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Anived Portfolio Managers Pvt. Ltd - Principal Officer

Sundaram Asset Management Company Ltd. - Research Analyst

Prabhudas Lilladher Pvt Ltd., Research Division - Assistant VP & Senior Research Analyst

Ladies and gentlemen, good day and welcome to the Q1 FY '20 Earnings Conference Call of Thyrocare Technologies Limited hosted by Prabhudas Lilladher Private Limited. (Operator Instructions) Please note that this conference is being recorded. I now hand the conference over to Mr. Surajit Pal from Prabhudas Lilladher. Thank you, and over to you, sir.

Surajit Pal, Prabhudas Lilladher Pvt Ltd., Research Division - Assistant VP & Senior Research Analyst [2]

Thank you, operator. Good morning, everyone. This is Surajit from Prabhudas Lilladher. I thank Thyrocare management for giving us the opportunity to host this call. From Thyrocare, we have Dr. Velumani, CEO; Mr. A. Sundararaju, CFO; Mr. Sachin Salvi, VP, Finance; and Dr. Caesar Sengupta, VP, Operation. So we will start with management presentation first, followed by question-and-answer session. Thank you, and over to you, doctor.

Sundararaju Arokiaswamy, Thyrocare Technologies Limited - CFO & Executive Director [3]

Good morning to all of you. Thank you for being a part of this call. And yes, it's bad weather. Every year, rainy season used to be a better business. This year because of floods, we are yet to see, even logistically, everything in place. Having said that, this quarter was better than the previous quarter, and we hope this year will be better than the previous year.

The quarter has ended with all challenges in the economy, with all challenges in the downturns in all optional spending. And Thyrocare being a preventive care business company, we do also seem to have got impacted by the optional spending options. And in spite of that, we have done a 13% growth, with a slightly better EBITDA and slightly better PAT.

The year went -- the quarter went on fairly all right, with some ups and downs in between, not that we know all the reasons. But having said that, it's very clear to the industry and to the investor and to the analysts right now that all major players in diagnostics are B2C players and Thyrocare is a B2B player. We do have some 20% of business B2C, but we are not seeing for a growth in B2C. We are looking for a growth in B2B.

And for the last 5 years, if at all disruptions had happened, it was only in B2B because B2B used to and even today is the only way to get volumes. And everybody felt that B2B was disruptable. And everybody felt the rate of what Thyrocare has kept is improvable. We always look at 40% in EBITDA Thyrocare and think that if we keep our rate also similar to Thyrocare, we will also get a 40% EBITDA. Unfortunately, in this business, the volumes have been a checkmate. Without this volume, these rates are not possible. Without this rate, these volumes are not possible. So we do see from some of the analyst report, which we have received recently, almost half of the number of players who are fully focused only on B2B business have literally wound up, which means the disruptions for B2B was the highest for the last 4, 5 years. And we have had our own share of growth loss because of that, intense disruptions because of the B2B players.

B2C is less disruptable. B2C is more of an island business and B2B is more of a cloud business. So these islands sell some security where your 30-kilometer, 40-kilometer radius is very easy to operate. So that is the reason why we had some ups and downs in this last 4, 5 quarters. And in the quarter, which ended March was one of the worst quarters.

Now we have a reason to believe we are in a recovery path. We have reworked some of the business strategies. And we have become more aggressive. We have become more closer to our actual customer that is laboratories and hospitals. And that's the sum up of pathology business.

In terms of nuclear as a business, the nuclear business has not been doing as we wanted it to be doing. We had a couple of installations in the Q3 and Q4 of last year, which has disturbed our EBITDA, and EBITDA is lesser than previous year. We hope by the end of the year, we would get to back the EBITDA provided if we don't put up any new installations. Now incidentally, not putting new installation is not growth and putting installations will reducing the EBITDA. So there is a huge dilemma, and that we will talk separately when we discuss about nuclear.

And overall, the scenario looks good, positive. Ayushman is a project which came in, which interrupted by elections in between and now -- once again, I hope government has taken it much more seriously. Otherwise, there is no challenge of a price control or any regulatory, which if it comes, it will be positive for us, but they are yet to be seen. So these are my inputs for the earning call; and the numbers, I expect Mr. Sachin will talk. And then if there are questions, I will be very happy to answer. Thank you very much.

Operator [4]

Thank you. Sir, should we open it for Q&A session?

Sundararaju Arokiaswamy, Thyrocare Technologies Limited - CFO & Executive Director [5]

Yes, it can be done because the numbers must be there in their hand.

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Questions and Answers

Operator [1]

(Operator Instructions) The first question is from the line of Viraj Kacharia from Securities Investment Managers.

Viraj Kacharia, Securities Investment Management Pvt Ltd - Senior Analyst [2]

Congratulations for good numbers in such a challenging environment. Hello?

Sundararaju Arokiaswamy, Thyrocare Technologies Limited - CFO & Executive Director [3]

(foreign language)

Viraj Kacharia, Securities Investment Management Pvt Ltd - Senior Analyst [4]

Yes. Sir, I just had a couple of questions. First is, if I look at the stand-alone business, the pathology business, just want to understand, in thyroid, would we be making any money at the EBITDA level? Or it's a 0 EBITDA product?

Sundararaju Arokiaswamy, Thyrocare Technologies Limited - CFO & Executive Director [5]

Thyroid is near 0, if at all it is -- it should be 5% or 2%, but it is near 0.

Viraj Kacharia, Securities Investment Management Pvt Ltd - Senior Analyst [6]

So if we look at thyroid, for example, that's somewhere around close to 15%, 20% of our overall business. And there are -- proposition is that we are the lowest cost player, which means that other players in the market would be having significant losses. So how should we understand our play in this segment in the future?

Sundararaju Arokiaswamy, Thyrocare Technologies Limited - CFO & Executive Director [7]

See, thyroid was a big business when technologies did not reach to the nooks and corners of the country. Today the -- when we started our business, it was 10 missions in the country. Today, there are not less 1,000 missions in the country. So if you ask me, thyroid is no more a product which will make us rich. Thyroid is a product which will get the other products and that is the reason why thyroid has been priced such a low rate by us. So thyroid market is not now getting consolidated much to a single player. That market had we decided to deal only in thyroid and we did not do anything else, by now, we would have perished. What made us successfully is Aarogyam and some of the special profiles which we made, which are cost-effective and that is driving the volumes that is driving the value, and that is driving the EBITDA.

Viraj Kacharia, Securities Investment Management Pvt Ltd - Senior Analyst [8]

Sir, but eventually, because the kind of losses which everyone else would have been making in this space and considering that you also more talked about consolidation in overall B2B as a space, so wouldn't one think that eventually, this might be a -- you may see a rebound and profitability following in this (inaudible) space for us or we would always price it at a 0? I mean, how should we want to be understanding the overall business profile of this particular space for us?

