

Vimta Labs Limited

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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 – 400 051
Trading Symbol: VIMTA LABS

Dear Sirs,

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

Sub: Transcript of the Q3-2021 earnings/investor call held on 25th January 2021

Please find enclosed herewith the transcript of the Q3-2021 earnings/investor call held on Monday, 25th January 2021.

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

This is for your information and necessary records.

Thanking you,

Yours faithfully,

for VIMTA LABS LIMITED


Sujani Vasireddi
Company Secretary



Encl: as above.



“Vimta Labs Limited Earnings Conference Call”

January 25, 2021



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

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

Moderator: Ladies and gentlemen, good day, and welcome to the Earnings Call for Vimta Labs Limited hosted by Nirmal Bang Institutional Equities Private Limited. As a reminder, all participant lines will be in the listen only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing “*” then “0” on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Vishal Manchanda from Nirmal Bang Equities Private Limited. Thank you, and over to you, Sir!

Vishal Manchanda: Good afternoon everyone. Welcome to the Q3 FY2021 earnings call of Vimta Labs Limited. We thank the Vimta Labs management for giving us an opportunity to host the call. Today, we have with us the senior management of the company represented by Ms. Harita Vasireddi, Managing Director, Mr. Satya Sreenivas Neerukonda, Executive Director, Mr. Amit Pathak, Chief Financial Officer; and Ms. Sujani Vasireddi, Company Secretary. I now hand over the call to the Vimta Labs management. Over to you!

Harita Vasireddi: Thank you Vishal. Good afternoon everyone. This is Harita Vasireddi. Thank you for joining us in our Q3 fiscal 2021 results discussion. I will start by making some brief comments on our Q3 financial performance and the business environment and then hand it over to Mr. Amit Pathak, our CFO who will get into the details of financial performance in narration.

I am pleased to share with you that the good growth in revenues that we saw in Q2 of this year is well sustained in Q3 as well. We reported a consolidated income of 590 million for Q3 of this financial year against 523.2 million during Q3 ended December 2019 and 594.2 million during Q2 of this financial year.

Consolidated net profit for the quarter stands at 80.1 million as against 47.1 million during the previous year same quarter and 75.4 million during Q2 of this financial year. The consolidated income includes income of about 4.9 million from Emtac Laboratories which we acquired in March 2020.

As many of you may know, our services are quite wide spectrum. We are a contract research and testing organization. We provide analytical, preclinical and clinical research services to pharma, biotech and medical device companies. We do quality and safety testing of food, beverages and agri product. We provide clinical diagnostics services. We also perform environmental studies for various industrial sectors and through Emtac acquisition,

we provide testing services to electrical and electronics and physical security products industry and also certification services.

Regarding the business environment, the pandemic affect has been close to neutral during Q3 for most of our services barring a couple of significant constraints that continue. We are still unable to import animals for some of our preclinical studies. The doctor outpatient business is yet to reach normal levels in certain parts of the country, so the diagnostic business is yet to see normal operations, therefore, the routine detail sales are still lower than what we had experienced previously. Additionally, the good demand for COVID-19 testing that we saw in Q2 was almost negligible in Q3.

In rest of our business areas, we stepped up our business development strategy and continued to focus on improving operational efficiencies. We have not reduced the safety precautions that we had taken to protect our staff during the pandemic, so the social distancing norms and the hygiene of our transport, entire facility are still a key focus for us. Travel has improved a little bit but by and large, we chose not to undertake business trips until it is essential. The order book is good; it continues to be good.

Coming to the electronic and electrical project update, the equipment that we purchased in Q2 is under installation and we expect the qualifications to complete in March. April is targeted for commercialization of these services and we are expecting that we will have an NABL accreditation for ISO 17025 by August 2021.

Regarding Emtac, we have been able to add good value to this business. It has three core services. One is testing of electronics and electrical products against Standards. Second one is testing of physical security product such as bank lockers, strong room doors, fire resistant doors etc., and third one is certification business which is currently for physical security products. So, these are the three main areas in which Emtac operates.

We could grow the electronics and electrical testing business however the market for physical security product is seeing low demand due to testing concessions given by Standard bodies and they typically drive the testing business. It is expected that the demand will come back to normal in a few quarters; meanwhile we will continue to drive the other services in Emtac. In closing, just want to sum up and say that we are pleased with our quarter and continue to be upbeat about business prospects in the coming quarter as well.

With this, I will now handover the call to Amit.

Amit Pathak:

Thanks, Harita. Good afternoon everyone. I hope that all of you and your family are safe and well. We appreciate your joining us today for our third quarter earning call for the FY2021.

Before I come to the quarter numbers, hope you have reviewed Q3 and nine months 2021 performance. I wish to start by qualifying that during the call we may make some forward-looking statements. These statements are considering the business environment we see as of today, therefore there could be risks and uncertainties that could cause the results actually to vary materially from what we are discussing on the call and we would not always be able to update those forward-looking statements.

