

Krsnaa Diagnostics

14 August 2026

Operator: Ladies and gentlemen, good day and welcome to the Krsnaa Diagnostics Ltd Q1 FY27 earnings conference call hosted by Equirus Securities. As a reminder, all participant lines will be in listen-only mode, and there will be an opportunity to ask questions after the presentation concludes. Should you need assistance during this conference call, please signal the operator by pressing star and then zero on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Yash Mutha from Krsnaa Diagnostics Ltd. Thank you, and over to you, sir.

Yash Mutha: Thank you, Sumit. Good afternoon, everyone, and thank you for joining us. As we begin FY27, I want to start with the larger vision behind what we are building at Krsnaa Diagnostics. We have always believed that diagnostics is an essential part of India's healthcare infrastructure. Our ambition is simple: to make quality diagnostics accessible to every Indian, irrespective of where they live or their ability to pay.

This purpose has taken us to parts of India where building and operating healthcare infrastructure is not always easy. Think about what happens in Rajasthan today. A patient gives a sample in a remote location. The sample may travel significant distances across the state before reaching our laboratories, where it is processed, validated, and reported back to the patient. Behind that one report is an infrastructure network, logistics, technology, clinical expertise, and execution working together.

If serving these markets were easy, healthcare access in many parts of India would have already been solved. Someone has to go there, someone has to build the laboratory network or the imaging network, someone has to establish the collection centers, someone has to create the logistics network, and someone has to connect the technology and clinical expertise. Krsnaa has chosen to be that someone. What excites me today is that this purpose is increasingly translating into business performance.

Our revenue grew approximately 22% year-on-year in Q1. More importantly, our like-to-like projects grew approximately 12%. That number matters to me. It demonstrates that Krsnaa's growth is not dependent only on winning the next project. The infrastructure that we have already established continues to serve more patients and generate more business.

Along the same lines, I am also pleased to share that Krsnaa has recently been awarded the Himachal Pradesh CT project for 34 CT scans across the entire state. This is particularly significant for us because Himachal Pradesh is where Krsnaa began its PPP journey almost 12 years ago with just 12 centers. Our performance and service quality over the years have earned us this opportunity to expand our footprint from 12 to 34 centers. Predominantly, most of this project is going to be a cash-paying project.

This is a strong validation of something we have consistently communicated. Execution excellence and quality of service create the foundation for repeat business and long-term partnerships. With this award, we have further strengthened our revenue visibility in the state for the next 10 years, giving Krsnaa the opportunity to serve the people of Himachal Pradesh for almost 25 years in total.

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There is also a third dimension emerging. Our retail business grew approximately 64% year-on-year. Our retail network has expanded to more than 4,000 touchpoints, and we are seeing increasing contributions from home collection, wellness camps, digital channels, and our partner networks.

For many years, Krsnaa's strength has been its institutional business. We are now building a second engine alongside it: the consumer-facing, cash-paying business. One gives us scale and reach, while the other gives us diversification and a direct relationship with consumers. Increasingly, innovation will connect both.

We are also looking beyond conventional diagnostic packages and are asking a different question: how can diagnostics become a part of the consumer's broader health? I am particularly excited about what comes next. Very shortly, we will be launching what we believe is the first-of-its-kind proposition in India, bringing together preventive diagnostics and financial protection in a single offering. We believe this can create an entirely new dimension in how consumers engage with Krsnaa and with preventive healthcare. We are also expanding the use of artificial intelligence and technology across consumer engagement, X-ray reporting, and business analytics.

When I look at Krsnaa today, I see something very different from the company we were a few years ago. I see existing healthcare infrastructure that is growing organically. I see new projects adding another layer of growth, and I see the consumer business emerging as a second engine. I also see technology and innovation creating new possibilities on top of this network.

As regards our margins, as mentioned in previous quarters, the new projects also carry their full fixed-cost base from the very first day due to the project implementations. The laboratory equipment, manpower, and logistics are in place while the projects are still operating below mature utilization levels, and therefore you see compression in the margins. However, if we set these projects aside, our like-to-like business delivered stable and consistent margins broadly in line with the previous quarters. The moderation you see is largely a function of the infrastructure that we have recently built and are now in the process of ramping up, rather than any pricing or structural pressure in the core business.

