

**Vimta Labs Limited**

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Date: 28.10.2020

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 Q2-2021 earnings/investor call held on 17<sup>th</sup> October 2020

Please find enclosed herewith the transcript of the Q2-2021 earnings/investor call held on Saturday, 17<sup>th</sup> October 2020.

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](http://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  
Q2 FY2021 Earnings Conference Call”

October 17, 2020



**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 Vimta Labs Limited Q2 FY2021 Earnings Conference Call hosted by Nirmal Bang Institutional Equities. 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. Thank you, and over to you, Sir!

**Vishal Manchanda:** Thanks Steve. Good morning everyone and welcome to this Q2 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. Sreenivas Neerukonda, Executive Director, Mr. Amit Pathak, Chief Financial Officer; and Ms. Sujani Vasireddi, Company Secretary. I now hand over the call to the company management for opening comments.

**Harita Vasireddi:** Thank you Vishal. Good morning everyone. This is Harita Vasireddi. Thank you for joining us in our Q2 results discussion. I will make some brief comments on our Q2 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 this narration.

I am very pleased to share with you that Vimta has done well in the Q2. We reported a consolidated income of 594.2 million in Q2 of this financial year against 424.5 million during Q2 ended September 2019.

Consolidated net profit for the quarter stands at 75.4 million as against 9 million during the previous year same quarter. The consolidated income includes income of about 5.8 million from Emtac Laboratories which we acquired in March 2020.

Q1 was impacted by the pandemic because of the lockdown and market conditions and operational constraints existed in Q1 and therefore, we did not have a great Q1. In Q2, we had a good rebound. We are an essential services provider and cater to food and pharma industries and we also offer clinical diagnostics. Therefore, in spite of the continued operational challenges in some areas, we could perform well.

Vimta’s strength has always been its resilience built through the multi basket of services that we offer and the strong operational bandwidth of our 1000+ people. Although the pandemic impact on population kept growing, our strong operational plan was deployed to minimize COVID risk to our staff and also to extend our capacity utilization.

We remain very focused on our goals and targets. We continue to add resources in terms of instruments and manpower. Staff availability due to the pandemic has reduced by about 7% for us during even Q2. Almost 10% of our staff continued to work from home. For a laboratory business like ours, working from home is a very strange concept but I think our team has adapted well

Coming to the business environment as most of you may know, we are into providing pre-clinical research, clinical research and analytical services to pharma, biotech and medical device companies. We are also into the food testing business; we provide clinical diagnostic services; we perform environmental impact assessments and post project monitoring services both on shore and off shore, for various industrial sectors and through Emtac, our subsidiary we are now providing testing services to the electrical, electronic and physical security product industries and also certification services. So, these are the various services that we provide.

An increase in demand is seen for food testing in addition to pharma, this was our observation in Q2. Despite travelling getting severely affected, we remained and continue to remain very closely connected to our customers during the pandemic and we are able to well support their testing needs.

The setback which still continues is the operational constraints in clinical research services. Challenges are there in volunteer recruitments and also due to the social distancing norms, our capacities are impacted. The demand for these services; however, is quite high but unfortunately operational bandwidth is low due to the pandemic. Similarly, in preclinical, the animal imports have been a challenge for us but in spite of that, we have done well in this area. Due to travel constraint, even our environmental projects are not moving at a normal pace. Typically, we need to go out and deploy our people into various parts of the country, but because of the constraints in travel, these projects are also going a little slow, and they are yet to come back to normal. The order book however is very strong in all areas.

In clinical diagnostics, the doctor outpatient business is yet to reach normal level. We are unable to reach the doctors as we normally used to, therefore the routine retail sales is still lower than what we have experienced in the recent year; however, we experience a very good demand from COVID-19 testing, so the dip in hospital or doctor prescription business was well compensated by the COVID-19 testing in Q2.

In spite of some of these constraints that I have just briefed you, we have been able to deploy resources from our low demand areas to high demand areas and affectively optimize the performance in Q2.

Coming to the electronic and electrical projects update, the equipment is received, and installations will begin in the second half of this month. Qualifications will be completed by March soon after which we will begin process for seeking ISO 17025 accreditation from NABL.

Regarding Emtac, our subsidiary we have been able to start adding value to this business, the scope of testing is being increased which will result in increased revenues in the future quarters.

So, this is all I had from my side as opening remarks. I conclude my comments here. I request Amit to please take over.

**Amit Pathak:**

Thanks Harita. Good morning everyone. I hope that all of you and your families are safe and well. We appreciate your joining us today for our second quarter earning call for the fiscal year FY2021

Before I come to the quarter numbers hope you have reviewed our Q2 and H1 2021 performance. We are also pleased to report the highest ever quarterly sales for Vimta. 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 results actually to vary materially from what we are discussing on the call and we would not always be able to update on these forward-looking statements.

Now, I will start with the brief commentary on the reported performance for Q2 2021 covering revenue, EBITDA and profit before tax and then we would be happy to take any questions.

Revenue for Q2 2021 has increased by 81% to Rs.588 million compared to Rs. 326 million in Q1 2021 further, revenue for H1 Y-O-Y basis which increased by 6%. Further revenue for Q2 2021 has also increased by around 38% compared to Q2 of FY2020.

Now let me talk about some of the cost elements where we have done reasonably good in H1 and also in Q2. The operational cost as a percentage of revenue on quarter-on-quarter basis and Y-O-Y basis has almost remained the same. Manpower cost for Q2 2021 is in line with Q4 2020 that is around 152 million+, there is no major increase in headcount on quarter-on-quarter basis.

Other expenses on quarter-on-quarter basis as proportionate to sales has come down by around 2.5% that is in last quarter we have 19.3% and this quarter we have 16.8% and 1.5% on year-on-year basis that is 19.2% in last year's H1 and 17.7% in this year H1.

EBITDA for the quarter-on-quarter basis is increased by 15% that is from 12% to 27% and EBITDA on Y-O-Y basis has increased by 6% that is 16% versus 22% mainly due to increase in topline.

Finance cost of the company is reasonably good and in the Q2 2021, it is decreased by 3 million mainly because of the foreign exchange impact on our FCNR loans and lower utilization of working capital in Q2 2021. Further on Y-O-Y basis, finance cost is reduced by 6 million mainly because of the reduction in the repayment of the term loans during the year and foreign exchange impact on FCNR loans. In this H1, we have invested in our plant and machinery and other assets to the tune of around 95 million+ and we have also capitalized our NCR Delhi food lab and new IT infrastructure in Q4 2020.