Now, I will start with the brief commentary on the reported performance for Q3 2021 covering revenue, EBITDA and profit before tax and then we will be happy to take any questions.

Revenue for Q3 2021 is slightly lower at Rs. 582 million compared to Rs. 588 million in Q2 2021. Further, revenue for nine months Y-O-Y basis has increased by 9% and revenue for Q3 2021 has also increased by around 13% compared to Q3 of the last fiscal year.

Let me now talk about the cost element. The operational cost as a percentage of revenue on quarter-on-quarter basis is reduced by around 2% and Y-O-Y nine-month basis it remained as flat. There is no major variation in finance cost and depreciation. However, the slight increase in manpower cost is due to addition of certain manpower in this quarter looking after our business visibility.

Other expenses on quarter-on-quarter basis as the proportion to sales has come down by around 1% that is 16% in this quarter versus 17% in last quarter and 2% on Y-O-Y nine months' basis that is 17% in this quarter in nine months versus 19% in last year nine months. If we are seeing absolute number of the other expenses also on the quarter-on-quarter basis, it has come down and compared to last year of the similar quarter it has also slightly come down. So, other expenses we have a better control over the period of time.

EBITDA on quarter-on-quarter basis has increased by 7% that is 29% in this quarter versus 27% in the last quarter and EBITDA on nine months Y-O-Y basis has increased by 28% that is 24% in this year nine months versus 19% in last year nine months mainly due to increase in stock price and reduction in material cost.

PBT on quarter-on-quarter basis has increased by 9% that is 18% in this quarter versus 17% in last quarter and PBT on Y-O-Y basis nine months has increased by more than 100 basis points that is 12% in this year nine months versus 6% in last year nine months.

We have also invested in our plant and machinery and other assets which is around Rs.148 million in this financial year. Our subsidiary, Emtac has also performed well in the current quarter with the EBITDA margin of 21% and PAT margin of 11%.

Collections of the company in this year nine months was satisfactory even during the COVID period; hence we are not expecting any cash flow crunch going forward and we are confident to serve all our debt and financial arrangements on time including the expansion plan of the company with the appropriate debt and internal accrual combination.

These have also taken a huge turnover facility of 225 million for the expansion of our R&D projects and regular capex. The entire amount of big term loans will be avail by the end of Q1 2022.

With this, I will hand over back to the operator and would be happy to take questions. Thank you.

Moderator: Thank you very much. We will now begin the question & answer session. The first question is from the line of Dixit Doshi from White Stone Financial Advisors Private Limited. Please go ahead.

Dixit Doshi: Thanks for the opportunity. I am attending this call for the first time. Few questions, basic questions firstly, in terms of electrical and electronic testing, I wanted to understand that how much is the current market potential in India and who are the major players who are doing it currently and is this business growing?

Harita Vasireddi: The potential of electrical and electronic business is expected to be close to 1,000 Crores and we expect that this market will grow and major players, big players are mostly international testing laboratories. We have TUV-Rhineland, we have Underwriters Laboratory-UL, we also have SGS probably in this field..... not so many. Wipro is also into this business and many local labs serve testing needs against the BIS standard.

Dixit Doshi: Secondly just correct me if I am wrong, basically we do the electronic testing and will be doing it in a sample basis, so samples come to our labs and we will do the testing or from a whole employee who will be sitting in the equipment manufacturer's factories and will do the testing of all the equipment's, how does this work?

Harita Vasireddi: The samples will be received by us in our laboratory, typically three types of tests are done for such product. One is performance test; one is safety test and the other one is environmental test. So, we are putting up EMI EMC capabilities in the Vimta to support the R&D requirements of the industry. Emtac will compliment Vimta's services because they

already have some safety and performance testing equipment's with them, so overall put together, we want to offer end-to-end services, for such product.

Dixit Doshi: You mentioned that our new capex R&D will be starting from April, but NABL approval will come by August, so the business revenue generation or business will start after August, right?

Harita Vasireddi: We are expecting that it could start immediately in April because when you are supporting R&D requirements not all customers require NABL accreditation, so we are expecting that revenues could begin in April itself.

Dixit Doshi: Okay and are we already in discussion with few clients?

Harita Vasireddi: Yes.

Dixit Doshi: Last question from my side, we had some issues in terms of revenue in FY2020 and in 2021 we again had a COVID issue in Q1 but prior to FY2020, we were growing a 20% CAGR revenue, how do you see the company growing from FY2022 onwards?

Harita Vasireddi: We do not make specific forward-looking statements with respect to our business but FY2019 was an aberration. We should have done better but for the slowness that we experienced in pharma industry, but our endeavor is always to catch up with the growth rate that we had experienced until then.