A related point is capex. Ours is an infrastructure-led model, and by nature, capital expenditure is front-ended. We build the laboratory or diagnostics network, install the equipment, and put the team in place before the volumes arrive. That front-ending creates a drag on margins in the initial quarters, which is essentially what you are seeing in the quarter's numbers.

As these projects ramp up and utilization improves, that drag evens out, and the incremental revenues begin to flow into an asset base that is already in place. That is the rhythm of our business rather than a departure from it. It is worth repeating.

Management: ...meeting margins across a few quarters rather than any single one. Our Group CEO and CFO will take you through the business and financial performance in detail. However, I wanted to leave all of you with one thought. Every diagnostic test ultimately has economic consequences beyond Krsnaa. When somebody is diagnosed at the right time, gets treated, and returns to their family and their work, that productivity returns to the economy. This is the impact that Krsnaa carries on a larger scale.

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This is where I believe our purpose and our business model come together. The more people our infrastructure reaches, the more patients we serve, and the more our existing infrastructure is utilized, the stronger the economics can become. As retail, technology, and new services grow, the infrastructure and the opportunity become larger.

For us, building a healthier India and building a stronger Krsnaa are not two different objectives. Our responsibility now is to translate this platform into sustainable growth and long-term value for our shareholders. With this, I will now hand over to Nitesh. Over to you, Nitesh.

Nitesh – Group CEO & CFO: Thank you, Mr. Yash, and a very warm afternoon to all of you. Q1 FY27 has been a quarter of execution, transformation, and, importantly, transition from infrastructure creation to revenue-generating operations.

Over the last several quarters, we have invested significantly in building the foundations for our next phase of growth. This quarter, we are beginning to see those investments translate into live capacity, stronger market presence, and a broader platform for sustainable growth.

Let me brief and update everyone on the key operational developments in the Rajasthan projects to begin with. As Mr. Yash highlighted, Rajasthan has now moved decisively from the implementation phase into the go-live and operational phase. Our mother laboratory, hub laboratory, and collection center network is now substantially operational across the state.

As of the end of Q1 FY27, Rajasthan had 31 mother laboratories, 62 hub laboratories, and 1,228 collection centers operational. This is a significant milestone considering the sustainable future growth. More importantly, this network gives us the scale and infrastructure to progressively drive volumes, improve utilization, and unlock the operating leverage embedded in the model.

At the core of everything is our non-negotiable quality standard. Along with such large-scale expansion, we remain extremely focused on maintaining high quality standards at all times.

In radiology, we continue to make strong progress against the pipeline order of 70 MRI centers. Eight MRI centers in Maharashtra were inaugurated and made operational during the quarter. Work on the remaining centers is in progress, and these are expected to go live by the end of Q3.

With each new center, we are strengthening not just our geographic footprint, but also our ability to offer comprehensive diagnostic services under one integrated platform. Further, in Q1, we added 12 new NABH accreditations, taking our overall accreditation count, including NABL, CAP, and ACR, to 124. This further reiterates our commitment that scale cannot come at the cost of quality. We are building a network where quality standardization, clinical excellence, technology, and accessibility grow together.

Talking about our retail business, it also continued its strong growth trajectory. Our network touchpoints have now expanded to more than 4,000 across 7 states. We continue to build this business through a differentiated combination of asset-light franchise models: Krsnaa Business Associates (KBAs), Krsnaa Referral Centers (KRCs), strategic alliances, and our existing PPP infrastructure.

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One of our key competitive advantages is that we are not building retail in isolation. We are leveraging an ecosystem that already includes laboratories, pathologists, radiologists, technology, logistics, and technicians. This allows us to serve customers efficiently while keeping our customer acquisition cost structurally lower than that of pure-play retail competitors. As this network compounds, we believe the benefit of scale will increase exponentially and become visible.

Based on our initial market research and evaluation findings, we have designed our model to serve not just the existing ecosystem, but also the large vacuum that exists across India. Our proposition remains differentiated as we bring together quality, accessibility, assurance, and affordability through a 360-degree diagnostic platform supported by a 24-by-7, 365-day service window.

This is particularly relevant in India, where access to high-quality and affordable diagnostics remains a significant unmet need, with high demand. Our ambition is not merely to participate in this market, but to help redefine how diagnostic services are delivered across India at scale, with consistency and trust.