Sundararaju Arokiaswamy, Thyrocare Technologies Limited - CFO & Executive Director [9]

I think in a business, all products will never give profits. Some of the profit products are to reach to the market. And for us, thyroid is to reach to the market. But having said that, we were the only guys who increased the rates for thyroid 15% in this last year. We reduced the prices for some high EBITDA products, but thyroid, we have increased the rates. So we might increase the rate for thyroid if there is a necessity, but the demand [on goal and agenda,] but if that helps, it will be done.

Viraj Kacharia, Securities Investment Management Pvt Ltd - Senior Analyst [10]

Okay. Second question was, if I look at the rest of the business, we have Aarogyam 1,2, 3, which is probably another 10% to 15% of overall business mix. So if I -- even if I exclude that and thyroid, the rest of the business, the EBITDA margin will be in excess of 55%, 60%. Now even there, there will be sudden tariffs, which will be very generic and eventually one sees in the industry that over a period of time you may see a more commoditization of a lot of the test profiles. So how should one understand our overall cost proposition? How do we go about in terms of ensuring that we get the lowest cost players, and we go about maintaining that profitability in the future as well?

Sundararaju Arokiaswamy, Thyrocare Technologies Limited - CFO & Executive Director [11]

Now if you notice, we are the least cost player in the country, which is very obvious from our balance sheet. For a INR 25 crores of PAT, we do INR 100 crores of top line in the quarter. I don't think anybody else can claim that they have got a better profitability as a business model or as a [floor entity]. So if you are looking at from efficiency angle, from profitability angle, we are the best, but which product will yield lesser and which product will give more is a matter of every 2, 3 years, it will change. Some more new parameters may come and give better EBITDA. Some of the current high EBITDA might become low EBITDA products. I think that all is evolution and your menu keeps increasing and your menu's dynamic EBITDA will be accordingly adjusted to suit to the balance sheet.

Viraj Kacharia, Securities Investment Management Pvt Ltd - Senior Analyst [12]

So basically, my question was coming from, was that -- we have kind of proven that with certain tests, we are the lowest cost player. Now in certain tests where we are earning a relatively higher EBITDA margin right now where, eventually one will see a more commoditization, how do we go about ensuring that we replicate this low-cost proposition across this either the existing or the new one?

Sundararaju Arokiaswamy, Thyrocare Technologies Limited - CFO & Executive Director [13]

No. In that way, we need to look at every year, 5 products, 6 products and see by any chance, reducing the percentage of EBITDA. You know even today, the single largest EBITDA contributing is thyroid, though the percentage of EBITDA is too little. So like that, we might pick products, which are high EBITDA and low volume and try to convert them as high volume and low EBITDA. That is an ongoing process, which will take place from quarter-to-quarter, but it's switching focus from one menu to another product.

Operator [14]

The next question is from the line of Sriraam Rathi from ICICI Securities.

Sriraam Rathi, ICICI Securities Limited, Research Division - Research Analyst [15]

A few questions. Firstly, on nuclear. I mean, any update on the high growth of the business that was proposed in last quarter? I believe last time, I mean, I think June, it was given to some third-party for evaluation report and all. So any update on that?

Sundararaju Arokiaswamy, Thyrocare Technologies Limited - CFO & Executive Director [16]

We are yet to get the evaluation report. It might come by a week or 10 days. Once that comes, the board meeting will happen and a decision will be made.

Sriraam Rathi, ICICI Securities Limited, Research Division - Research Analyst [17]

Okay. Okay. So probably by next board meeting, there will be some clarity.

Sundararaju Arokiaswamy, Thyrocare Technologies Limited - CFO & Executive Director [18]

No. It won't be next normal board meeting, there will be a extra board meeting to take care of this issue.

Sriraam Rathi, ICICI Securities Limited, Research Division - Research Analyst [19]

Okay. Sure. Got it. And secondly, I mean, if I just notice that I think in terms of volume growth in terms of number of samples, that growth rate is coming down over the last 3, 4 quarters. And since you mentioned that B2C is less disruptable. So any thoughts on moving towards -- more towards B2C now from here on to try to improve the growth?

Sundararaju Arokiaswamy, Thyrocare Technologies Limited - CFO & Executive Director [20]

No, B2C will not improve the growth. B2C will improve the EBITDA. So we are interested in growth. That means B2B is the focus. And in B2B, we have had a network, which you got used to too high profits. And these too high profits have become an impediment in the growth. So we are trying to now reach more to the market and work at a lesser middleman cost so that the growth can be back. I think a lot of experiments, Sriraam, I don't want to talk about it on call and I would be focusing on both increasing the volume, and thereby increasing the EBITDA -- absolute EBITDA, not the percentage EBITDA. Percentage EBITDA is, I think, very ideal, and we would love to be there.

Sriraam Rathi, ICICI Securities Limited, Research Division - Research Analyst [21]

Okay. Okay. So going forward on the EBITDA margin issue, you believe that probably should sustain from here on? In the last 2 quarters...

Sundararaju Arokiaswamy, Thyrocare Technologies Limited - CFO & Executive Director [22]

Yes. I think there might have in fortunately the floor efficiency is good. We have only oscillated between 38% and 42% EBITDA. I think that EBITDA portion might be never disturbed. If we want more growth, we want to reduce the EBITDA. That is what I tried to do. But EBITDA didn't reduce and growth have come slightly high, not significantly.

Operator [23]

The next question is from the line of Sudarshan Padmanabhan from Sundaram Mutual Fund.

Sudarshan Padmanabhan, Sundaram Asset Management Company Ltd. - Research Analyst [24]

Congrats on a good set of numbers. Sir, my question is on this...

Sundararaju Arokiaswamy, Thyrocare Technologies Limited - CFO & Executive Director [25]

A little louder.

Sudarshan Padmanabhan, Sundaram Asset Management Company Ltd. - Research Analyst [26]

Sir, my question is on this trend. If I'm actually looking at the B2B and B2C business as well as the wellness and the sickness part of it, it looks like the realization for the wellness and the B2C has come down. And second trend that I'm seeing is that there is an improvement in the investigation per sample. So is there something like a trend that we take on? And would this price decline more or less be done? Or do we see more price decline happening? Can you give a little bit on the competitive environment as you see going forward?

Sundararaju Arokiaswamy, Thyrocare Technologies Limited - CFO & Executive Director [27]

I think I said in some of the previous calls that we are treating the profiles where we have high EBITDA. So we have reduced the prices on some of the Aarogyam products which are very frequently used, and that has resulted in a loss in revenue because you have reduced the prices. Now reducing the prices will increase the volume, but increasing volume will reduce per test revenue. So these all things would happen till substantial volume comes. I said, we reduce the rate in the last month -- last year, May month. So we have a 1-year period for this to produce some kind of numbers contributing positively for balance sheet. I have reason to believe, as I said, last quarter was not good, this quarter is good. Last year was not good, this year should be good. To that extent, I can say what is happening internally. Whatever numbers we are seeing is not a surprise for us because these are the numbers we intend to be. Because without that, we won't be able to see a long-term growth.