PBT for quarter-on-quarter basis has increased by 24% i.e., in last quarter we have -7% in and in this quarter we have 17% and PBT on Y-O-Y basis has increased by 6% i.e., 2% versus 8%. As Harita mentioned that Emtac has done reasonably good. Our subsidiary Emtac has also performed well in the current quarter with the EBITDA margin of 34% and PAT margin of 28%.

Collection of the company in H1 2021 was satisfactory hence we are not seeing any cash flow crunch going forward and confident to serve all the debt and financial obligation on time including our regular expansion plan and expansion plan in our new segment that is the electrical and electronics with the appropriate debt and equity combination.

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

**Moderator:** Thank you very much. We will now begin the question and answer session. The first question is from the line of Sudarshan Padmanabhan from Sundaram Mutual Fund. Please go ahead.

**Sudarshan P:** Good morning Madam and thank you for taking my question. My first question is around the sales growth both on year-on-year basis and quarter-on-quarter basis, I mean quarter-on-quarter basis which is very strong growth, what I would like to understand here is given that Q1 had issues in terms of operational issues and various other things, how much of that is basically the deferred benefit from Q1 and second is, how much of it is primarily because of demand coming back in Q2 versus Q1?

**Harita Vasireddi:** Mr. Padmanabhan, can you please repeat, I did not catch your question properly?

**Sudarshan P:** In Q1, if you look at our sales, Q1 versus Q2 there has been a very sharp increase in sales, out of that increased amount in sales, how much is primarily deferred from Q1 to Q2 if at all there is any deferment and I would also understand that with time, the demand from end customer also increases as the lockdown eases, how are we looking at demand at this point of time and going forward as well, do we see the demand picking up from current level as well?

**Harita Vasireddi:** All are very good questions, Mr. Padmanabhan. Thank you for asking them. Q1 although there was a lockdown, we have not closed business even for a single day. Our operations were running and whatever work we had in hand, we could complete it off in Q1 itself, so there is no Q1 deferment that has built into Q2. Q2 we have seen a strong demand for analytical services because countrywide as you know lot of companies struggling with their own operations and typically when that happens, outsourcing increases, that is what we observed, so some of this demand that we have seen would have probably come from that angle. Now this demand might continue because we understand that lot of companies are seeing value in outsourcing more and having less dependency on their internal resources especially on the analytical side. I will not be able to make great comments on how specifically the demand will move because you know this is still the pandemic times, we do not know how each company is strategizing their business yet but our order book remains strong, so we can at least say that the demand for Q3 and Q4 will be quite similar to what we have seen in Q2.

**Sudarshan P:** Madam, I got logged off with respect to order that got deferred, if you can give some color?

**Harita Vasireddi:** There was no deferment from Q1 to Q2, no deferment.

**Sudarshan P:** With respect to regulation, I mean if I look at CRO business or the CMO business, I think over the last four years to five years, a lot has been talked about contract manufacturing and I think even some part of time say about eight years ago – nine years ago when I had met Dr. Vasireddi himself, he said that government needs to pull up their socks if CRO has to compete with China and actually in India become big, so, from your perspective in the last four years to five years, do you think from the regulation side the government has done the necessary things because I remember at some point of time there was a lot of issues in terms of what kind of animal in restrictions in terms of the kind of animals that you can import and also there was a lot of apprehension in tying up with India because of the regulation, so from that perspective have things changed and what do you want the government to do from here as well?

**Harita Vasireddi:** We work with mostly export oriented companies especially in the pharma segment, so the regulations that really drive our business are mostly overseas regulations especially from US and Europe and US especially keeps on updating their regulations, whenever that happens their need for testing also increases. Coming to India, our regulations have remained where they are over the last few years but what India has been doing is extending the umbrella of regulations like the last year they bought medical devices under DCGI, so that is one of the reasons why we have started investing in the electronics and electrical business., Medical devices is one of our key target. On the side of imports, yes government can definitely help the industry in easing out the requirements around import of animals. Pandemic of course has been an exception where we found, we still find it, very difficult to get animals from overseas but that is not just because of India, it is also because of the airlines and they are not picking up animals from one place and transporting them to the other but there is some work that India can do to help in terms of not only importing animals but import of special chemicals, easing the process of getting test items. Right now the process could be a little cumbersome and also little indefinite in terms of getting licenses from the government for import of materials. A lot of work has been done, it is not that there was no progress but it can be done much faster and quicker and would help the Indian industry compete with other countries for the CRO business.

**Sudarshan P:** One question from my side is if currently the last three quarters we have seen the huge pandemic happening while it has also impacted your operations in the Q1, a part of if you look at it, there has been a lot of new drugs that has come out the pretty fast, several countries and several companies are working on various vaccines, I mean if I am looking at the order book, if you can give some color with respect to is there a tailwind that comes from the COVID?

**Harita Vasireddi:** We have definitely seen an interest from the vaccine companies; earlier so many enquiries were not there around support for vaccine testing, so we see a lot of interest in that area now.

**Sudarshan P:** Currently how much of our sales of the order book would be primarily linked to COVID?

**Harita Vasireddi:** That would be very competitor sensitive information Mr. Padmanabhan. I will refrain from answering that.

**Sudarshan P:** Sure but even post COVID assuming that a vaccine comes in a year or so, business you will not be a big dip in the business, I mean business should continue to spread from the other parts of the tailwinds, so that is the right assumption?