We are also deepening our specialty and wellness offering. Our uniquely designed packages combining pathology and radiology across both wellness and illness are generating encouraging results. I am particularly pleased to share that our specialized test portfolio has also evolved into customized, specialty-driven healthcare packages covering areas such as oncology, cardiac care, obesity, metabolic health, gastro-related wellness testing, as well as routine and basic healthcare.

We are also preparing to launch a new set of innovative packages in the coming months. We believe these offerings have the potential to resonate strongly across both ends of our customer base, from our PPP beneficiaries, including senior citizens and Ayushman Bharat beneficiaries, to our growing retail and Gen Z audience. This is an important part of our strategy to make diagnostics more relevant, more accessible, and more closely aligned with India's evolving healthcare needs.

Our strategic partnerships have also begun to deliver meaningful results. In this regard, I am happy to share that Apollo Health Hospital, Pune, has commenced operations. Under this partnership, Krsnaa has exclusive diagnostic rights for both radiology and pathology, including super-specialty segments such as oncology and cardiology, alongside basic routine diagnostic services and genetics.

More importantly, this relationship provides us with a platform to strengthen our presence across Apollo hospitals over the next 30-plus years. This is exactly the type of partnership we value: long-duration, high-visibility revenue opportunities that complement our core PPP business and create sustainable value over the long term.

The infrastructure has been built, the network is scaling, and now we are entering the phase where we expect our investments to increasingly translate into operating leverage and financial performance. We remain confident in the underlying strength of our business model and the opportunities ahead.

Our focus for the coming quarters will be on execution, utilization, profitability, and sustainable growth. We believe it is now well established that the platform we have created gives us a strong foundation to participate meaningfully in India's rapidly evolving diagnostics and healthcare

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opportunities.

We are building for scale, but we are equally focused on building for quality, profitability, and longevity. With that, I will hand it over to our Interim CFO, Mr. Chandraprakash, to take you through the financial highlights of the quarter. Thank you, Nitesh.

Chandraprakash – Interim CFO: Thank you, Mr. Nitesh. It is my privilege to walk you through our financial performance for the quarter.

Revenue from operations for Q1 FY27 stood at INR 2,355 million against Q1 FY26 revenue of INR 1,930 million, representing year-on-year growth of 22%. EBITDA for the quarter stood at INR 588 million, with an EBITDA margin of 25%, against 27% in Q1 FY26.

As guided in our previous call, this quarter did carry an element of upfront cost, largely relating to approximately 4,000 personnel onboarded in Rajasthan and logistics across collection centers, ahead of full revenue realization from the project. This cost has largely been absorbed within the quarter, and we expect the impact to normalize further as Rajasthan revenue scales through the rest of the year.

PAT for the quarter stood at INR 166 million, translating to a margin of 7%.

Regarding the retail business, I am pleased to inform you that, in continuation of our focus on retail, retail revenue for Q1 FY27 stood at INR 193 million against revenue of INR 118 million in Q1 FY26, growing at an impressive year-on-year rate of 64% and contributing approximately 9% of overall group revenue.

With the roadmap ahead and by leveraging the various levers highlighted by Mr. Nitesh, we are confident of becoming EBITDA positive by Q2. With this, I would like to conclude my opening remarks as CFO. We are deeply grateful for your continued confidence in Krsnaa's journey. I would now like to invite the moderator to open the floor for questions. Thank you.

Operator: Thank you very much. We will now begin the question-and-answer session. Anyone who wishes to ask a question may press star and one on their touchtone telephone. If you wish to remove yourself from the question queue, you may press star and two. Participants are requested to use handsets while asking a question. Ladies and gentlemen, we will wait for a moment while the question queue assembles. The first question is from the line of Raman from Sequent Investments. Please go ahead.

Raman – Sequent Investments: Hello, sir. Can you hear me?

Management: Yes, we can hear you.

Raman – Sequent Investments: I have two questions. First, one of my questions pertains to the increase in fees to hospitals during the quarter. There is an expense of INR 41 crores under fees to hospitals during the quarter, which has increased significantly on both a sequential and year-on-year basis. Can you provide an explanation for this significant increase?

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Management: While the accounting nomenclature is fees to hospitals, the actual increase is on account of the Rajasthan project. For a large project like Rajasthan, or even other PPP projects, we work with certain partners in remote locations, and there is a certain revenue share or amount that goes to these partners.