Dixit Doshi: But do you feel confident of doing it from next year or at present it looks difficult?

Harita Vasireddi: Right now, we are quite upbeat about the market condition.

Dixit Doshi: That is, it from my side. I will join back in queue. Thank you.

Moderator: Thank you. The next question is from the line of Ranvir Singh from Sunidhi Securities. Please go ahead.

Ranvir Singh: Thanks for taking my question. My question pertains to some balance sheet item. Currently, what is the debt as of now?

Amit Pathak: If we are talking about our long-term debt, so that is all together around 178 million and apart from that we have on an average working capital utilization of around 100 million.

- Ranvir Singh:** I see some other liabilities gone up in September quarter, so was that element of debt being matured or that is the part of other liabilities?
- Amit Pathak:** Other liabilities if we are seeing apart from the debt basically, debt in September has not gone up, so if we just seen in moment let me open so that I can brief you based on September financials what you are trying to ask, juts a minute- are you asking for other financial liability?
- Ranvir Singh:** Yes, Sir, from March quarter 25.5 Crores something has gone up to 41 Crores?
- Amit Pathak:** Yes, so that in the March it was around 260 million that has been increased to 232 million, so the variation is basically mainly due to the decrease into the payment of the current maturity which is around 30 million that has come down. On the other side, there is an increase in salary liability because in the month of March, we had made a provision of salaries in the March book which has been paid as the start of April. However, in the month of September, we have paid the salary on September 8, so that liability has been reduced.
- Ranvir Singh:** No, I see liability has increased actually from March to September?
- Amit Pathak:** From March to September, you are talking about other financial liability or financial liability?
- Ranvir Singh:** No, other liabilities, yes and currently.
- Amit Pathak:** 216 versus 232, correct?
- Ranvir Singh:** Yes.
- Amit Pathak:** That is basically the combination of two things. There is an increase of around 18 million into the deferred salary compared to March and increase the provision of expenses around 10 million and capital creditors because they all keep investing in our capex, so that is the increase. On the other side, there is a deduction into the payment of current maturity of term loan borrowing that is around 30 million.
- Ranvir Singh:** Okay and what is the capex for FY2021?
- Amit Pathak:** Capex till now we have invested in this year is around 148 million.
- Ranvir Singh:** Yes, totally for full year capex?

- Amit Pathak:** What will be?
- Ranvir Singh:** Full year capex for FY2021, it would be and Q4 also you will be adding something?
- Amit Pathak:** Another 30 million to 40 million in regular capex.
- Ranvir Singh:** Okay and in Emtac I think previous participant has also asked, market size is too big, we are very small player right now, so within our capacity and current capability, what could be peak revenue from this business?
- Harita Vasireddi:** We have long term plan which of course we will have to fine tune as we embark on this journey but our target is to reach about 100 Crores in the next five years to six years. It is proportional to the investment that we will do. Based on the initial investment the first two or three years' revenue could be in ballpark 25 Crores to 30 Crores, after that our intent is to further invest and grow the business.
- Ranvir Singh:** What could be the risk because this market is does not have many organized players or listed players are available, so difficult to compare how actually others are doing, so just if you could give what might be the risk in this business, so it is only competition, or you see that price element or cost element may also vary going forward?
- Harita Vasireddi:** R&D support especially on the EMI/EMC testing, there are not too many players in the industry, so price element yes could kick in but it would probably take a few years for us to actually face that challenge but at the lower end, there are many services in terms of safety testing and quality testing where already the market is quite busy but we want to create a niche for our services in terms of focusing on initially the medical devices. You may know that the Indian Regulator has taken medical devices under its umbrella now, so we already support medical device companies with others tests like preclinical tests and analytical tests, so electronic testing services will now be added to our existing services. So initially our main focus is on medical devices and we have a good ecosystem of defence suppliers in Hyderabad so that also will be a target for us. We see good government push on electrical vehicles and telecom as well, so that is also one industry segment, one or two industry segments from which we would be targeting our revenues.
- Ranvir Singh:** Fine and one last one, on other part of business that we have CRO business or on clinical side of business, so because now broadly we have four verticals of business, if you could just give some ballpark revenue contribution forum each of these segments that would be helpful?