Sudarshan Padmanabhan, Sundaram Asset Management Company Ltd. - Research Analyst [28]

Sure, sir. And sir, second is, if I'm coming to the raw material cost, I mean, while there has been a growth in terms of volumes and in terms of value, it looks like the raw -- I mean, the gross margins have slightly come off? I mean, has there been an increase or a substantial increase in the prices of the reagents? Or what is the trend over there like? Because I mean, we are -- I mean, at least we were of the opinion that as the scale and volume improves, the raw material prices -- the negotiating power would actually improve on this.

Sundararaju Arokiaswamy, Thyrocare Technologies Limited - CFO & Executive Director [29]

Our negotiating power with vendor has not changed. But our power with Trump is not simple. Today, the dollar race is a big challenge. It is not the vendor issue. So we have around 90% of our entire business, raw material coming imported and all of them are in dollar. So if dollar keeps -- price keeps going up, this percentage of reagent cost will go up. We have only an ability to play a volume-based bargaining to keep the rate same in INR. But our INR is built upon the dollar. So if you look at it whichever industry dollar will influence, if you have a list and that list in diagnostic industry will be very much there because even today, in India, 90% is imported in dollar.

Operator [30]

The next question is from the line of Aashish Upganlawar from InvesQ Investment.

Aashish Upganlawar, [31]

Sir, just wanted to begin mine on strategic basis because what we see the larger players who are in the B2C side, they are targeting growing the network country-wide and basically, competing with your B2B partners. So on a longer term basis, how do you see this happening? Because the organized players probably should take up market share from your channel partners, basically. So how do you view the overall scenario maybe 10 years ahead?

Sundararaju Arokiaswamy, Thyrocare Technologies Limited - CFO & Executive Director [32]

According to me, we have a different kind of space for my other 2 listed players and me. They are more into B2C. I am more into B2B. And if you tell, they are competing with me, that is a nice thing to hear. But having said that, B2B business is something which is -- that's not easy to compete unless you go rates cheaper than Thyrocare, which they have tried for last 5, 7 years. But I think in the last 2, 3 years, if I look at from the feedbacks on my network, they are not truly competing in terms of costing. And they, as I said, is a largely a B2C business. Having said that, there were a number of new players who came in and they found that they got funds and they got some kind of business model, which was more B2B, and I felt that, I am seeing a lot of people fighting against my model when the existing newer players fighting with my model when the existing players have respected me. But from the last 2 quarters, I'm hearing that all of them have become silent because they have burnt a lot of runway fuel and they have not taken off. Let me tell you in B2B business, there are not too many players very strong. In B2C, the scale, at most there are dozens of players who are equally strong. So I wouldn't be able to tell whether I would be able to sustain this comfort for longer period or not. At least for next 3, 5 years, I look like B2B business, I am continuing to have this comfort.

Aashish Upganlawar, [33]

So sir, don't you think that these bigger players will take up market share from the smaller players who are your clients? So essentially, it affects your business in the longer term?

Sundararaju Arokiaswamy, Thyrocare Technologies Limited - CFO & Executive Director [34]

If they have better quality, cheaper rates and faster service, I should surrender.

Aashish Upganlawar, [35]

Okay. Sir, on the prenatal business that we're going to establish, so there would be probably a doctor intervention because it's kind of gynecology, so are you able to...

Sundararaju Arokiaswamy, Thyrocare Technologies Limited - CFO & Executive Director [36]

There, our customers are gynecologists.

Aashish Upganlawar, [37]

Okay. So you're approaching to the doctor directly? Okay. Okay. Okay. And sir, the last one, the MCGM contract that you mentioned, so how are the ROI and working capital terms here? Probably, I think that the working capital would be elongated in this case.

Sundararaju Arokiaswamy, Thyrocare Technologies Limited - CFO & Executive Director [38]

Yes, I think I have studied the business mix and the kind of revenue and the kind of cost. We have a fair 30% EBITDA there also.

Aashish Upganlawar, [39]

Sir, EBITDA is fine. But if the receivables are going to take much longer time, the cash flows would be -- and the cash ROIs will be lower in this probably.

Sundararaju Arokiaswamy, Thyrocare Technologies Limited - CFO & Executive Director [40]

We don't have a debt. We can peacefully wait. But the business is only 3 months back. It just started. And I have a reason in health care payment has to come in time, and it will come. And I'm not going to say -- we have been in some other government business also. They come after 60 days, but 60 days, 2 parties giving after 60 days and remaining 3,000 parties paying 30 days ahead, I'm well balanced.

Aashish Upganlawar, [41]

Okay. Sir, lastly, just wanted to have a value figure of sick care and preventive care revenue this quarter.

Sundararaju Arokiaswamy, Thyrocare Technologies Limited - CFO & Executive Director [42]

To be very honest with you, in my entire balance sheet, only 5% is sick care, remaining 95% is not a preventive care but it is non-sick care. When I say, so it is metabolic disorders, not infections. So if you

look at thyroid, thyroid is not a sickness. Thyroid is a metabolic disorder. Sickness comes to the kind of tests like the H1N1, dengue, malaria, chikungunya and that kind of thing which makes a person go to hospital or go to doctor without delay. So that menu is only 10% to 12% of our total business, remaining business is our business, which is we call metabolic business.

Aashish Upganlawar, [43]

We used to give the revenue numbers for these 2, correct? Earlier?

Sundararaju Arokiaswamy, Thyrocare Technologies Limited - CFO & Executive Director [44]

We used to have a very vague definition. In fact we have been studying only because the analysts have a different perception. So they ask us to differentiate but then nothing in what we do is preventable. Everything is know it and control it. So that is called as prevention or not, I don't know the definition. It looks like, as a business, we have 90% of it non-sick care.

Aashish Upganlawar, [45]

Okay. And sir, lastly, are we comfortable putting a number to the growth that we would probably be achieving this year on the top line or still that is in a fixed [rate]? It's too volatile to comment a number on the revenue.

Sundararaju Arokiaswamy, Thyrocare Technologies Limited - CFO & Executive Director [46]

No, I think I will not comment on it because then analyst will tell this man has not done what he has said.

Operator [47]

The next question is from the line of Prakash Kapadia from Anived Portfolio Managers.

Prakash Kapadia, Anived Portfolio Managers Pvt. Ltd - Principal Officer [48]

I have two questions. If I look at employee cost, they continue to grow faster than sales. If you could give us some perspective of what are the recent additions in terms of employees? Is it increasing feet on the street? Is it business development? Because I think 2 quarters ago, you had entered about opportunities in Tier 2, Tier 3 kind of cities. And if you could share the employee count as on date versus a year ago?

Sundararaju Arokiaswamy, Thyrocare Technologies Limited - CFO & Executive Director [49]

We have added not less than 30% addition in the headcounts. So that means we have added more people in this last 12-month period. And manpower requires 1 year to start producing some kind of turnovers. But

having said that, mine has gone from 9% to 11%. And this is the first time it has shifted from 9% to more than 10% or more than a double digit. You will soon see it coming back to 9%. We will not change anything except that we have added more heads.

Prakash Kapadia, Anived Portfolio Managers Pvt. Ltd - Principal Officer [50]

And these -- sorry, sir. These would be primarily business development and feet-on-street?