What you see as an expense is on account of the manpower and some of the operations that they handle, and that expense goes into this line item. The increase is predominantly because of Rajasthan and projects such as Manipur, where we have these partners providing us with different kinds of services.

Raman – Sequent Investments: Can you quantify how much revenue has been booked with respect to the Rajasthan PPP during this quarter? Going forward, for the entire year, how much do we expect will come from the Rajasthan PPP?

Management: We have reported Rajasthan revenue of around INR 26 crores. On an annualized basis, even if you multiply this by 4, the number we expect is about INR 100–150 crores from Rajasthan for the full year.

Raman – Sequent Investments: So you are expecting this INR 26 crores to come in every quarter going forward?

Management: It will grow. Since this is the first quarter of implementation, as the laboratories and other centers go live, the revenue will, of course, increase in the coming quarters, and this is how we expect the business to grow.

Raman – Sequent Investments: Understood. In the earlier call, you mentioned that you planned to do around INR 200–250 crores from the Rajasthan PPP in FY27. I want to understand whether this guidance remains intact, or whether you are now saying that we will be doing only INR 150 crores.

Management: As I said, from a guidance perspective, we prefer to be conservative. Of course, as an aspiration, we want to achieve the numbers that we had stated earlier. However, if I have to give guidance, the figure I quoted earlier is the amount for which we have clear visibility in terms of revenue.

Nitesh – Group CEO & CFO: Further to add, Nitesh here. Yes, we are hoping to see our Rajasthan revenues double in the coming quarter. At steady state, we are looking at something closer to INR 150–175 crores, and, further, based on the ramp-up, the overall numbers that we had suggested or previously stated still stand.

Raman – Sequent Investments: Understood, sir. My second question is on the fundraise. I think the promoters infused funds through warrants. Can you quantify what the fundraise was for?

Management: Could you please repeat the question?

Raman – Sequent Investments: The promoter has infused funds through a warrant issue. Can you specify why there was a fundraise and why there was a promoter infusion?

Management: Yes, it is a, you know...

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Management: The warrants were proposed as a contribution from the promoter. There were two reasons. First, the funds will be utilized for certain capital expenditure for projects and certain acquisitions that we have in mind. That was the reason why the funds were raised.

Raman – Sequent Investments: Understood, sir. Thank you. I will just join back in the queue.

Operator: Thank you. Ladies and gentlemen, to ensure that every participant gets an opportunity, please restrict your questions to 2 per participant. The next question is from the line of Suryanarayan Patra from PhillipCapital India. Please go ahead.

Suryanarayan Patra – PhillipCapital India: Hi. Sorry, am I audible?

Operator: Yes, Mr. Surya, you are audible.

Suryanarayan Patra – PhillipCapital India: Thank you for this opportunity. My first question is on the radiology revenue share. Since we have implemented new centers, what kind of revenue share should we be seeing for this quarter? Can you let me know? That would be my first question.

Mitesh: Hi, Mitesh here. Yes, we have added new centers in radiology, including MRI centers, and some more are in the pipeline. However, considering radiology and pathology together, the revenue contribution would more or less be in the same range as the pathology project.

The Rajasthan pathology project is a large one and is also being ramped up. In parallel, the MRI centers that are being operationalized are also going to ramp up. For now, we do not see much variation between radiology and pathology. However, in the coming quarter, we will have a more detailed understanding of how the overall operations are shaping up.

Suryanarayan Patra – PhillipCapital India: If I take the understanding from the earlier quarter, around 48-50% for radiology, then we are seeing very strong growth in the radiology business, which is higher than the overall growth that we would have reported. Should we therefore anticipate stronger growth for the entire year led by radiology, which is generally believed to be a high-margin business?

Management: Mr. Surya, our focus is on driving both radiology and pathology together. In terms of the overall contribution, currently the numbers would be around 45:55. Depending on the pace at which Rajasthan eventually ramps up, the balance might tend to move toward pathology.

However, we are focusing on both engines, including radiology. Now that the MRIs are being operationalized, we also expect the MRI business to ramp up, and therefore the contribution will also come from the MRI business.