- Harita Vasireddi:** Yes, that is the reason we continuously keep on investing in newer services, we try to be ahead of the competition in terms of introducing new services.
- Sudarshan P:** Thanks a lot. I have some more questions I will come back in the queue.
- Moderator:** Thank you. The next question is from the line of V.P Rajesh from Banyan Capital. Please go ahead.
- V.P Rajesh:** Thanks for the opportunity and congratulation for posting your highest ever quarterly sales numbers. My first question is you were talking about the fact that that your folks are, your employees are working from home, so can you give a little bit more color like how many of them are still out of the labs and what is the timeline of them, I mean back into working into your labs?
- Harita Vasireddi:** Thank you Mr. Rajesh. Like I said there are about probably 10% of our staff working from home. The staff typically are enabling functions such as project management, business development, human resource management, finance, commercial, so the adaptation to this style of work been has quite good with our people and at least during this year we do not see most of them coming back, so this is working well for them as well for us, we have less footfalls in the organization, less people to worry about when it comes to COVID infection, so this I am thinking will continue for the remaining two quarters as well.
- V.P Rajesh:** The folks were in the labs, they are already back as they are working from the labs, this is more the support from some people who used to come to the office and now they are working from home, is that understanding brought me correct?
- Harita Vasireddi:** Correct.
- V.P Rajesh:** My second question was regarding your order book, if you can just give some more color how much of that is coming from pharmaceutical industry, so can you just little bit more color that will be very helpful to just understand the key sectors that you are addressing?
- Harita Vasireddi:** Broadly speaking and I will not be able to go into very detail here. Broadly speaking our pharma business is about 60%-65% of our overall business and the order book is also commensurate to that.
- V.P Rajesh:** What about the diagnostic business?
- Harita Vasireddi:** Diagnostic business will be around 15% to 20%.
- V.P Rajesh:** That makes it around 80% and the remainder will be?

- Harita Vasireddi:** Remainder will be the other services that we offer all put together.
- V.P Rajesh:** Right but which are the industries that we are catering to?
- Harita Vasireddi:** We provide food testing, we provide environmental impact assessment, we also do diagnostics, we do preclinical research, clinical research and we are into analytical testing of both large molecules and small molecules.
- V.P Rajesh:** I see, so I would think that the pre-clinical research and the molecules research would be part of pharma or are you keeping out of that pharma number that you gave previously?
- Harita Vasireddi:** It is part of pharma.
- V.P Rajesh:** Right, sorry to repeat my question but what I am trying to understand is that is 65% is coming from the pharma industry and as we said diagnostic is about 15% to 20% so what I am trying to understand is 70% coming from let us say FMCG segment or industry like that, if you can just provide that clarity?
- Harita Vasireddi:** I think I have given as much detail as I possibly can, Mr. Rajesh. We normally do not give out the different division wise information like I said some of this is very competitor sensitive.
- V.P Rajesh:** Understood, no problem, I can perhaps reach out to you separately and have one on one conversation to understand the business better. The other question I have was that I know you talked about the telecom equipment getting now installed but could you just refresh my memory about when does it come online, is it in fiscal year 2022 or is it in fiscal year 2023?
- Harita Vasireddi:** The installations and qualifications will be completed by March but then after that you have a significant time that will go into getting the ISO accreditation from NABL, so that time could be anywhere between 6 months to 8 months or 9 months and after that we will start commercialized services, so we are looking at probably starting proper business activity with this in end of Q2 or early Q3.
- V.P Rajesh:** Of next year?
- Harita Vasireddi:** Of next year, correct.
- V.P Rajesh:** In terms of the order book you said it is very strong, can you give us some color in terms of what is the ratio between your order book and revenue or some indication as to why if the order book growth has been much, much better than the revenue growth that you have posted this quarter?

- Harita Vasireddi:** Order book is usually double of the revenues.
- V.P Rajesh:** My last question is your inventory numbers went down. So, could you provide some color on, if order book is increasing, I would have assumed that your inventory would also go up compared to March. So, what am I investing in that picture?
- Harita Vasireddi:** In the inventory, typically in testing industry you have to work a lot with working standards, and they all have a shelf life. So, that is the cyclical nature of the material that we have.
- V.P Rajesh:** I see, so same number is appearing in the March inventory numbers that is typical is the case?
- Harita Vasireddi:** Every quarter depending on when you have purchased them. Sometimes your purchases are high, sometimes they are low depending on how and what kind of tests are moving for you. So, depending on when you purchase, each of this material has a shelf life. So, as per the shelf life they are knocked out.
- V.P Rajesh:** Thank you so much and I will come in the queue if I have more questions. Really appreciate it and all the best.
- Moderator:** Thank you. The next question is from the line of Abhishek Shah from Valcore Capital. Please go ahead.
- Abhishek Shah:** Thank you for the opportunity. Firstly, I wanted to congratulate on the results especially in COVID times. Madam, what I wanted to understand from your opening commentary also, you mentioned that some of our segments are still not running at full capacity primarily due to lockdown constraints and COVID. Is there any way to understand what could be the potential revenue loss because of this and whatever revenues could we gain over the next couple of quarters, primarily due to opening up? That is the first question, second is I happen to go through one of your interviews and that was two years back you mentioned that at full capacity we could do Rs. 300 Crores of revenue and our margins could be inching towards 30%. So, just wanted to confirm that and with the Emtac acquisition also would that mean that we could do much higher revenues. If you can just perhaps give some color on that. These are the two questions. One more question I had was just trying to understand our relationship with Eurofins. Are you open to collaborating with them and does Eurofins have a board seat in our company?
- Harita Vasireddi:** I will go one by one. Thank you, Abhishek. Like I said the operations that are yet to come back to their normal levels, one is our clinical research services. So there our capacities are

literally only at half the level, but the demand is higher than what it normally is because the situation on operational capacities is more or less same with all the CROs therefore, everybody is probably seeing that increase in demand. So, there 50% is the only utilization that we are able to get and then coming to Environment business it is slowly improving month-on-month. We are probably at around 70% of what we normally would do in this field. So, there is scope for further improvement in the next few months depending on how the pandemic pans out for us in the next two quarters. Other than these two the rest of the services are I think doing normal, logistics and everything is back to normal, so we are getting our samples... testing is happening. Coming to capacities yes, I stand by what I have said earlier, the capacity of our existing whole operations is about 300 of course now we are adding the Electronics and Electrical investment also to the business so that will go up slightly. The margins would be around the range of 15% to 20%, 20% is really high, very good. It all depends on what kind of projects we are able to get, large projects tend to have higher margins and retail business tends to have much lower margin so, it all depends on that. Emtac is a small business that we bought out in March 2020, it would need a lot of investment. They are unique organization. They are into certification and it is the only NABL accredited lab in India that certifies physical security products as per European standards. So, it has a lot of uniqueness in it, but it is a very small operation and we are slowly supporting that company in investing more and expanding its testing scope. If you see these days all the imports from China especially the electrical and electronic goods everything needs to be tested so, there is a huge demand there. So, even other standard organizations like; BEE, TEC, BIS they are all expanding the scope of compulsory testing and registration. So, this industry is going to grow, I think we entered at the right time. We will study the market a little more as we travel and decide on our investment. Coming to the last one on Eurofins, so they do not have any board seat in our company. There is no collaboration also as of now. No talks between these two companies with respect to any collaboration.