Sundararaju Arokiaswamy, Thyrocare Technologies Limited - CFO & Executive Director [51]

Yes. These are primarily the people who sit in the headquarters and produce more clients by convincing them about our quality, cost and [speed.]

Prakash Kapadia, Anived Portfolio Managers Pvt. Ltd - Principal Officer [52]

Okay. So if you could share some reach in terms of our partners or vendors, which was there earlier and what is the kind of potential in terms of reach which is possible because with more people, I'm sure the reach potential would be there because that would relate and translate into higher business.

Sundararaju Arokiaswamy, Thyrocare Technologies Limited - CFO & Executive Director [53]

Let me honestly admit I don't have 4% -- more than 4% of the market share. So that says that I can at least become a double-digit if I aggressively work. May not be in the next 2, 3 years, even if it..

Prakash Kapadia, Anived Portfolio Managers Pvt. Ltd - Principal Officer [54]

Yes. Over a period of time, yes. So the runway is in the future. We are hoping with our cost and quality, we'll be able to get increased wallet share and newer partners. Is that right to conclude?

Sundararaju Arokiaswamy, Thyrocare Technologies Limited - CFO & Executive Director [55]

Yes. We have studied in this last almost 5 years, each employee grew past INR 3.5 lakh, gets us INR 35 lakh revenue.

Prakash Kapadia, Anived Portfolio Managers Pvt. Ltd - Principal Officer [56]

Okay. And you said, doctor, that they take 1 year. So in this initial 1 year, what is the kind of training, technical support, which they get? And how does that translate into revenues? What gives you confidence? Because opportunity, yes, in India, everything seems like a big opportunity but somewhere for some reason that doesn't translate.

Sundararaju Arokiaswamy, Thyrocare Technologies Limited - CFO & Executive Director [57]

No, I think with all said and done, first year you need to invest a lot of training and molding them for understanding the business. They do start giving business revenues by second quarter, third quarter. But for some reason, this number sounds in this quarter a little high. Don't look at quarter-to-quarter, and the year-end, you will see it less than 10% capitalized.

Prakash Kapadia, Anived Portfolio Managers Pvt. Ltd - Principal Officer [58]

Normalizing. And if you could share the employee headcount, if you have it?

Sundararaju Arokiaswamy, Thyrocare Technologies Limited - CFO & Executive Director [59]

1,280.

Prakash Kapadia, Anived Portfolio Managers Pvt. Ltd - Principal Officer [60]

Sir, a year ago, that would be at around 1,000-odd?

Sundararaju Arokiaswamy, Thyrocare Technologies Limited - CFO & Executive Director [61]

937 has become 1,280.

Prakash Kapadia, Anived Portfolio Managers Pvt. Ltd - Principal Officer [62]

And secondly, if I see the diagnostic business, despite a low-base last year and some of the price rationalization which we had taken, diagnostic volumes have grown by single digit this quarter. So if you could highlight some of the challenges of any specific geography or specific tests which have led to this end? When do we think we'll get back to double digit in the diagnostic business?

Sundararaju Arokiaswamy, Thyrocare Technologies Limited - CFO & Executive Director [63]

You mean, my company's growth is not double digit?

Prakash Kapadia, Anived Portfolio Managers Pvt. Ltd - Principal Officer [64]

The volumes have been single digit this quarter, right?

Sundararaju Arokiaswamy, Thyrocare Technologies Limited - CFO & Executive Director [65]

Right. In terms of volumes, if you analyze it, unfortunate. Delhi and Mumbai and a couple of other metros have volume challenge, value challenge also. So if you ask me, as I said in earlier couple of calls that metros are not growing as much as Tier 2 and Tier 3 are growing. So that is the reason, and this 9%, according to us, should get normalized in this remaining 3 quarters to somewhere 13%, 14%.

Prakash Kapadia, Anived Portfolio Managers Pvt. Ltd - Principal Officer [66]

Okay. Okay. And lastly, about the -- beyond metro, so if you could give us some sense, is it a cluster-based approach? initially, we are targeting say maybe where then we'll go north? Or with this employee addition, we are looking at specific PAN-India or specific geographies for higher growth?

Sundararaju Arokiaswamy, Thyrocare Technologies Limited - CFO & Executive Director [67]

If I said, Delhi and Mumbai are stagnating.

Prakash Kapadia, Anived Portfolio Managers Pvt. Ltd - Principal Officer [68]

Not growing, right.

Sundararaju Arokiaswamy, Thyrocare Technologies Limited - CFO & Executive Director [69]

It is because all the failed start-ups are only in metros. And they put in lot of money and eat away the top line of other players. And as I said, they were more B2B and they ate away my top line to a large extent. So I believe that disruption is now done with and I should get back my normal growth. And having said that, today, the fastest-growing geographies are Bihar, Jharkhand and Orissa, which they were not growing as much as when others were growing. So we do see some 18% to 19% growth in these 3 states, which compensates for the country's growth.

Prakash Kapadia, Anived Portfolio Managers Pvt. Ltd - Principal Officer [70]

Okay. And there, the basic test would be blood and diabetes and then the migration happens to more tests or bundle cells? Typically, what's the value chain? And how do they progress if you could share some perspective?

Sundararaju Arokiaswamy, Thyrocare Technologies Limited - CFO & Executive Director [71]

Yes, cities -- metro cities, medical doctors have higher awareness of medical tests and technologies, so they opt for tests which are running into 4 digits; whereas the requests when it comes from the developing states, is only smaller tests, but over a period of time, that should mature.

Operator [72]

The next question is from the line of Vishal Malhotra, an individual investor.

Unidentified Participant, [73]

Sir, I have observed the sickness test price in Mumbai has been increased when I compare to the prices 4, 5 months back. So the 2% here is built on PAN-India basis? And another question, what kind of revenue impact we can see because of this?

Sundararaju Arokiaswamy, Thyrocare Technologies Limited - CFO & Executive Director [74]

Mr. Anand Velumani will -- so I'm asking him to answer, let me see how he answers.

Velumani Arokiaswamy, Thyrocare Technologies Limited - Chairman, CEO & MD [75]

You're referring to the increase in prices in the sickness menu, right?

Unidentified Participant, [76]

Yes. Yes. Yes. In Mumbai area. So the questions are, is this done on a PAN-India basis? And what kind of revenue impact this will bring?

Velumani Arokiaswamy, Thyrocare Technologies Limited - Chairman, CEO & MD [77]

So when the price rationalization was done for the overall menu, the preventive care where we were finding the volume disruption to happen, we had reduced the prices. But in some of the parameters, which also includes the sickness parameters, we had increased the prices. And the increase was done across the country, not specifically to a geography.

Unidentified Participant, [78]

Okay.

Sundararaju Arokiaswamy, Thyrocare Technologies Limited - CFO & Executive Director [79]

We are one player. We will not be doing very specific to one geography. Whatever we do, we do it for the length and breadth of the country.

Unidentified Participant, [80]

Okay. Okay.

