at least 10-15 of the samples everyday then obviously your margin of testing such samples is better.

Yogansh Jeswani: What is the typical order size in terms of value Madam?

Harita Vasireddi: We have no orders here. These are the individual samples that are just allotted by FSSAI.

Yogansh Jeswani: Okay and what would be the value of these transaction there, typically what would be the average value of these transactions?

Harita Vasireddi: The variety of imports that we have coming in is quite large and each product has its own standard specs against which we have to test. So, the range of prices will be quite big.

Yogansh Jeswani: Okay, understood and Madam, in terms of our customer confrontation I just wanted to understand is there any significant consideration typically what would be the contribution of our top three or top five clients in the total sales if you could shed some light on that?

Harita Vasireddi: Top 10 customers contribute to about 25%-30% of our business.

Moderator: Thank you. That was the last question. I now hand it over to the management for closing comments.

Harita Vasireddi: Thank you. I thank everybody for their wonderful questions. We look forward to again connecting with you, may be in the AGM so until then goodbye and have a nice day.

Moderator: Thank you. On behalf of Nirmal Bang Equities that concludes this conference. Thank you for joining us and you may now disconnect your lines.