**Abhishek Shah:** Madam just one clarification, your margins of 15% to 20% that is for our electronic testing business or that is for the entire company because we did 27% margin?

**Harita Vasireddi:** No, I am speaking for the whole company.

**Abhishek Shah:** Thank you so much. I have more questions I will come back in the queue.

**Moderator:** Thank you. The next question is from the line of Ravi Naredi from Naredi Investment. Please go ahead.

**Ravi Naredi:** Madam, there is a lot of zigzag at topline and bottomline since last few quarters. So, what is going wrong with the company, we analyze so many companies but never see such zigzag figures. So, just asking you that?

**Harita Vasireddi:** Mr. Naredi you should go back a little more than last year. I think you should map the company from 2013 onwards. There is very little zigzag, the company has been on steady slope upwards. Last financial year there was a little bit swing in the topline mostly because the demand from the pharma was like that and like I said 60%-65% of the business comes from pharma. So, it is just a repercussion of what is there playing out in the market. But meanwhile we have taken some corrective measures. We have made our services overall for the organization a little more strong and resilient and therefore you are seeing a good performance now in Q2 in spite of the pandemic. So, there is nothing wrong with the organization, I do not want you to worry.

**Ravi Naredi:** Madam, but pharma is in a very tailwind in the business shape. But, in spite of tailwind in pharma we are not getting up to mark that is my worry?

**Harita Vasireddi:** We are the largest company that serves the pharma in India, Mr. Naredi. There is no one bigger than that.

**Ravi Naredi:** But, in spite of large company and everything tailwind with pharma business we are not getting required results that is my worry, that is why I am confirming you what is going on in the company that is not correct?

**Harita Vasireddi:** Pharma business as such you have to see the number of products that are coming out of the industry because our business depends on the number of products not necessarily the sale of the pharma industry. They are two different things.

**Ravi Naredi:** Can you tell what is the order book in numbers?

**Harita Vasireddi:** I cannot share that information.

**Ravi Naredi:** Thank you.

**Moderator:** Thank you. The next question is from the line of Parag Someshwar from Almondz Global Securities. Please go ahead.

**Parag Someshwar:** I have just one clarification, company has been recording EBITDA margin of about 27% consistently in last several quarters except couple of quarters in FY2020 I think last three years. So, you just said 15% to 20% margin now for the companies are you referring to the

PBT margin or what margin you are referring because, I just want to compare that 27% what you already clocked in current quarter and 15%-20% that you are referring to?

**Harita Vasireddi:** It is PBT.

**Parag Someshwar:** It is a PBT margin right. So, EBITDA margin can be 27% or 30% because I also listened to interview which is one of the participant mentioned about two years back where you have said that margin could be even 30% plus once you reach Rs. 300 Crores revenue on a full utilization and optimal service mix. So, you can do that Rs. 300 Crores and more than 30% EBITDA margin, right?

**Harita Vasireddi:** That is possible.

**Parag Someshwar:** Thank you very much. One suggestion over there you have been doing concalls since last few quarters, I would also suggest if you can make one good investor presentation I think many more investors would be interested in the company if there is good investor presentation if not quarterly at least half yearly or annual.

**Harita Vasireddi:** That suggestion is well taken. We will work on it.

**Parag Someshwar:** Thank you very much.

**Moderator:** Thank you. The next question is from the line of Viral Bansali an individual Investor. Please go ahead.

**Viral Bansali:** Good afternoon Madam. Congratulations for a good set of numbers. I have a few questions based on what you said about the proportion of revenues from different segments I assume you must have done around 11 Crores to 12 Crores of clinical diagnostics basically COVID in the first quarter is that correct assumption?

**Harita Vasireddi:** I have given the bifurcation Mr. Viral. I think you can do the calculation.

**Viral Bansali:** Going back to my questions to you in the previous concalls is that, you still think that pathology is our clinical diagnostics you are not focusing on or you should not focus on it as it is not your core offering. Because there seems to be a low lying fruit for our company considering the brand that we are, I mean it is a zero working capital business so it can provide a lot of upfront capital for a company is working?

**Harita Vasireddi:** That business is steadily growing. Sorry please complete your question.

**Viral Bansali:** Yes, so are we considering going full-fledged into pathology as a segment?

**Harita Vasireddi:** It is already a significant portion of our business and it is steadily growing for us. Our policy on this is to earn and invest. The game here in pathology business is to have more reach with the public. So, you need a lot of operational bandwidth, you need to set up a lot of centers. Now, primarily so far we have been a B2B business in diagnostics so, slowly that shift into becoming a B2C has begun to happen for us.

**Viral Bansali:** Yes, because you can obviously adopt a hub and spoke model like Metropolis does which is relatively low cost model where the central laboratory basically does all the testing and there are collection centers around the city and with the kind of brand that Vimta has and the kind of testing because, I have gone through your brochures also the kind of elaborate testing as Vimta does we can get a lot of business in this space.

**Harita Vasireddi:** It is a very tricky business Mr. Viral not as easy as it sounds. It is all prescription based, a lot of relationship management with the Doctors. It is not as easy as it sounds, and we do have a hub and spoke model already developed and operating. We have six centers. We have in Varanasi, we are just going to start one in Delhi now and we have in Bhubaneswar, Chennai, Tirupati, Vijayawada, Vishakhapatnam and we also just put in place a plan for opening up company owned collection centers in Hyderabad itself about five of them. So, that is slowly growing for us.

**Viral Bansali:** Yes, I mean I do not wish to demean anything, I think everything is difficult doing any business is difficult. But the kind of brand value that Vimta has developed over the period of so many years, I have been investor in your companies is now 17 years-18 years okay, and I have been going through your brochures for testing which you distribute to us the end of March in Hyderabad. It seems to be an impressive bouquet of pathology services that we offer, pathology testing services and essentially, we have so many food testing laboratories all over India, in pathology can just be an extension to that if you ever wish to expand?

**Harita Vasireddi:** True and that is how we are expanding as well. Like in Delhi we recently put up a food lab and now we also are starting a diagnostic lab right in the same building, so that is our plan as well.