Suryanarayan Patra – PhillipCapital India: My second question is about RPL. Congratulations on the strong progress that you are witnessing in the initial quarter itself. That is really appreciable. At the same time, I wanted to check whether RPL is still negative at the EBITDA level because there is a drag, or whether it has already broken even and is contributing to the bottom line.

Management: RPL is currently at a negative EBITDA level in Q1 because we have deployed manpower. On the retail side, considering our operations in 5 states, we have to deploy the ground

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fleet, and that is one of the costs. As was also mentioned by Mitesh, by Q2 we expect RPL to become EBITDA positive, and from there it will continue its upward journey.

Mitesh: Thank you, Surya, for acknowledging the effort that we are putting into RPL. Secondly, while there is a drag, the drag has come down substantially compared with the previous few quarters. It is at a nominal level considering that this is Q1. As Mr. Yash has just mentioned, by Q2 we are looking to reach break-even, or become positive, for the entire RPL business.

Suryanarayan Patra – PhillipCapital India: Congratulations for that. Is it possible to give a sense that, while we would be seeing a relatively lower margin profile for this quarter compared with the trend that we would have established for our business so far, led by Rajasthan and RPL, what would be the absolute drag that we would see and that could be recovered in the subsequent period? Can you share that number?

Management: Surya, if you are asking about Krsnaa Diagnostics as a company as a whole, we expect the margins to improve quarter-on-quarter, as Mitesh also alluded to earlier. With Rajasthan revenue doubling in Q2, as we expect, and RPL becoming EBITDA positive, the overall drag will be lower in the coming quarters, and we see an uptick in margins going forward as well.

Suryanarayan Patra – PhillipCapital India: One point on CGHS, sir. I think...

Operator: Sorry to interrupt, Surya. Please rejoin the queue for follow-up questions. The next question is from the line of Lokesh from Velum Capital. Please go ahead.

Lokesh – Velum Capital: Good afternoon, Yash and team. Yash, my question is just for clarification. Is the radiology and pathology mix 45:55 this quarter?

Yash Mutha: It is 41:59. Sorry.

Lokesh – Velum Capital: We have seen that radiology has been flat in terms of revenue, even after the expansion 2 years ago from 148 centers to 180 centers. That expansion has not contributed much to the top line of radiology if I go by the revenue mix. What was the problem there?

Yash Mutha: What you are seeing reflects a slight difference in your understanding. The reason is that the Rajasthan contribution in this quarter has been significantly higher compared with radiology because the MRI projects were operationalized over, let us say, the last 3 months in a staggered manner. Therefore, we have not seen full utilization or full revenue contribution from the MRI projects. As these projects ramp up, you will see a contribution.

There was also an impact from some of the radiology projects that we lost in the last quarter because they completed their tenure. However, directionally, radiology is also improving quarter-on-quarter. Pathology is a larger project, so its contribution to revenue has been higher, and that will continue in the coming quarters.

As I said, we aspire to have radiology growth as well, with its contribution increasing in the coming quarters as these projects mature and become operational.

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Lokesh – Velum Capital: Is there a change in the mix of your centers where you have added some and lost some? The mature centers were contributing, and now the new centers have come in, so the business is flat. Is that understanding correct?

Yash Mutha: From a center-count perspective, it is not material. We have not lost a material project. The projects are still there. We still have the same number of centers. Even in the radiology center network that we have, the centers continue to operate. We have added more centers, and their revenue ramp-up is still underway.

The earlier or existing centers are also growing on a like-to-like basis. As I mentioned, they have grown almost 12%, and we expect that to continue growing in the coming quarters.

Lokesh – Velum Capital: Okay. Maybe I will take this offline.

Operator: Sorry to interrupt, Lokesh. Please rejoin the queue for follow-up questions. The next question is from the line of Aditya Chheda from Incred Asset Management. Please go ahead.

Pooja Sanghavi – Incred Asset Management: Hi, Aditya. This is Pooja Sanghavi. I wanted to understand the drivers of volume growth versus value growth for this quarter.

Mitesh: Hi, Pooja, Mitesh here. Volume growth is mainly on account of the expansion that has been carried out, particularly in pathology through Rajasthan and in radiology through the new MRI centers that have been added.

In parallel, the like-to-like business has also witnessed strong growth. This is based on the multiple activations, activities, and efficiencies that we have brought in. Value growth is mainly on account of the new footfalls that have been added and the repeat cycles, followed by and supported by the overall retail business, which has also contributed to value growth.