Velumani Arokiaswamy, Thyrocare Technologies Limited - Chairman, CEO & MD [81]

And is there anything else?

Unidentified Participant, [82]

And what kind of revenue -- any revenue impact because of this?

Sundararaju Arokiaswamy, Thyrocare Technologies Limited - CFO & Executive Director [83]

No. What Mr. Anand said is some of the tests we reduced the rate, remaining tests we have increased the rate. So overall supposed to be 2% to 3% compromising our realization. Otherwise, the revenue growth has not taken place in these last 4 to 5 quarters as much as we wanted, and we want to -- we have understood the demand because we increase the price or decrease the price, it is because of the disruption which are happening by the startups. We hope the startup disruption is done.

Unidentified Participant, [84]

One more question. What is the strategy we have, so that doctor will recommend our test? Any light on that?

Sundararaju Arokiaswamy, Thyrocare Technologies Limited - CFO & Executive Director [85]

No. It is not that a strategy is needed for the doctor to write our test. I think it is -- we have a franchisee model, in which a franchisee manager to raise a relationship with the doctor and he gets the business. Since we are B2B guys, we don't want to plan a strategy for a doctor. Our job is be the best, be the cheapest. If the market consumes, you might as well enjoy.

Operator [86]

The next question is from the line of Srinivas Seshadri from Mirabilis Investment.

Srinivas Seshadri, [87]

The first question is just trying to understand these sales momentum. Doctor, last year, we made these pricing intervention...

Sundararaju Arokiaswamy, Thyrocare Technologies Limited - CFO & Executive Director [88]

A bit louder, please.

Srinivas Seshadri, [89]

Yes. Last year we made all these pricing -- required pricing interventions. And also, we initiated this -- a push to reach clients more directly. So I mean, so far, we've seen that the growth has been still at the lower end of the historical range. So I just want to understand, do you attribute that to just the general economic environment? Or is this kind of a restructuring causing some kind of a friction within the channel and say some attrition of certain channel partners and so on? I mean could you give some more color on why we're not seeing better growth than what you're reporting?

Sundararaju Arokiaswamy, Thyrocare Technologies Limited - CFO & Executive Director [90]

Yes. As I said, our last 5-year challenge was not pricing or anything, it was too many players inside and too -- the market was growing at 14%, 15%, but the number of players were growing 20% to 24%. When there are too many players, all go to the same guys who collect blood and offer them better rates because of which we had a kind of retarded growth, and that is what we are talking for the last 7, 8 quarters post IPO. So if you ask me, there are 3 reasons for our challenge. Number one is the reckless competition, which has -- which [heard that] this business is doable in a different logic, which failed. According to me, they are done with. Number two, our pricing has not truly been a reason for our challenge. Our pricing, we reduced in a fear that if these disruptors continue, we should be [pill packed,] but then the disruptors have now become weaker. So we are not in need of continuing the same kind of rate below what we deserve. There is a likelihood we will correct our rates a little upwards, maybe once we see the growth in place. Until that time, sustaining this price is important. But when EBIDTA is too high, price increasing is not at all an important aspect. Aggression is more needed. So I would say that reach more to the customer and more - - some more geographies, growth will be back. I do see, we not having the historical growth, but then you need not worry about it from a quarter-to-quarter. We will analyze it once year 2020 results are known, we should be having good numbers.

Srinivas Seshadri, [91]

Just one specific point on that. We started making this sales force hiring by last year. And then you mentioned that there are some bit of initial nonproductive period when they were being trained for whatever they needed to do. So incrementally, I mean, this quarter or may be last 5, 6 months, and say -- or until mid-August, how do you assess the trend in the kind of the productivity? And what are your plans? Are these initiatives working as you kind of were envisaging? Or were there any specific...

Sundararaju Arokiaswamy, Thyrocare Technologies Limited - CFO & Executive Director [92]

There were around 6 initiatives which we tried. Two of them have worked; 3 of them did not work; and 1 was a wrong initiative. So we need to do which one does the best well and leave the remaining and work on those 2 which are producing the better returns, and they are more people and work on it. I think our experimentation is done, and then we should be doing a fairly good number in the coming 3 quarters.

Srinivas Seshadri, [93]

Okay. Okay. Sure. Maybe I'll take that bit off-line because that may (inaudible).

Sundararaju Arokiaswamy, Thyrocare Technologies Limited - CFO & Executive Director [94]

Sure.

Unidentified Participant, [95]

The second question was on the cost of goods sold, which is around 30% of sales. So just going back, a couple of quarters back, my understanding was that we had bought out certain equipments from the reagent vendors and we were to get a 15% discount starting the current financial year. But some of that doesn't appear to be reflected in the -- percentage basis on the reagent cost. So are there any other offsetting factors? Or was there any revisiting of the contracts as we were envisaged over in that time?

Sachin Salvi, Thyrocare Technologies Limited - Former General Manager of Finance [96]

Sure. This is Sachin. So as far as the reagent cost is concerned, you're absolutely right. But what you are seeing is only quarterly numbers. As far as the offsetting factor is concerned, one offsetting factor which I have to emphasize. Reagent rental contract, the cost towards the operating leads, we use to charge to a rental cost in the last quarter -- in the last financial year. Since we have transited into Indian Accounting Standard 116, we have adjusted debt cost in the current quarter in the purchase cost. So that is the offsetting factor, to answer your question. So as far as raw material costs as to the percentage is concerned, it is at the same level it was about a year back. There is no change. The only request is, you analyze these reagent cost numbers at a year-end level rather than analyzing that at a quarterly level.

Unidentified Analyst, [97]

But the end the year, would it be a bit lower than last year?

Sachin Salvi, Thyrocare Technologies Limited - Former General Manager of Finance [98]

Yes. We expect it to be normalized, and it has to come at the normalized level.

Unidentified Analyst, [99]

Okay. Okay. Sure. And then another question was on the same CGM contract. Dr. Velumani, there was some news report saying that there were some kind of initial issues with respect to sampling collection and so on and the CGM was planning to investigate this issue. Could you give a more detailed update now as to whether those issues have got settled down and is the contract being executed as per the -- what were being done?

Velumani Arokiaswamy, Thyrocare Technologies Limited - Chairman, CEO & MD [100]

If the dispensaries are not still working, if the doctors are not there, how can we collect samples there? So there are some teething troubles between both the -- in the content by both sides. I think we started it in June. We did around 25% reach in June and another 50% in July. And today, we are 95% reach we have done. And it takes 3 months to roll out. Manpower cannot be just taken on the first day itself for 500 people. It is a challenge and it has been done, and by end of August, even by 15th of August, we have 90% of the locations we have covered. There is no other issue. I think the business is going on smooth.

Unidentified Analyst, [101]

Okay. Okay. Very clear then. Sir, last question, again, to Sachin, maybe, you've taken 30% tax rate. So my understanding of this was for the company with sale (inaudible). But we already have 104-plus kind of a top line. So what was the logic in taking the tax rate to 30%?