**Viral Bansali:** Can we expect a good growth. I am not expecting a superlative growth but, the decent growth from pathology and not de-growth after the COVID phase?

**Harita Vasireddi:** The normal retail business is yet to come back to its levels that we experienced last year, we are only probably around just 70%. The extra boost is mostly from COVID testing which will eventually subside. So, meanwhile we are hoping normal retail business will come back to its past levels and from there onwards we wish to encash the network that we are

slowly building first in Hyderabad and once we taste the success in Hyderabad this is how we will probably expand in other cities as well.

**Viral Bansali:** Yes, exactly because the drop in the COVID testing revenues can be offset by coming back of those other pathology testing service because people will come out and go for testing right now people are avoiding it. So, that can be a good growth and this business basically will provide us a lot of revenues for further expansion we may not have to go for debt. I mean, I am not saying it is easy but for a brand like Vimta doing Rs.70 Crores-Rs.80 Crores a year of pathology testing seems to be doable and that provides a lot of working capital?

**Harita Vasireddi:** It is doable. It requires a lot of operational bandwidth, but it is definitely doable and that is our goal as well.

**Viral Bansali:** Thank you so much. That released my worry because I have been requesting you about this since last three concalls, I guess. Well my second question is we recently inducted a person Mr. Yadagiri Pendri on our Board of Director right, and he also owns CDMO company in US. So, is this a strategic induction on the Board because CDMO obviously will require clinical trial services?

**Harita Vasireddi:** Their company is mostly into API developments and yes it is a strategic induction into the board in the sense that we like to have a well-balanced board, so we did not have anybody from the pharma side, we have somebody from the food side, we have people from the banking side. So, we thought somebody from the pharma would add a great value and he himself being an entrepreneur and well know person in the industry he was an ideal pick for us.

**Viral Bansali:** Also, since he has a CDMO company he will definitely have contacts with the innovator companies and innovator companies require clinical trial services, a full spectrum clinical trial services which we are now planning enter, restart actually?

**Harita Vasireddi:** Yes, I am sure he has his connections but that is not the primary goal of getting him on to the board. The intention is to take more strategic input from him, with his experience overseas especially.

**Viral Bansali:** My last question we just recently announced that we are entering the full spectrum clinical trial space and I guess we have a very elaborate 180-bed capacity with the ICUs and ventilators also in our laboratory. So, we are as regards the clinical trial business opportunity is concerned where does our capacity stand?

**Harita Vasireddi:** Clinical trials are not done in-house unlike bioequivalence and bioavailability studies for which we use in-house bed capacities. Clinical trials are done in the hospital, so during the last few months, five month-six months we have seen good number of enquiries flowing in with respect to patient based studies, patient based PK studies and that is the reason why went in for that expansion in our Memorandum of Articles.

**Viral Bansal:** Okay, so by entering into full spectrum clinical trials what do we actually intend to do? Is it similar hospital based studies or separate one?

**Harita Vasireddi:** They will be hospital based studies. In the clinical trial industry, they are big giants and getting into that business now you are late entrant already, the golden days I think for that are behind us now but, having said that there are good chances of us expanding our services with our existing clientele whom we have not been offering this particular service so far. So, that was the intention of expanding into patient PK studies. So, we will see how that goes during the first one year and how we are able to navigate through that and if we have a good outcome there then I think we will go more aggressively into clinical trials.

**Viral Bansali:** Okay, because it seems to be a pretty big business actually with the market size of approximately \$ 2.5 billion to \$ 3 billion right now?

**Harita Vasireddi:** Yes, CRO's major portion of the pie goes into clinical trials.

**Viral Bansali:** Also, since the Government of India introduced new regulations regarding the clinical trials last year which got implemented from September 2019 does it make the business easier or more difficult for us?

**Harita Vasireddi:** I have not really deep dived into the regulations Mr. Viral so I would not able to comment on that.

**Viral Bansali:** If I may can you get back to me on this?

**Harita Vasireddi:** Sure, certainly.

**Viral Bansali:** Because there seems to be a pretty good business for Vimta and my question again is, does 180 bed capacity will get labeled a small, medium or a large one?

**Harita Vasireddi:** I would call it medium because there are also bigger capacity CROs in India.

**Viral Bansali:** Any idea about the competitor can you name your competitors in India?

**Harita Vasireddi:** I think the biggest ones are Lambda and Veeda.

- Viral Bansali:** Thank you so much for answering my queries.
- Moderator:** Thank you. The next question is from the line of Deepak Poddar from Sapphire Capital. Please go ahead.
- Deepak Poddar:** Thank you very much for the opportunity. Madam, you mentioned that about the demand scenario is quite good in the analytical services even the routine retail sales as well as your pathology things are going to improve because of now the economy opening up so, just wanted to understand more any comment that you can share on the growth traction from this higher base now because this is your highest ever quarterly sales. So, what sort of growth traction you are looking at from this base going forward as we look into next few quarters. So, any comment on that would be quite helpful?
- Harita Vasireddi:** This growth should at least be maintained in Q3 and we hope to do better by Q4.
- Deepak Poddar:** This growth in the sense like you are talking about year-on-year growth of quarter-on-quarter growth?
- Harita Vasireddi:** I am talking about just the topline.
- Deepak Poddar:** Okay, the absolute topline?
- Harita Vasireddi:** Yes.
- Deepak Poddar:** In terms of your operating leverage advantage, now we are about 70% gross profit margin and any incremental revenue that goes into your revenue will flow it your PBT, would that be a fair thing to assume or will there be any other proportionate increase in your other expenses?
- Harita Vasireddi:** It all would depend on the projects that we would get and deliver depending on what services that we execute that would determine the revenue. But, as of now also in some of the analytical areas we are having to quickly expand our services. So, there we are investing in instruments, we are also recruiting. Not everything will directly go to the margins.
- Deepak Poddar:** Fair enough, and my final query is about your vision of about Rs. 300 Crores kind of topline now with existing capacity you can do that kind of revenue. So, what is the sort of timeline that want to achieve may be a year or so or one and half year, two years?
- Harita Vasireddi:** As a policy we do not make any forward-looking statements. I remember I recall last time somebody asked me when we would be touching Rs.500 Crores so for that I said we

definitely want to look at 2025 to do that. So, accordingly in between we will march towards that number.