- Harita Vasireddi:** If you can go through the previous investor calls transcripts you will have some numbers there, but I can again summarize that for you here. Pharma tends to be typically around 60% to 65% of our overall revenue, food is around 15%, diagnostics tends to be in the range of 15% to 20% and the rest is other services.
- Ranvir Singh:** We count this Emtac business in other services, right because we have some medical equipment testing also so that is altogether separate?
- Harita Vasireddi:** Medical devices would fall into both pharma; it would fall into pharma actually both the preclinical and analytical both come under pharma.
- Ranvir Singh:** Yes, now actually I saw this range from previous call also you gave, what I wanted to understand how this is moving because this is 60% to 65% in the range but on quarter-on-quarter because this mix will actually help us understand what the trajectories and how things are going especially because you are not giving any guidance, so just I wanted to understand that last quarter 60% to 65%, this ratio will remain in the subsequent quarter or how this is going to change?
- Harita Vasireddi:** Quarter-on-quarter, it will be very difficult to actually see a significant change, maybe a year-on-year would be a better measure. As such there is some seasonality that exists inherently between the various services that we provide like for environment, the rainy season is very low for food typically the summer season is pretty high. For pharma Q3 and Q4 tend to be high, so there is some seasonality within the basket of services that we have.
- Ranvir Singh:** Okay, so on quantitative side is it possible to give some number of clients or order book or something so that I could understand how things will move in next year or one year to two years?
- Harita Vasireddi:** It is very competitive sensitive information. I will refrain from actually answering that.
- Ranvir Singh:** Okay no issue. Thanks a lot. That is, it from my side.
- Moderator:** Thank you. The next question is from the line of Dixit Doshi from Whitestone Financial Advisors. Please go ahead.
- Dixit Doshi:** Thanks for the opportunity again. If I see our current earning usually, we do 70%+ kind of gross margins, so will the electronic business have a similar kind of margins?
- Harita Vasireddi:** Yes, once the business matures which is unlikely to happen in the first year itself, we will be able to see similar kind of margin.

Dixit Doshi: No but in terms of gross margins, I understand the EBITDA margin will take time once we attend the scale but the gross margin, I mean the phase – just the raw material that will be similar to the current business?

Harita Vasireddi: In electronic testing, you do not have a lot of material that is consumed for testing. The consumable cost will be lower so in that aspect it could give better margin.

Dixit Doshi: That is, it from my side.

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

Vishal Manchanda: Thanks for the opportunity. On the electronic testing business, wanted to understand whether this could be a drag on your profitability in FY2022 and would it be significant if at all, if it is going to contribute losses in the first year?

Harita Vasireddi: We do not expect it to be a drag.

Vishal Manchanda: Okay and among the various segments that you operate in, could you share which one would be the fastest growing for you?

Harita Vasireddi: For us, pharma has been growing well. We expect that to continue. Food is also growing year-on-year basis. Diagnostics - we are putting some fresh energy behind it, we have already begun with our plan, so that should also grow for us. Environment has a nominal growth year-on-year and of course for the electrical testing it will be a maiden year.

Vishal Manchanda: Got it. The electrical testing which segment do you think would be the early contributor to your business, whether it would be telecom, medical devices or initially pointed out to this bank locker and all these?

Harita Vasireddi: Physical security products are tested in Emtac, so we will not be doing any testing on those products whereas electronic and electrical product I think will be tested as both Emtac and Vimta. The revenues probably would be equal coming from various R&D sectors. Like I was saying Hyderabad is a place where you have lot of defense suppliers. We expect telecom products to also coming and medical devices will be our focused area. Because we already have clients in that business so that will be our focus area, so we expect this to be a mix especially these three industries.

Vishal Manchanda: And will we be kind of equipped to handle all of these as soon as you initiate your commercial operation on this side?

- Harita Vasireddi:** Yes.
- Vishal Manchanda:** A large part of the 1,000 Crores market that you pointed out, is it driven by private players, so there is no government, is government the large part of this demand that we talked about?
- Harita Vasireddi:** It is one of the bigger players. You have a lab called Sameer and their revenues are on par with private players, so you do have government players also involved in this business. You have STQC Labs that do a lot of electronic testing, so they are one of the biggest players in this market, they did close to around 300 Crores.
- Vishal Manchanda:** Going further on this electronic testing, there is also market opening up for like there is a segment of the market that been created by government agencies like there is I think there is ERDA which takes care of electronic meter testing and certification, so would these kinds of market remain with that agency or this can also be catered by private players?
- Harita Vasireddi:** They can certainly compete for it.
- Vishal Manchanda:** Okay, and in terms of, if you look at your Q3 revenues there was a dip in Q1 revenue are the Q2, Q3 revenues gone up significantly from the Q1 revenue. Is it fair to assume there was a pent-up demand and that has helped you reach to this number and probably going forward we can see a decline from where you are today?
- Harita Vasireddi:** We do not expect any decline. We are not anticipating a downturn in the demand and honestly I do not have a comment on the pent up demand as you call it. The demand has always been there but, pharma we did see a lot of enquiries from our pharma business.... Probably more to do with how the competition has handled the pandemic and how we have handled it.
- Vishal Manchanda:** Okay, and once you just touched upon that you have a plan for your diagnostic business so, would you share some color on what you intend to do with that, so the diagnostic business is basically your patient testing business in line with what Lal Pathlabs or Metropolis Healthcare is doing. Is that the right definition of the diagnostic business?
- Harita Vasireddi:** Yes, we are in that space. Maybe I will take one more quarter, I will hold on to that question and come back to you after one more quarter to share with you plans because we are still making them. We are just finalizing on what we want to do where, so I will answer that little more elaborately next time.