Sachin Salvi, Thyrocare Technologies Limited - Former General Manager of Finance [102]

So the budgetary provision, if you read out, it says, if during the financial year 2017/'18, your gross received, so the turnover is below INR 400 crores, you are entitled to reduced rate of tax, that is 25%. So it is not that the current financial year turnover, which you have to refer to. But you have to refer to the turnover of the financial year 2017/'18.

Unidentified Analyst, [103]

Okay. Okay. So how long will (inaudible)

Velumani Arokiaswamy, Thyrocare Technologies Limited - Chairman, CEO & MD [104]

You are worried about rate. It is 25% and we are happy about it.

Unidentified Analyst, [105]

I am happy, I am just saying. So -- but -- so this means that next year also, we will go by '18, '19 financials, so it will be lower for another year?

Sachin Salvi, Thyrocare Technologies Limited - Former General Manager of Finance [106]

It depends upon the budget announcement of the next year, which will be coming in FY 2020. If nothing changes, then I think we will be continuing to have 25%.

Velumani Arokiaswamy, Thyrocare Technologies Limited - Chairman, CEO & MD [107]

Adding life income tax levels are raised for individuals and corporate also will be cut off -- will be INR 400 crores cut off, will go to INR 500 crore, INR 600 crore and INR 1,000 crore over the next 5 years. This is what I'm expecting the finance minister to do.

Operator [108]

The next question is from the line of Virash [Verjania] from Securities Investment Managers.

Unidentified Analyst, [109]

Just one clarification. You said for thyroid for us is a 2% to 5% EBITDA margin, and EBITDA contribution, it's not that significant. Am I right in thinking about that?

Velumani Arokiaswamy, Thyrocare Technologies Limited - Chairman, CEO & MD [110]

Percentage of EBITDA is low, but because the volumes are very high. The single highest, the EBITDA contributing is done by thyroid even today.

Unidentified Analyst, [111]

Okay. Sir, because on a controlled basis, our thyroid business, we are on something like around 43% EBITDA margin now. If 70% of the business just on 5% EBITDA margin, even in absolute test basis. I'm treating, give us a complete package altogether hence I'm trying to understand.

Velumani Arokiaswamy, Thyrocare Technologies Limited - Chairman, CEO & MD [112]

It's not only Aarogyam, there are so many other tests where our EBITDA margins are pretty high. So it -- overall, it becomes 41%, 42%, but some parameters have 90% EBITDA.

Unidentified Analyst, [113]

So this is what my -- basically, the question was, which I'm trying to understand is, in certain tests, we have kind of established ourselves as the lowest cost player. And that is also reflected in the prices which you offer in the market. Now as we go about with other tests because excluding thyroid, excluding certain Aarogyam packages, say 1, 2, 3. The rest of the business would be owing to a 60% EBITDA margin. So basically, what I'm trying to understand is in the future as we keep on more changing the business mix profile, how do we ensure this low-cost proposition stays? What is it actually driven by?

Velumani Arokiaswamy, Thyrocare Technologies Limited - Chairman, CEO & MD [114]

No, I haven't that the question regards the brand question went too long, but I believe we were asking, will we have more candidates to reduce the EBITDA and increase the volume?

Unidentified Analyst, [115]

So basically, my question is, in very simple sense, is how does -- how do we go about in ensuring this low-cost proposition is kind of replicated? And in new tests, which keep on adding to the portfolio?

Velumani Arokiaswamy, Thyrocare Technologies Limited - Chairman, CEO & MD [116]

I think what we do is all products in the entire menu are not supposed to be touched at the time of disruption. We look at what products will give us volume, if we reduce the rate and then pick up 4 or 5 and work on them, create some collateral, print some materials and communicate a little more aggressively because they are high EBITDA products and reduce the rate and bring them to the mass volume products.

Sachin Salvi, Thyrocare Technologies Limited - Former General Manager of Finance [117]

So every year 3, 4 will be picked up, and we have enough 300 and other tests to experiment. We won't be doing many of them in a single quarter or a single year, each year it's 4 or 5 will be picked up.

Unidentified Analyst, [118]

Okay. And this cost proposition comes on what -- is it just only the volume? Because when we talk about reagent, that's kind of the access that the large players equally have.

Velumani Arokiaswamy, Thyrocare Technologies Limited - Chairman, CEO & MD [119]

For us, our reagent is dependent on only one thing and only one thing, that is volume.

Unidentified Analyst, [120]

Okay. Third question was on the typical office staff. I mean, we had done some investments and even looking to scale up that particular test profile for us. So any update you can provide in terms of where we are?

Velumani Arokiaswamy, Thyrocare Technologies Limited - Chairman, CEO & MD [121]

Even after all, this business is only 18 months old. And the first year when they are all standardizing and putting things in place. And we see a fairly good growth in the fifth and the sixth quarter after starting. And

today, TB business is EBITDA positive, and almost in another 18-month period, we should have a 40% EBITDA in that business also and roughly a size of INR 10 crores should be there.

Operator [122]

(Operator Instructions) The next question is from the line of Mehtic Mori from OHM Group.

Unidentified Analyst, [123]

Sir, could you please elaborate what are the maternity product category that you introduced? And what is the growth strategy for the same?

Velumani Arokiaswamy, Thyrocare Technologies Limited - Chairman, CEO & MD [124]

There is a product called semi-PT, that is non-invasive pregnancy testing. These deals was raised to diagnose it without any invasive procedure, only blood is needed. And in the blood, the chromosomes that are analyzed; DNA is analyzed, and we tell with 99.9% accuracy, this is a child which is having a problem. Now this kind of problems happen once in -- 1 in thousand or 2 in thousand, but they are worth noticing. And this is not something we invented, this has been going on for the last 10 years in the country. And everybody priced it high, significantly high that people don't consume and half of the business was going to China. Half of the business was done in India. And it was priced roughly around INR 18,000 to INR 25,000 price by different players in the country. We felt that this business is disruptable because the pricing is too high. And we have come up with a pricing which is 1/3 of the market price. And we are communicating this to gynecologists because this is not a product which can be directly sold to the end user. And since the rates are shocking to the industry, if I am shocking to the industry, that means it will grow well. I have started this business only in June. It took a lot of time for us because it involves a lot of regulatory approvals. So in the month of June, we started. And the first month was 25%, next month was 50%, third month was 100%. Now I won't know how long we will be able to add month over month growth this powerfully. But I am pretty sure we have business turnover at INR 10 crores is possible by year 2021 balance sheet.

Operator [125]

The next question is from the line of Chandramouli Muthiah from Goldman Sachs.

Chandramouli Muthiah, Goldman Sachs Group Inc., Research Division - Research Analyst [126]

My question. The first question is on the cost...

Operator [127]

Sorry to interrupt you. Sir, you are sounding very low. Can you please speak a little louder?

Unidentified Analyst, [128]

So the first question is on the cost control. So if I just noticed the SG&A expenses, and if I would adjust for the India's adjustment, has been growing only about 4% to 5% annually this quarter versus the top line growth of 13%. So I just wanted to check what initiatives you've taken to control the other expenses like?