**Deepak Poddar:** That is it from my side. Thank you very much.

**Moderator:** Thank you. The next question is from the line of Bimal Sampath an individual Investor. Please go ahead.

**Bimal Sampath:** Good afternoon. Two questions, one; can you elaborate on our new main objects of the Memorandum of Association that clause 6, to carry on the business of software designing, development etc., and second is on the food thing, now about you are saying 60% to 65% is of the pharma and in earlier concall you had said that you believe that food will overtake pharma in the next four year-five years. Do we still stick to that? So, two questions here.

**Harita Vasireddi:** I will answer the second one first. Yes, there is a very good probability that food will overtake pharma in the next five years. It is continuously bringing out new regulations. Having said that no matter how many regulations you have, the testing laboratory business improves only when the enforcement of regulation begins. This enforcement is yet to happen in any significant manner. We do see it happening in pockets like year and half back the regulator tested countrywide milk for quality, they are doing oil now so with such kind of emphasis, industries get more aware of the quality requirements, they all tend to have more testing done to be sure that their product meets the quality parameters. So, food definitely is going to be a big game, but it will take some time.

**Bimal Sampath:** On this food one only now so many multinationals are coming here, so will they go to some foreign company who is here testing or we are the preferred partner for them for example Pepsi is setting up a Rs. 800 Crores snack plant in UP?

**Harita Vasireddi:** You are talking about the MNC companies in testing industry?

**Bimal Sampath:** Yes, I mean MNC food companies are coming here so are there any MNC testing companies, suppose like they have a relationship abroad and their work in India they will give to them or are people like you the preferred partners for them?

**Harita Vasireddi:** I think we are on a level playing ground with all our competition especially the MNC competition. We do not see any preference from the Indian companies either towards Vimta or our other competition, it all depends on what value you propose to the customer and yes there are a lot of MNC test houses in the country. They have been here for quite some time now. There are no new entrants as such. The first question on software, we recently discovered that lot of our processes are very manual so that actually eats up into the

efficiency of the process. Productivity also can be much better, so we thought we will design our own systems.... custom design them to IT power our processes. So that is the main reason for bringing in an IT group, which is a very small group. We started with just seven people. They are building tools for our processes both for technical process as well as administrative processes and just with the forward-looking view we thought if we are building such tools then we are in a good place to even offer it to our customers and we have a huge database of customers so with that foresight in mind we took that in our MoA otherwise we do not intend to convert ourselves into a software business.

**Bimal Sampath:** This is for more of automation we can say.

**Harita Vasireddi:** True.

**Bimal Sampath:** Thank you very much.

**Moderator:** Thank you. The next question is from the line of V P Rajesh from Banyan Capitals. Please go ahead.

**V P Rajesh:** Thanks again. My question is regarding your working capital. It has been around 100 days so two questions related to that, do you think there is a potential to bring it down and if it is so high why it is going to be at these kinds of levels?

**Harita Vasireddi:** Amit, will you take that please?

**Amit Pathak:** Our working capital basically you are seeing the year end or quarterly number of the working capital but our average working capital will be somewhere around 100 million on a monthly average basis or on quarterly basis you can say so if you see based on the sales of the quarter this is quite reasonable and we have a very strong liquidity position.

**V P Rajesh:** No, if I look at your annual numbers for the last five years, the numbers are generally 100 days or higher, so that is what I am trying to understand so are you saying that is only the year end position but in the quarter it is lower and if it is soon then what is that number?

**Amit Pathak:** When you are talking for the working capital for the last five years, if you are talking from FY 2016 to FY2020 also so that was around Rs.10 Crores, Rs.20 Crores, Rs.13 Crores, Rs.5 Crores and Rs.17 Crores, I think you are consolidating long-term borrowing also, so the working capital, short-term we are in the range basically on the yearly basis even at that we have somewhere around Rs. 10 Crores of average utilisation.

**V P Rajesh:** Actually, what I was going was just looking at your receivable days and inventory days and subtracting the payable days, that was what I was doing so that is coming over 100 days.

**Amit Pathak:** If you are talking more specifically for DSO, so DSO basically it is range 100 days plus that definitely we will agree because we are into the various services, where sometimes recovery is slow being into the PSU also and some of the other factors but if you are looking after the DSO for this quarter so DSO for this quarter has been reduced to 84 days.

**V P Rajesh:** Do you think you can bring it down to those levels 80 days or is there a strategic target in mind to bring down the working capital or you are comfortable running the business with 100 days plus of working capitals I am just trying to understand how you guys are thinking about this issue?

**Amit Pathak:** Average definitely we are looking forward to cut it down or bring it down but on average you can take it will range between 80 days to 90 days, on a normal business scenario.

**V P Rajesh:** That is helpful. My second follow up question is regarding the vision you set for fiscal year 2025 of Rs. 500 Crores, what is the kind of EBITDA margin or PBT margins you see once you have scaled up to that level which is almost double from here.

**Harita Vasireddi:** The EBITDA margins should definitely improve like we have multiple divisions and we are trying to power one after the other every five years we try to put extra energy behind one particular service like in pharma we started investing way back in 2008 itself, it has some gestation period, now we are on a good track there and after we started analytical we also put new facility for our preclinical so that is again in India we are doing well but there is so much that we can still do from overseas and then after a few years we invested in our food lab. So in this testing business you have to continuously invest and you have to continuously go into newer markets that is the only way to grow this business. I mean you are doing that because of your inflow that goes into your business I think EBITDA margins will be better than this but not drastically better than what we are seeing now so I can think may be a 15% to maximum of 30% improvement on the existing levels depending on which will pan out to be a leading service for us in the next four years to five years.

**V P Rajesh:** This is my other question and my apologies for asking this question because I am just trying to understand your business a bit better but it seems to me that you have at least three to four businesses going on simultaneously, one on the diagnostic side, one on the testing side and then on the clinical research side so could you just help me understand what is the synergy among these three businesses that you are running which all seems to be subscale for lack of a better world.

**Harita Vasireddi:** See, the beauty of our business is the multiple services that we have. Within the pharma there is always a synergy. It is the same clients that you are probably going to serve across the bandwidth of your services. And diagnostics happened to start as an incidental business for us because in clinical research you are supposed to test your volunteers, screen them for their good health and then take them into your studies so we had a lot of spare capacities back in 2011 and we thought we will take those capacities outside. So as someone was earlier pointing out it was not a very strategic business unit for us until very recently, we let it go as it was going, we enjoy very good quality brand with the doctors in certain regions in India but now I think we have started focusing on this business for the last two years, every business needs a lot of time, lot of investment, lot of leadership bandwidth so not probably everything can be done because in spite of having so many services we are a company of this particular size so I think we are planning to take them up one by one, see how the market is growing for us in each of these and we have always been able to invest where we saw the opportunities well ahead of others within the organization. And we are a laboratory., Whatever we do, ultimately it is just testing for us.