Pooja Sanghavi – Incred Asset Management: Understood. I have one more question. Can you clarify why fees to hospitals have jumped to a INR 40-crore run rate now?

Yash Mutha: As I explained earlier, fees to hospitals are an expense through which Krsnaa Diagnostics partners with certain local people who have expertise in specific operations, particularly for a large statewide deployment.

They undertake certain operations, and therefore there is an expense or revenue sharing that takes place with these partners. That expense is recorded under fees to hospitals. While the nomenclature might not be appropriate, it is essentially for the Rajasthan project. When the project was launched, some activities were undertaken by these partners, and therefore a certain revenue share goes to the partners who work alongside us in the statewide deployment.

Pooja Sanghavi – Incred Asset Management: Lastly, what is the status of receivables from Himachal and Karnataka?

Yash Mutha: In Karnataka, we have received money, and the funds have started flowing in. We have also seen an approval where the state government has approved certain funds, and the money has started flowing in.

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For Karnataka, it is still not at the level we expect. However, we have received assurances from both the ministers or ministries of these governments, and we are following up to receive the money.

Operator: Pooja, please rejoin the queue for follow-up questions. The next question is from the line of Deepak Ajmera from IGE India. Please go ahead.

Operator: Hello, Deepak. Please go ahead. As there is no response from Deepak's line, we will move to the next question, which is from Vivek Kumar from Bestpals Advisory LLP. Please go ahead.

Vivek Kumar – Bestpals Advisory LLP: Sir, am I audible?

Operator: Yes.

Vivek Kumar – Bestpals Advisory LLP: My question is on retail. You are doing most of your business in tier-2 locations, or at least that is my assumption. If my assumption is wrong, please correct me.

If you are operating in tier-2 and tier-3 locations, how are you trying to acquire customers and build their trust? Customers generally believe that they should not go anywhere unless a doctor has prescribed or recommended it. How are we building trust, or are we partnering with doctors?

How does the business model for retail work, particularly in these locations? What percentage of our retail business comes from tier-2, tier-3, and tier-4 locations? If you could explain in some detail how we are winning customers, that would be helpful.

Yash Mutha: It is a good question. In terms of how we attract retail customers, Krsnaa is present in tier-2 and tier-3 locations where there is currently not very strong competition. That is the first point.

Second, when we educate our franchisees or touchpoints that Krsnaa is backed by serving 3 crore patients, has the highest number of NABL and NABH accreditations in the country today, and follows strong quality practices in its operations, that is where doctors see the value. Pricing then also becomes an important element, as a result of which you have seen the kind of growth we have been achieving quarter-on-quarter.

As we mentioned earlier, from a business perspective, our customer acquisition costs are not significant. Rather, we try to leverage the infrastructure, quality, and accessibility that we have built.

Vivek Kumar – Bestpals Advisory LLP: So we partner with doctors, correct? That is the understanding.

Yash Mutha: No, we do not partner with doctors. We educate them that this is a company with operations in 18 states, these are our quality benchmarks, these are the prices that we offer, and we also have a broad test menu.

Mitesh: Mitesh here. Not exactly. In PPP, we already have the trust of more than 30,000 doctors in our system. When a report is released or authorized for a patient who is visiting a government hospital under any NHM scheme, the doctor sees that report and prescribes the further course of treatment. That report itself speaks clearly about the trust that we carry across the country, whether it is a doctor practicing in government hospitals or outside hospitals.

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Second, as Mr. Yash mentioned, accessibility and affordability are backed by quality. Our overall quality standards across India are higher than those of our nearest peer. All these factors play an important role.

Third, to support that statement, awareness is increasing across the country, and government healthcare schemes are making people more aware even in tier-2 and tier-3 towns. People there are also equally educated about getting tests prescribed by a doctor for illness or taking tests for their own wellness.

Vivek Kumar – Bestpals Advisory LLP: I understand. I just want a clarification. Normally, tier-2 and tier-3 doctors have their own partnerships with diagnostic providers, which creates a conflict because they receive money from those providers. How are you able to bypass that?

Management: We would not like to comment on that.

Yash Mutha: As a practice, considering the prices at which we offer our services and the value we provide, I do not think there is a need for any such associations or practices. We focus on the quality of the tests. That is all.