Vishal Manchanda: Okay, but you have serious intentions on this to give due attention to this part of the business?

Harita Vasireddi: Yes, we do.

Vishal Manchanda: Thank you very much. That is all from my side.

Moderator: Thank you. The next question is from the line of Manvardhan Baid from Laurel Investment Advisors. Please go ahead.

Manvardhan Baid: Good afternoon Madam. Congratulations on a great set of numbers. Just wanted to understand I notice the promoter's shareholding for the company is probably on the lower side. So, I was wondering if we have some long-term plans on that front.

Harita Vasireddi: As far as my information goes from the promoters, I do not think there are any plans to increase that shareholding but these things keep changing. I really cannot respond on their behalf.

Manvardhan Baid: Second, in the past there have been some occasions when we have faced some sort of challenges that the regulators etc. So, I just want to understand, how we are handling the regulatory landscape. What are the steps that you have taken sort of credibility of data and reports that come out of our organization stays intact so, just wanted to understand what product stays within our working styles to ensure the sanctity of our ratings or reports?

Harita Vasireddi: I guess you are talking about USFDA. We have two main services that come under the inspection of USFDA, one is our analytical services, the other one is our clinical research services where we do BABE studies, and BABE studies have been inspected by USFDA since 2004-2005 and we always have very good outcomes, no issues there. GMP first inspection was in 2010 and then after that we have had three more, and three we had actually zero for 483 inspections, excellent outcome. Most recent one that happened.... this was in 2019, we had some normal observations, and this is very typical in the industry that they give you observations and you address them. But as such there were no challenges.

Manvardhan Baid: Okay, fair enough. Thank you. That is all from my side.

Moderator: Thank you. The next question is from the line of Tushar Sarma from Aetna Investments. Please go ahead.

- Tushar Sarda:** Thank you for the opportunity. I wanted to understand in terms of medical diagnostics testing and telecom testing, what kind of services are involved, if you can explain that part of the business just a bit in detail. Thank you.
- Harita Vasireddi:** Mr. Tushar I lost your question the first half especially if you can please repeat?
- Tushar Sarda:** I wanted to understand if you can explain me in detail about the testing services which you do for Medical Diagnostics and then you mentioned Telecom also as part of that. So, what is the kind of services that we will render?
- Harita Vasireddi:** I think you mean Medical Devices?
- Tushar Sarda:** Yes, Madame Medical Devices and Telecom.
- Harita Vasireddi:** Yes, many of the Medical Devices are electronic based, when you make a Medical Device you are supposed to meet certain standards and that is the new regulation that has come in to force now. So, these Medical Devices are tested for EMI/EMC - the active Medical Devices, then there are also passive Medical Devices which do not require that testing. So, we wish to target the active Medical Devices for EMI/EMC testing and safety testing.
- Tushar Sarda:** Okay, so this is what done at your premises or done at client's premises, I mean how does this work?
- Harita Vasireddi:** The chamber is built at our premises; the samples would be delivered to our facilities and we would be doing the testing in our facility.
- Tushar Sarda:** Okay, so once you are certified that it is safe to use you can go and manufacture it and market it, is that how or there will be a continuous recurring revenue some samples would always come from every batch for you to test?
- Harita Vasireddi:** Yes, batch wise sampling will be done and they will come for testing.
- Tushar Sarda:** Second question I have is you do not have a quarterly presentation or anything like that for investors to know the company a little better and little more in detail because I tried to read the annual report also, I could not get much idea about detailed segments and revenues and prospects in that edition?
- Harita Vasireddi:** Yes, we have not been practicing that. It has been a request coming from the investor group. What we typically do is release a video about of services once in two years or three years so

the new video is up for release in February-March so, that will give a good sense of what our business is and that information anyway is available publicly on our website.

Tushar Sarda: No, but since you have four-five segments revenue and margins in each segment and how they are progressing, I think some previous participant also asked this question. So, that is where we will then be able to assess whether business is going as per the trajectory that we envisaged and then if we have any concern, we can ask you on the call otherwise we are really shooting in the dark?

Harita Vasireddi: Our services are covered under contract research and testing in only one segment. We do not have segmentalization or reporting under that.

Tushar Sarda: No, but they are servicing four or five different sectors right, so the prospects change for each sector and service. Growth rates change, prospects change so, I am saying from that point of view it is of course is your choice. But it will just help investors to understand the company a little better?