**V P Rajesh:** Well, I would presume that lab testing for food or for clinical research is very different from let us say doing it for electronic products so that is where I was trying to understand how do you think about these various directions that company is going into?

**Harita Vasireddi:** When we originally started this organization we were into minerals and ores testing, we started environmental testing, then we went into drugs and once we entered into drugs we went into research side of it, clinical research, preclinical research, food remains small but then we put some extra thrust behind it about four years ago and now we are looking at electronics and electrical because we see that the Indian economy is opening up to these products much more than ever before, the regulations are getting much wider around these products. Medical device is a key area of focus for us, we already do testing for medical devices, our preclinical division caters to medical devices as well, so we will be just expanding the testing around this and since we will be creating the infrastructure now we will be of course extending those services to other product as well. If you look at all the multinationals that are there, global big companies, they have same variety of span of verticals, it is nothing unusual.

**V P Rajesh:** Thank you so much for answering my questions.

**Moderator:** Thank you. The next question is from the line of Jigar Shroff from Financial Research. Please go ahead.

- Jigar Shroff:** Thank you for taking my questions and congratulations on excellent set of numbers. My question first question was I think I could have missed it, electronic testing division, would you expect it to start, is it March 2021 if I am not mistaken you mentioned?
- Harita Vasireddi:** Thank you Mr. Shroff. We will complete installations and qualifications by March and of course we will need to do some samples before we go for our accreditation with NABL so some market samples will be done but the actual business will commence once we have the NABL accreditation. I was just trying to say that the accreditation could take anywhere between six months to nine months after qualification of instruments.
- Jigar Shroff:** So, maybe September or December 2021 quarter?
- Harita Vasireddi:** Yes.
- Jigar Shroff:** My second question is a bookkeeping question I mean what is the net debt on the balance sheet?
- Harita Vasireddi:** Amit, can you take that question?
- Amit Pathak:** Basically if you are talking for the net debts of the company our long-term debts what we have as at September 20 is somewhere around Rs. 11 Crores and around Rs. 11 Crores of the working capital utilization.
- Jigar Shroff:** Last question, I think if you could mention some comparable global or domestic companies offering the same exhaustive services that we render I mean whom are we comparable to and we are benchmarking so to speak against?
- Harita Vasireddi:** The biggest ones I know are SGS, Intertek, TUV, Eurofins, these are the big ones, Covance and PPD, Charles Rivers.
- Jigar Shroff:** These are all global?
- Harita Vasireddi:** Yes, Charles River is very focused on preclinical research but the first few names that I read out there are into multiple areas.
- Jigar Shroff:** That strictly the Eurofins?
- Harita Vasireddi:** You have SGS, Intertek, you have TUV, again TUV you have many, you have TUV-Rhineland, TUV-Nord they are all big German companies who are into multiple testing fields.

- Jigar Shroff:** How many of them would be present in India and does Eurofins operate in India?
- Harita Vasireddi:** All are present in Indian. Eurofins operate out of Bengaluru.
- Jigar Shroff:** I see and any domestic companies?
- Harita Vasireddi:** Domestic companies are all small companies, Syngene is there but they are also into manufacturing, contract manufacturing. We do not do that, so it is not really a comparable organization.
- Jigar Shroff:** Mostly the unorganized sector, would it be?
- Harita Vasireddi:** Yes, there will be many players in the unorganized sectors, there are many test houses both for food and pharma, more in food I would say and quite a few even in electronics goods testing.
- Jigar Shroff:** Thank you so much and all the best.
- Moderator:** Thank you. The next question is from the line of Abhishek Shah from Valcore Capital. Please go ahead.
- Abhishek Shah:** This is just a follow up, I am just trying to understand our capex for the coming years, specifically quantify what would be the capex that you are planning this year and the next year?
- Harita Vasireddi:** Capex for the remainder half we will be spending at least another Rs. 10 Crores, I do not have the numbers yet for the next years, we will be making those plans by January.
- Abhishek Shah:** I think over the past few calls I think you mentioned that you are looking spending at about Rs. 100 Crores, over the next coming years, is my understanding correct?
- Harita Vasireddi:** Yes, that is just for our Electronics and Electrical testing business.
- Abhishek Shah:** That is all. Thank you so much.
- Moderator:** Thank you. The next question is from the line of Rahul Jain from Credence Wealth. Please go ahead.
- Rahul Jain:** Thank you for the opportunity. With regards to each of the segments which we are into, could you help us with the kind of industry size which special segments which we are into the kind of industry size and the growth in each of the segment the industry has?

- Harita Vasireddi:** Your voice was not very audible; can you repeat that please.
- Rahul Jain:** Sure, I was asking about the specific segment in which we are into the various segments, what is the kind of industry size and what is the growth rate, at what rate the market is growing?
- Harita Vasireddi:** That question was not still clear but based on what I understood, you are asking about the growth of the various industries that we serve, is that correct?
- Rahul Jain:** On the size of the specific segments which we are into.
- Harita Vasireddi:** May I please ask you to refer to our annual report, we have given good details there. I do not have it handy here with me, but we have done good research and collected information with respect to your question., It is there.
- Rahul Jain:** I will have a look at it. In last ten years our sales growth has been somewhere around 8% CAGR, so what I was actually trying to understand is how is the industry growing, and if our growth ahead of the industry and going ahead how do we accelerate this growth, what are we trying to do so that this growth can be accelerated in the next three years to five years to come?
- Harita Vasireddi:** Barring last financial year, the earlier five years CAGR was close to 20% to 22% and that has been our target, we have had one year of aberration and of course this year we had the pandemic but the plan is to catch up with that growth rate in the future.
- Rahul Jain:** What could help or how do we go about this growth? What segment do you feel could contribute to higher growth?
- Harita Vasireddi:** We will be pushing all our services, everything that we have. We will be pushing food, we will be pushing pharma, diagnostics, environment, so all the engines should fire and the reason why we want all of them to fire is it all depends on what opportunities come our way so that we are there to grab the opportunity and take it forward.
- Rahul Jain:** Sure, you mentioned that our present capacity we could do a turnover of Rs.300 Crores and at the same time you mentioned that you are on aspiration to reach Rs.500 Crores by FY 2025, so is that correct?
- Harita Vasireddi:** Yes.
- Rahul Jain:** To get into this Rs. 500 Crores which basically means additional Rs. 200 Crores over and above the capacity which we have so what kind of additional resources with regards to

management bandwidth, capex would go so that we can reach Rs. 500 Crores targeted figure?