Sachin Salvi, Thyrocare Technologies Limited - Former General Manager of Finance [129]

So as far as other expenses are concerned, the India's impact, which you are referring, is very little. It is not material at all. As far as controlling the costs are concerned, Doctor will answer that question.

Velumani Arokiaswamy, Thyrocare Technologies Limited - Chairman, CEO & MD [130]

No. No. I haven't understood the question. I thought the question would be better understood by Sachin. Can you repeat it?

Unidentified Analyst, [131]

Yes, sure. So the other expenses have grown only about 4% to 5% annually this quarter? And the revenues have grown 13% annually. So just checking what initiatives you've taken to control the other expenses line item?

Velumani Arokiaswamy, Thyrocare Technologies Limited - Chairman, CEO & MD [132]

No. Not really. I can say one single aspect. We don't have the CSR expenses around. We don't have some of the non-regular expenses in this quarter. So I think that only I can talk, otherwise there is no single specific reason why these expenditures are low in this quarter. In fact, we need more details.

Sachin Salvi, Thyrocare Technologies Limited - Former General Manager of Finance [133]

Absolutely, there is no other reason apart from what we have said. Again, what you are referring is on the quarterly numbers. So just if you can go by the financial numbers at the year-end. We do not anticipate any significant change in these other operating costs. This India's impact, as I said, it is not material at all.

Unidentified Analyst, [134]

Makes sense. Makes sense. The second question, I think, doctor, you had mentioned that there has been a lot of start-up related disruptions in the B2B market. So just checking if they are more online spectators or are these more brick-and-mortar kind of players?

Velumani Arokiaswamy, Thyrocare Technologies Limited - Chairman, CEO & MD [135]

Online players are directly dealing with the doctors or patients directly. They do have some business model, which will give them some traction, but they are different than B2C. Once a startup, I had said, that those who have a laboratory and those who sell to their laboratories also can be highly efficient and they also can negotiate with vendors equally powerful. They have started a business more towards B2B. And the investors had told that B2C will take a long time to get to size, B2B will get to size a bit faster. So they all have been disrupting for the last, I would say, roughly around [60] quarters, and I understand from the feedback which I got from vendors and from my own franchisees, these guys are not anymore aggressive, they are not getting to the vendors and they're having challenges. So I have a reason to believe I have waited sufficiently, patiently but this part is to get exhausted. So that is what I mentioned that the B2B players who are having laboratories and trying to do multi-city operations have been successful.

Unidentified Analyst, [136]

All right. Got it. And sir, last bit that I had was on the volumes. I think this quarter, volumes grew 9%. And in your earlier remarks, you mentioned that you're targeting to hit the 14% to 15% volume growth in the remainder of the year. So just July, August, early signs, are you seeing any signs of inflection on volumes on that you've taken the price cuts more than 12 months back?

Velumani Arokiaswamy, Thyrocare Technologies Limited - Chairman, CEO & MD [137]

This week -- this last week was supposed to be the most powerful week but because of too much of rain, even the containments are stuck in a lot of airports and a lot of locations. So when half of the country is reeling completely under logistical challenges, I wouldn't say anything except that we need to wait for the year to end, and we are likely to be back with a better number for this year than what we had last year.

Operator [138]

The next question is from the line of Nishant Sharma from HDFC Securities.

Nishant Sharma, [139]

My question is right around the volume growth, which has been very important part of this content, which is almost 9 months -- 9 quarter low. Sir, I believe, we either see if you've given me any number to the guidance. Then qualitatively if you can help us understand what are the key drivers that are likely to drive the revenue growth over the next quarter or 1 or 2 years. If you can help us out on the drivers -- key drivers of the company?

Velumani Arokiaswamy, Thyrocare Technologies Limited - Chairman, CEO & MD [140]

The current key drivers of the company, as I said, there is more aggressive, more geographies and more, what you call, reach to the end user. But having said that, somewhere between 15% to 20% is the volume growth, which we are really, doable or not, time only will tell. But having said that, I want you people to understand why this 9% figure received in this quarter. There were some government businesses, which are coming to us. Our government businesses are put on hold for their budgets and election duration. So in the month of May and June, literally speaking, some of the big clients did not give us business so even 1/3 of what they were giving. Funds were not getting sent. And so the payments are not coming in. And

they also went very slow in the name of the election. So if the number is over, it is because of the big accounts is how challenges in giving us the volume. Otherwise, normal business continues, and that is not a challenge. You will see that coming back and then getting the numbers back.

Nishant Sharma, [141]

Okay. So over the -- these numbers can come in the coming quarters?

Velumani Arokiaswamy, Thyrocare Technologies Limited - Chairman, CEO & MD [142]

Yes.

Nishant Sharma, [143]

Okay. So for on the full year, we should be doing better than the last year? Or should we build the...

Velumani Arokiaswamy, Thyrocare Technologies Limited - Chairman, CEO & MD [144]

Last year was the lowest year, I believe, we must gain. These are numbers, which we had a year before last, so that is 17%, 18%.

Nishant Sharma, [145]

Okay. And the last question more on the numbers, this quarter you have reported around 30%, 32% kind of the tax rate. So are you looking the same number (inaudible) for full-year or how do you base it?

Sachin Salvi, Thyrocare Technologies Limited - Former General Manager of Finance [146]

Yes, we will be looking at the same number because the budget reprovision it has been clarified. And since the budget is already under discussion, and we do not think that provision will be rolled back. So 25%, yes we are.

Nishant Sharma, [147]

Okay. And for the next year, would also be on the same way or...

Velumani Arokiaswamy, Thyrocare Technologies Limited - Chairman, CEO & MD [148]

We expect it to (inaudible) questions (inaudible) Finance Minister is very difficult for us to answer.

Operator [149]

The next question is from the line of Shivam Gupta from CWC Advisors.

Shivam Gupta, [150]

Just a little clarification. A few questions were asked around pricing on the sickness piece of your portfolio. I just want to understand, have we taken any price hike in the last 6 months on any of the sickness parameters?

Velumani Arokiaswamy, Thyrocare Technologies Limited - Chairman, CEO & MD [151]

We have taken in the month of May a 10% from the sickness parameters, and that's sufficient enough. But as for next 1 or 2 years we should not be taking price raise every now and then because EBITDA is not a problem for us.

Shivam Gupta, [152]

So because there's a couple of partners who are asking that in the last 6 months or so, in movement they are like one partner that you're taking a price hike. I don't know if that is actually -- is it correct or not?

Velumani Arokiaswamy, Thyrocare Technologies Limited - Chairman, CEO & MD [153]

I think our price rise will never be known to public because we raised the price only B2B. How B2B translates will not be known to the public.

Shivam Gupta, [154]

Got it. And to the second question was that in the tweaking -- or as you have put it in the experimentation, that you have been doing in correcting your distribution strategy. Should we -- is there any kind of a driver of churn that you're seeing in your network that is -- that impacted growth this quarter?