Harita Vasireddi: The resources that are deployed internally, they are interchangeable. Like I said it is a laboratory services, the resources are interchangeable right from equipment to people, facilities we expand as needed, contract as needed. So, all are ultimately laboratory services, so internally there is not bifurcation for us and externally whatever reading that you wish to do around the market, we can always help you understand, that it is not issue. But I do not know if presentations would help but, we will still try like I said our intent is to address this request that is coming from the investors we will try and have one up for the next quarter.

Tushar Sarda: Okay, no Madam your company is very unique. We actually do not have comparable company. So, whatever you can do in terms of helping investor understand the company better would be really appreciated.

Harita Vasireddi: Most of these global companies tend to have the same mix of services that we have. You can look at SGS they are much bigger but, their spectrum is much wider. You have Eurofins, etc., so we are not very different from such global companies.

Tushar Sarda: Thanks.

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

Viral Bhansali: Good afternoon and congratulations on a very good set of numbers for the second straight quarter. My question is regarding the clinical trials that which you had announced a couple

of quarters or may be one quarter back regarding that you wish to enter that basically the BABE study says any progress on that front?

Harita Vasireddi: Last time, I had made a comment that the capacities were not fully utilized because of the social distancing norms. That was I think the only comment I made about BA/BE study. Now, we are able to actually utilize capacities to the full.

Viral Bhansali: Yes, if you can explain how, excuse me for my ignorance; is the clinical trial the same space at the BA/BE bioequivalent study space?

Harita Vasireddi: Clinical trials are done on patients and BA/BE studies are done most for Generic Pharma industry on healthy volunteers. So, the BA/BE studies are done within our facilities whereas for clinical trials we would do them typically in hospitals. So, we made one change in our Memorandum of Articles last time because we wanted to take up opportunities that were coming our way in terms of patient studies and also, we booked few patient studies and they are yet to be rolled out because, the client-side things are progressing a little slowly.

Viral Bhansali: Okay, so as an investor can we assume that Vimta would be then into full spectrum clinical trial space?

Harita Vasireddi: We have the capabilities to do them, yes.

Viral Bhansali: Because the entire hospital set up and all that?

Harita Vasireddi: We do not own or run the hospital. We do the studies in external hospitals.

Viral Bhansali: Okay, you do the study on external hospital but, we do have a 180-bed facility at our end, right?

Harita Vasireddi: Yes, that is for BA/BE studies, Bio-equivalent and bio-availability services.

Viral Bhansali: Okay, so what could be the market size for the BABE and the clinical trial space that we do in the hospital set up?

Harita Vasireddi: Clinical trials is a huge market multi-Billion Dollars., BA/BE studies in India could be in range of Rs. 600 Crores to Rs.700 Crores that is only a guess but, I think there is a lot of information on the market size on the internet.

Viral Bhansali: Basically, it is a very small pie of the business, like Rs. 600 Crores to Rs.700 Crores is basically nothing, so the main moolah is basically in the clinical trial space?

- Harita Vasireddi:** Yes, and you have giants operating in that space.
- Viral Bhansali:** Do we have an opportunity there?
- Harita Vasireddi:** There is always an opportunity because we serve a lot of Indian Pharma companies. But typically trials unless they are for domestic markets, they tend to be multi-centric, multi-continental. So, the general choice is to go in for bigger CROs who have that presence globally.
- Viral Bhansali:** Yes, so that there is a more standardization of services provided?
- Harita Vasireddi:** Yes. What we are actually targeting is more patient PK studies which are like phase-IV studies.
- Viral Bhansali:** Okay and going forward how do we look at Vimta performing over the next four quarter-five quarters. Do we have sufficient order book to be able to see a decent uptick in revenues. I am not asking for an accurate guidance or anything like that but, can we see some growth?
- Harita Vasireddi:** I can say that we will maintain or better the performance and for the next year our plans are under preparation and we are definitely going to be addressing this in terms of growth.
- Viral Bhansali:** Okay, so will that extra additional growth that you are expecting from in FY2021-FY2022 will be coming from the new electronics space or the expansion of the existing services that we provide?
- Harita Vasireddi:** That will be a very small part because like I said it is the maiden year, the revenues from that particular service will be very small there. It would under 5%.
- Viral Bhansali:** Okay, and even 5% is significant for us considering it is a first year we are a Rs.200 Crores plus company so 5% percentage would be around Rs. 10 Crores and to achieve Rs. 10 Crores in first year would be at very good?
- Harita Vasireddi:** Yes, like I said it is going to be under that.
- Viral Bhansali:** It is going to be under that. Okay, so any segment that you look at which will drive the growth in the following year like say for FY2021-FY2022?
- Harita Vasireddi:** We are not really partial to any one particular segment. We put our might on business development strategies in all segments. The only one that we have not been able to

significantly grow is the environment business, and diagnostic also has not been a great focus for us until very recently. So, environment will grow when the dynamics in regulations change in our country otherwise, we are one of the major players even in that field. Diagnostics we could have paid more attention and grown this business, but now that will be key area of focus in the coming years.