Operator: I request you to please rejoin the queue for follow-up questions. Thank you. The next question is from the line of Deepak Ajmera from IG Group India. Please go ahead.

Deepak Ajmera – IG Group India: Hello, am I audible?

Yash Mutha: Yes.

Deepak Ajmera – IG Group India: On the Himachal Pradesh project, we have added 22 new locations. What are our future plans and revenue guidance there, and how are we going to execute the project at these new locations?

Yash Mutha: As I said, it is a new project giving us revenue visibility over a period of 10 years. We started with Himachal Pradesh, and these additional 22 locations bring the total to 34 locations that we will be serving.

Predominantly, we are discussing this as an entirely cash-paying business. With regard to revenue and investment, we will provide these details in the coming quarters. There are still some discussions going on, so I will have more clarity in the coming days and then update you. We can also discuss this offline as and when the information becomes available to us.

Deepak Ajmera – IG Group India: Beyond Rajasthan, how are we going to grow in terms of revenue? Could you highlight that?

Yash Mutha: From a growth perspective, our like-to-like business, comprising the existing businesses established in previous years and the infrastructure that we already have in place, will continue to grow.

Rajasthan is another engine that we have added through the PPP projects, which will further add to the existing base. In addition, the new Himachal Pradesh centers and some more PPP projects in the pipeline, which we expect to materialize in the coming quarters, will provide another engine of

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growth.

The third engine is the retail business, which we have started expanding and which is also showing encouraging results. We are also launching some innovative products. As I mentioned earlier, we will be announcing some new products in the market very soon that combine diagnostics with financial protection.

There are multiple levers which, in our opinion, should give us directional growth and allow us to continue the journey upward.

Deepak Ajmera – IG Group India: On the margin front, you said operational efficiency will begin to take effect in Rajasthan. Could you highlight the margins we will achieve this year?

Yash Mutha: From a margin perspective, once the Rajasthan operation normalizes in terms of operational maturity, we expect margins to return to double digits by the end of the year as a whole.

Deepak Ajmera – IG Group India: On the retail front, we have achieved a quarterly run rate of around INR 19–20 crores. How do you see this progressing?

Mitesh: Good afternoon, Mitesh here. It is an emerging business, and I would still say that it is only scratching the surface. By the end of this financial year, we are hoping to grow exponentially from the current run rate.

The overall results and the feedback we are receiving from the market, whether from patients or doctors, are quite encouraging. This is based on the differentiators that we incorporated into our system when we were preparing to launch RPL a year ago.

Deepak Ajmera – IG Group India: Okay, thank you.

Operator: Thank you. The next question is from the line of Rajat from Tata Mutual Fund. Please go ahead.

Rajat – Tata Mutual Fund: Thanks for taking my question. Am I audible?

Yash Mutha: Yes, you are audible, Rajat.

Rajat – Tata Mutual Fund: I have one observation. If I look at employee expenses for the quarter, despite the start of Rajasthan and other factors, employee costs seem to be flat both on a year-on-year basis and on a quarter-on-quarter basis. I do not know whether you have answered this before, as I joined the call a little late.

Yash Mutha: In terms of employee costs, what has happened is that most of the employees, as our CFO mentioned earlier, came in toward the end of Q1. Some employees are also part of the partners or business associates with whom we work, and their costs are captured under fees to hospitals.

Importantly, as management, we have undertaken some rationalization of manpower costs, considering the multiple ways to continue driving our margins upward. This is why you see this trend. On a percentage basis, since employee costs are a percentage of revenue, they appear as a lower percentage. In absolute terms, there has been an increase, but we have still been able to

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control the expense so that it does not have a major impact on the financial statements.

Rajat – Tata Mutual Fund: Going forward, over the next 2–3 quarters, do you think employee expenses will remain in a similar range? As the project ramps up, will we need to hire more people, or has the hiring already been completed?

Yash Mutha: There will be some hiring because, as I said, some of the laboratories are still yet to be operationalized. However, the hiring will be in tandem with revenue growth. If revenue doubles, I do not think the impact of manpower costs will be significant in the coming quarters.

Rajat – Tata Mutual Fund: Sure. Thank you.

Operator: Thank you. The next question is from the line of Pooja from Credit Suisse Investment. Please go ahead.