**Harita Vasireddi:** We do not have micro plans developed for that yet. What we typically do is look at a three-year horizon and you have used the right word aspiration. In 2025 that is where we intend to land and our plans are quite dynamic depending on what comes up. Just to give a very small example of things, genotoxic impurities that is the trace analysis in drugs, there is huge demand now. Last year we saw a huge demand for extractables and leachables so regulations will mostly drive our investments and regulations typically call for investments in newer technologies, higher technologies., It all depends on what will pan out for us in the future, it is very difficult to say what is the investment needed up to the year 2025, very difficult to say that.

**Rahul Jain:** So, Rs. 500 Crores is very much possible given the scale of the industry which we are operating into?

**Harita Vasireddi:** Yes.

**Rahul Jain:** Thank you so much. That is it from my side.

**Moderator:** Thank you. The next question is from the line of Dashrath B from Vriddhi Advisors Research. Please go ahead.

**Dashrath B:** Thanks for the opportunity. First of all, congratulations for wonderful set of numbers. I have two questions. First one is on COVID testing. How much revenue would have been from COVID testing in the last quarter if that cannot be shared can you share some details which you can share number of tests per day, cost per test, margins or something like that? Second question is on food testing, in your comments you told that food testing is one of the major driver for growth in this quarter, I know in the past you have refrained from sharing the percentage of business in the topline or bottomline but I would like to know what is the major driver for this growth in this particular quarter if you can share some number on the growth in food testing business that will be really helpful.

**Harita Vasireddi:** We do not share individual numbers for food and pharma. That is not how we bifurcate even internally, and in this quarter the driver has been analytical. For us analytical includes both food and pharma and also diagnostics has contributed to the growth so those were the major drivers in this quarter. Coming to COVID testing I will not be able to go into details of how much business we did with respect to that. We competed on market prices and this is all mostly local business, so we are talking about Hyderabad and nearby regions, so we

compete at the market price. The margins on COVID tests are not great because the reagents itself take up more than 50% of the cost price.

**Dashrath B:** At least average number of tests per day and the outlook there for the next two to three quarters because we are one of the very few accredited labs in Hyderabad I think only 17 to 18 labs are there so I think we have got a very good brand in that particular area so at least average number of tests per day and is it on the increasing trend?

**Harita Vasireddi:** It is stabilized for us and what we understand is it could go only down from here unless there is a new wave of the pandemics so I really do not know which way these numbers are going to go, so far we have seen an increase and then later on stabilization.

**Dashrath B:** Just a question on food testing business again, so I understand that the bottomline and topline share cannot be given but at least is it a considerable portion of this particular growth can be attributed to food testing because on the food testing there are different comments which have given over a period of time, in the last two quarters back you told the food testing has not picked up as much as it should, it has been little slow and now in your opening comments it is very heartening to listen that food testing is getting picked up, so what is your at least outlook on food testing, can we grow 20% to 30% year-on-year from here, what do you think so?

**Harita Vasireddi:** Yes, both the comments were true. What I made last time and what I am making this time both the comments are true and this is a business that can grow in double digits easily.

**Dashrath B:** Thanks a lot. All the best.

**Moderator:** Thank you. The next question is from the line of Viral Bansali, an individual investor. Please go ahead.

**Viral Bansali:** Thanks for the opportunity again. I wish to know actually your food testing business as to what kind of services you provide?

**Harita Vasireddi:** We do quality and safety testing, so we do physicochemical analysis, we do microbiological analysis which is basically contaminant testing on the physicochemical side. Microbiology we test for pathogens. We do shelf life studies. We do GMO testing. We do packaging testing for food. We do label claim testing. We are also into nutraceuticals testing.

**Viral Bansali:** Do we do any preshipment inspections?

**Harita Vasireddi:** It was something that we used to do especially for tea, coffee, and rice shipments but that is not focus area for us.

**Viral Bansali:** I am asking is considering that major laboratories like SGS, Intertek, for that matter even Eurofins they are into this preshipment inspections since big time and they charge exorbitantly so for a single day testing it might cost around \$600 to \$800 depending upon the size of the shipment and with the kind of human resources we have I think we can do it and we are already doing it and we can also kind of foray from the food we can foray into different industry segments so that we can do a preshipment inspections and with the possible tie ups with Eurofins which can be kind of subcontract services to us, is it possible?

**Harita Vasireddi:** Preshipment inspection business is mostly buyer driven business. The buyers dictate who does the preshipment inspection, the advantage that companies like Eurofins or SGS or Intertek have is their multi-location presence globally, so we are not there yet, Vimta does not play in the food business globally. We are a very domestic player. There I do not think we can compete with these giants.

**Viral Bansali:** Yes, but with Eurofins having 20%-25% sizeable stake into our company it would serve their interest also to kind of tie-up with Vimta and maybe we can get some work through that, is there a possibility?

**Harita Vasireddi:** I think they have laboratories equipped to handle their preshipment inspection samples. I would imagine.

**Viral Bansali:** Okay, so even if there is a tie-up, the work would probably go to them than coming to us.

**Harita Vasireddi:** I would imagine.

**Viral Bansali:** Thank you so much.

**Moderator:** Thank you. We take the next question from the line of Naman Jain, an individual investor. Please go ahead.

**Naman Jain:** Just one question. Looking at the growth strategy for the company for next two years I feel that the company is looking good to embark on a growth path, so any plans of increasing promoter stake in the company because current levels it seems pretty less?

**Harita Vasireddi:** You have to ask that question to the promoters I am afraid.

**Naman Jain:** Thank you.



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**Moderator:** Thank you. As there are no further questions, I now hand the conference over to the management for closing comments.

**Harita Vasireddi:** Thank you, Vishal. I just want to thank everybody for joining us again here today and for the good questions that we had. Thank you all.

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