Viral Bhansali: Okay, so under normal circumstances what should be our percentage of revenue from the diagnostics space?

Harita Vasireddi: As I mentioned earlier it is in the ballpark range of 15% to 20%.

Viral Bhansali: Yes, so can we double that because diagnostics seems to be easily addressable market. Can we grow that 100% which seems a very small pie 100% over the next two years?

Harita Vasireddi: I think we spoke about this even last time. The way to grow diagnostics business is to increase your footprint especially with respect to direct consumers and so far, we have been a B2B business and not a B2C business. So, for this change in strategy, the next year will be a maiden year. So, once we experience success there then we can quickly build on that and that is our intention.

Viral Bhansali: Yes, because we being such a populous country, to get diagnostics business is possible like I am not saying it is easy by, it certainly is possible and with the kind of era that we are going we are in to right now but a lot of busy season after effects of COVID and all that we can get a lot of business from this space?

Harita Vasireddi: We can.

Viral Bhansali: Thank you so much and best of luck for the coming quarter and the next year.

Moderator: Thank you. The next question is from the line of Apurva Mehta from A M Investments. Please go ahead.

Apurva Mehta: Congratulations on great set of numbers. Madam, only I wanted to ask about the food testing business, what is your basic view and vision for this food testing business and there in next two year-three years do we see this easily going?

Harita Vasireddi: Food testing business for us became a key focus about four -four and half years ago. We set up a pan India network of laboratories. Total of nine laboratories in India and for us our expectation is in the next five years we could easily double our revenue from what we have now.

- Apurva Mehta:** What type of capex we have already done on this part, on the food business?
- Harita Vasireddi:** Food we have invested around Rs.60 Crores.
- Apurva Mehta:** And that is no new investments will be coming this side or we will be investing it?
- Harita Vasireddi:** We will not be making any major investments in food for the next few years.
- Apurva Mehta:** Okay, and on the diagnostics side what we are planning to may be setting up labs across your state or something like that. What kind of new capex would be we will be doing up, any plans on your ballpark what type of money will be required to set up all this thing?
- Harita Vasireddi:** Diagnostic business does not demand a lot of capex. It is mostly opex that is needed for growing in this business. We already have strong network of patient service centers across India, but they are all franchisee based. What we are going to do now is have our company operated patient service centers or collection centers. So, that is going to bring about a major change for us.
- Apurva Mehta:** Thanks a lot and one more thing can you throw some light on what will be our target for Q4 revenues ballpark versus Q3 maybe you can throw some light on that?
- Harita Vasireddi:** We will be doing at least equal or better in Q4 as compared to Q3.
- Apurva Mehta:** Thanks and a lot and wish you all the best.
- Moderator:** Thank you. The next question is from the line of Pranav Gala from I Wealth Management Private Limited. Please go ahead.
- Pranav Gala:** Thank you for the opportunity. Madam, I just wanted to understand one thing if we exclude the other income from our revenue, the revenues are pretty flat. So, going forward where are we going to see the growth coming in from?
- Harita Vasireddi:** As I already mentioned for us all our services thrust area, focus area. So they will all bring in the growth. Diagnostics will bring in the growth and our pharma services will also bring in growth over the next few years and we are adding electronics now, that will also add to our growth.
- Pranav Gala:** Madam so, when do we see this kicking in, and would that be after the season will start from the year 2022 or when are we expecting this to kick in the electronic business and diagnostics business?

- Harita Vasireddi:** We have been in the diagnostics business for about ten years already. Electronics we are going to start commercialization in April, so next fiscal year will be the first year.
- Pranav Gala:** Okay, Madam so, diagnostics we are expecting that it will be growing at a certain rate what is that rate that we expect?
- Harita Vasireddi:** I will be unable to make specific comments on the growth rates.
- Pranav Gala:** Thank you so much. That is, it all from my side.
- Moderator:** Thank you. The next question is from the line of Milind Shah from Urmil Research Consultancy. Please go ahead.
- Milind Shah:** Thank you for taking my question Madam. First of all, my suggestions that Madam, Vimta's information is not accessible to an investor. But there is no link on Vimta website so, it is my suggestion to put it a link of Youtube video on Vimta' site and second thing there is no update on news and announcement that Emtac is taken over by Vimta, and the website is not updated regularly?
- Harita Vasireddi:** The updates are sent to the stock exchanges. Our website is undergoing a re-construction. The new website we expect to have up in the next one month or two months. So, you will find all the updates there regularly.
- Milind Shah:** Okay, thank you Madam and my second question is, we have joined new CFO, right?
- Harita Vasireddi:** Yes, the person is yet to join us. It will happen in February.
- Milind Shah:** Okay, but the announcement has not mentioned about his previous capability or when he is joining. some pharma companies announcing the detail of CFO or CEO from where he is coming so, why should we not disclose previous details of CFO?
- Harita Vasireddi:** We will provide details once the person joins, because this is prospective statement so did not think it was needed at this point of time.
- Milind Shah:** Okay, thank you Madam. Good luck for next quarter, next year.
- Moderator:** Thank you. The next question is from the line of Viral Bhansali an Individual Investor. Please go ahead.