Pooja – Credit Suisse Investment: I wanted to ask whether you can provide any guidance on recovery from Himachal and Karnataka. Would it happen by the end of Q3 or Q4?

Yash Mutha: On the recovery side, as I said, for Himachal Pradesh we have already received one communication through which certain funds have been allocated, and that money has already started flowing in.

For Karnataka, discussions are ongoing. We have made several representations, and along with the recent change in the ministry, there has also been some procedural delay. However, we expect the money to be collected by Q2.

Apart from Himachal Pradesh, Karnataka, and some receivables from Maharashtra, all other projects are on track in terms of collections. In these 3 states, the teams are working vigorously to recover the money due from the government.

Pooja – Credit Suisse Investment: Understood. For retail, as a percentage of sales, it is still 8%. Do we expect the mix to improve going forward?

Yash Mutha: Could you please repeat the question?

Pooja – Credit Suisse Investment: Retail as a percentage of sales is 8%. Going forward, do we expect the mix to improve?

Mitesh: Hi, Pooja, Mitesh here. Absolutely. That is what we are working toward. The network that has already been established in the market, the network currently being developed, and the network that we will continue to establish will all contribute.

Our target for this financial year is for retail's contribution to be in the range of 10–15%. Going forward, it will continue to add to the overall contribution.

Pooja – Credit Suisse Investment: Understood. Thank you.

Operator: Thank you. The next question is from the line of Surya Narayan Patra from PhillipCapital India Private Limited. Please go ahead.

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Surya Narayan Patra – PhillipCapital India Private Limited: Thanks for the outlook. On the CGHS front, this quarter we have seen industry peers benefit from it. It should potentially be sizeable for us. Have we seen any benefit from this?

Yash Mutha: The CGHS rate revision has been more on the hospital side. Since our rates are contractually based on tender rates, we do not see the benefit immediately in the current tenders. However, the forthcoming tenders will be benchmarked to the new rates, and that is where there may be a possibility of an upside. There will not be an impact on the current business.

Surya Narayan Patra – PhillipCapital India Private Limited: One clarification on volume growth. We have seen RPL showing robust volume growth, but if we adjust RPL's volume growth from the reported overall growth, it appears to be a flat performance for us.

What is causing this? Is it the effort that you have been making over the last couple of quarters to monetize your receivables, with those efforts continuing and thereby impacting volume? How should one view this volume performance?

Mitesh: RPL is a diversified business that has been operationalized to complement the existing PPP business. Overall volume growth is coming from both areas. RPL is showing higher growth because it currently has a lower base. PPP is a much larger business with a significant base, and it is growing at a pace driven by the addition of Rajasthan and the MRI centers.

In the existing businesses, volumes are in line with expectations. With the addition of Rajasthan and the MRI centers, and based on our predefined rates with the government, value is increasing proportionately.

Surya Narayan Patra – PhillipCapital India Private Limited: So we should not map industry volume growth to the volume growth of Krsnaa's PPP contracts?

Yash Mutha: From a volume growth perspective, the ramp-up in PPP sometimes happens exponentially because these are underserved areas. Therefore, volume growth would not necessarily move in the same way as the industry.

Our business model is differentiated, and our presence is in different locations compared with where our peers operate. I would not consider it an apple-to-apple comparison.

From a directional perspective, volumes have grown in both retail and PPP, and they continue to grow. This is also reflected in revenue, as Mitesh mentioned earlier.

In retail, we are seeing a significant increase in acceptance, with people accepting our wellness and illness packages. Similarly, on the PPP side, volumes in Rajasthan and the other radiology projects continue to grow.

Surya Narayan Patra – PhillipCapital India Private Limited: Thank you, sir. I wish you all the best.

Yash Mutha: Thank you, Surya.

Operator: Thank you. Ladies and gentlemen, due to time constraints, that was the last question. I would now like to hand the conference over to management for closing comments.

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Yash Mutha: Thank you, Sumeet. I hope we have been able to address all your questions today. If there are any queries that remain unanswered or if you require any further information, please feel free to reach out to our investor relations teams, and we will be happy to assist.

Thank you once again for joining us today and for your continued interest and support in Krsnaa Diagnostics. We look forward to speaking with you again in the next quarter. Thank you.

Operator: Thank you. On behalf of Equirus Securities Private Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.

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