Velumani Arokiaswamy, Thyrocare Technologies Limited - Chairman, CEO & MD [155]

So in that way, when I said this new startups over the last 5 years, they have gone and taken a lot of efforts to convince the guys that we will be cheaper than Thyrocare and then some of the guys probably gave some business partly to them. I believe that disruption is done with Thyrocare and we're supposed to be getting back all the business.

Shivam Gupta, [156]

Okay. So none of your franchisee partners are kind of in a titration mode right now? That's not happening?

Velumani Arokiaswamy, Thyrocare Technologies Limited - Chairman, CEO & MD [157]

(foreign language)

Operator [158]

The next question is from the line of [Vikas Kasturi], an individual investor.

Unidentified Analyst, [159]

I don't think -- sorry, I was on mute. Sir, I have one question. Do you have a lock-in with your suppliers?

Velumani Arokiaswamy, Thyrocare Technologies Limited - Chairman, CEO & MD [160]

We do have an arrangement, whereas it is the rate, and this period is what is the rate applicable and that continues with those penal [cases.] And there is no necessity for us to lock them in because all is democracy is when there is (inaudible) cheaper when the [beat comes in sight.] So I don't think in the last 15 years of business, we ever had a challenge that somebody is moving and going and we will have problems. But our vendors have been entirely democratic and is a very enjoyable business. And we have no such of stress that we have to put a lot of penal [classes] to continue relationships.

Unidentified Analyst, [161]

Okay. Sir, as an outsider, my sort of perspective was it was like printers and cartridges. So an HP cartridge will not work with an Epson printer. So is that how it works in your business?

Velumani Arokiaswamy, Thyrocare Technologies Limited - Chairman, CEO & MD [162]

In my business, it works that way only, but I have got all sorts of brands on my flow, which our machine is running, my samples will be lower than that machine. So keeping the machine running is responsible. Last 2 questions.

Operator [163]

Yes, sir. We will take the last 2 question. The next question is from the line of Kishan Shah from ISHA Securities.

Kishan Shah, [164]

Congratulations on the good set of numbers. And sir, could you give a guidance for the revenue for FY '20 and maybe margin perspective?

Velumani Arokiaswamy, Thyrocare Technologies Limited - Chairman, CEO & MD [165]

I think this is one question I said earlier also, maybe a number now everybody will tell that the only segment we did not do it happening. So it's very difficult to tell, but I would always tell that this year number will be at least 2%, 3% in every way better than last year number, minimum.

Kishan Shah, [166]

And the growth will come back to 20%, what we used to enjoy earlier, that [share of] 20%.

Velumani Arokiaswamy, Thyrocare Technologies Limited - Chairman, CEO & MD [167]

I saw today morning also, it is 19.8%. So the [graph] could be more than 22%.

Kishan Shah, [168]

Okay. And sir, in the B2B segment, we do business for hospitals. So could you name a few, maybe talk to you out by hospitals, you have been with a long-standing business?

Velumani Arokiaswamy, Thyrocare Technologies Limited - Chairman, CEO & MD [169]

Maybe on the call I don't want them to feel bad.

Kishan Shah, [170]

Okay. Okay, sir. And could you just give some color on the maternity business which you are planning to add? I mean, I think -- which I missed it earlier.

Velumani Arokiaswamy, Thyrocare Technologies Limited - Chairman, CEO & MD [171]

Yes, the maternity business is almost a business which is right open for disruption and its volumes can grow. But having said that, will it become a thyroid kind of disruption? Yes, but it will take some years.

Kishan Shah, [172]

Okay. And revenue contribution from the business?

Velumani Arokiaswamy, Thyrocare Technologies Limited - Chairman, CEO & MD [173]

And finally, as I said, the business is only 3 months old. The first month, it was 25; second month, 50; third month was 100 samples. The fourth month only 10 days are over.

Kishan Shah, [174]

Okay. Okay. Okay. And sir, other financial interest cost has increased 2.5%. So is it fair to directly analyze it to INR 2 crores this year? Or would maybe different amount?

Sachin Salvi, Thyrocare Technologies Limited - Former General Manager of Finance [175]

Okay. So the interest cost, which you are referring to is on account of India's impact -- India's recent impact. So this is only a number, or you can say, it will not have any impact on profitability. At the net level, it would be like minimum impact.

Operator [176]

We'll take one last question, which is from the line of Aashish Urganlawar from InvesQ Investments.

Aashish Urganlawar, [177]

So the -- just one thing I wanted to understand, because in this kind of a challenging environment, we have highlighted the kind of competition that we have placed on the orders business generally takes certain imperative on the internal management of operations, given the fact that you run a business with around [200,000] employees and so many partners across India. So are there certain course correction measures that we would have taken, given the various numbers that we are facing on the internal side, and are there more line improvements, which if corrected, would help us in much better numbers that we have?

Velumani Arokiaswamy, Thyrocare Technologies Limited - Chairman, CEO & MD [178]

Not that I got the question very clearly. It -- can you repeat it in short?

Aashish Urganlawar, [179]

No. In short, what I'm saying is that there are many loose aspects in the business. For example, last time, you said that the pricing reduction that you -- they were not passed on to the last mile, basically. That was one thing. Then there would be certain issues with coordination with your B2B partners. So are there any big issues in the overall earnings of the company that you see that if sorted will help you achieve growth in a much shorter period?

Velumani Arokiaswamy, Thyrocare Technologies Limited - Chairman, CEO & MD [180]

Yes. I think we have done last 6, 9 months of extensive studies to understand. The middleman is taking more than what he deserves, and we need to discipline him, we need to control him, and we need to guide again and monitor him for volume business than settling with the less volume and more profits. It is more of a teaching him the ethics or the reason of the company in terms of value and volume. It is happening now. It will happen a little more. And by the end of the year, we would have reduced the margin for a middleman without affecting his take home. So this is an exercise which we have understood how it is working, how it can be amplified. So by another 12-month period, we would have been completely out of this unnecessary, what do you call this, [over-fitting] the system.

Operator [181]

Thank you. Ladies and gentlemen, that was the last question. I now hand the conference over to the management for closing comments.

Velumani Arokiaswamy, Thyrocare Technologies Limited - Chairman, CEO & MD [182]

Yes. Thank you for all questions, to the same questions, similar questions. In that way, I don't know whether I have done a good number or a bad number because some of them appreciated, some of them asked me why I did not so. Having said that, I attribute a summer and the elections and challenges of summer only had a poor number. Of course, today we have a different problem. Kashmir is closed down over the last 10 days. And zero business coming from Kashmir will be substantial business, and the coastal states are struggling and [20] odd places, my centers were at least in 5-feet-deep water. So having seen and breathed all of them, it is also going to be challenging. Having said that, if somebody else can grow, we will grow better. The other industries when I saw today's Economic Times, it is 20 years below in the automobile industry. It's very scary, but don't worry, health care industry will later grow 20 plus or 10 plus. But we are here to deliver the best possible. Thank you for being part of the call, and we wish you all a great year ahead. Good luck.

Operator [183]

Thank you. On behalf of Prabhudas Lilladher Private Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.