- Viral Bhansali:** I just wanted to know more about your order book, like last time you had mentioned that you have enough order book like your order book for the next six months is more than order book for the last six months. Is there anything that you can provide about this and what the order book currently looking like?
- Harita Vasireddi:** Specific numbers obviously cannot be shared Mr. Viral but the order book continues to be strong.
- Viral Bhansali:** Yes, obviously I am not looking at specific numbers but, is it stronger than what we had for the last six months?
- Harita Vasireddi:** It is as good as when we spoke about it in the last call.
- Viral Bhansali:** So on the similar lines?
- Harita Vasireddi:** Yes.
- Viral Bhansali:** Okay, so do we expect more execution to be able so that growth can come from more execution?
- Harita Vasireddi:** Execution: we are already operating at much better efficiencies. We have started operating in multiple shifts so, the efficiencies are quite good. So, from that point of view we might not have more execution happening unless there is more order book. We can always add more people and capacities, when we see higher orders.
- Viral Bhansali:** Okay, so basically, we are confident to maintain the current tempo of the rate growth of more growth and the higher order book will be needed, is that what you meant?
- Harita Vasireddi:** Yes, we are continuously targeting to improve our performance period-on-period that is going to be our continuous endeavor of course.
- Viral Bhansali:** Okay, fine. Thank you so much.
- Moderator:** Thank you. The next question is from the line of Tushar Sarda from Athena Investments. Please go ahead.
- Tushar Sarda:** Thank you for the opportunity again. I just wanted to come back to this reporting and segmentation, now the clinical research testing which you will do for electronic products are very different in terms of the actual services rendered and the type of customers and market catered to. You are clubbing everything under lab services but, from the point of

view of investors you are catering to very different segments, right? So, if you can throw some light on that.

Harita Vasireddi: If we take up Medical Devices the sample will be going through various divisions of ours in order for us to give complete report on it. So, they are all interconnected.

Tushar Sarda: Yes, but when we talk of segment reporting it is also the type of markets, the size of the market, and the type of customer. Are not these very different segments, the kind of preparedness that you need, kind of marketing you need to do. This will be very different, right?

Harita Vasireddi: Marketing yes, would be different because it is a different set of customers but, the activity that we do in the lab is going to be governed by the same policy principles. Facility is going to be same; support infrastructure is going to be the same so, all are under 17025 standards.

Tushar Sarda: I agree but, when listed company and you are addressing investor, I think little bit of better information for investors always will be valid, but it is always company's choice. Okay, thank you.

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

Dixit Doshi: Thanks for the opportunity again. One just small question, now the electronic business will be starting from April onwards and usually we see in our P&L most of the costs are fixed costs. So, how much increase you expect in the cost side, let us say employee cost and other expenses due to this new business we are going to start from April?

Harita Vasireddi: That is good question. Actually I do not have numbers with me right away. We can always get back to you. Amit do you have any information.

Amit Pathak: So, R&D's manpower cost and our administration and other costs will be in the line with the existing business. We are thinking the manpower cost will be somewhere around 30% to 32% and the other expenses will be around 15%. Initial period there will be the highest burden on the finance cost and depreciation but as we have already mentioned it requires couple of years' stabilization then it will be the good profit margin venture.

Dixit Doshi: And what kind of increase you expect in depreciation and finance cost?

Amit Pathak: Depreciation on the capex and finance cost on the borrowing what we are taking for R&D business.

- Dixit Doshi:** Okay, so that borrowing is around Rs. 22 Crores and capex size we are doing some Rs. 40 Crores, right?
- Amit Pathak:** No, capex on the first leg we are doing around somewhere around Rs.18 Crores to Rs.20 Crores and the borrowing will be around 70% on the total capex.
- Dixit Doshi:** Thanks. That is, it from my side.
- Moderator:** Thank you. As there are no further questions, I would now like to hand the conference over to Mr. Vishal Manchanda from Nirmal Bang Equity for closing comments.
- Vishal Manchanda:** Thank you everyone for taking timeout to attend the call. Look forward to seeing you over the next quarterly earning call. Thank you very much.
- Moderator:** Thank you. On behalf of Nirmal Bang Equities Private Limited that concludes this conference. Thank you for joining us. You may now disconnect your lines.