Operator: Ladies and gentlemen, good day and welcome to the Thyrocare Technologies Ltd. Q2 FY27 earnings conference call. As a reminder, all participant lines will be in listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during this conference, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Pritesh Parikh from Thyrocare Technologies Ltd. Thank you, and over to you, sir.

Pritesh Parikh: Thank you, Darwin. Good evening, everyone, and thank you for joining us today. I am Pritesh Parikh from the Strategy and IR team of Thyrocare. It is a pleasure to welcome you all to our Q2 FY27 earnings call. Joining me on the call today are Mr. Rahul Guha, our MD and CEO; Mr. Rajdeep Panwar, our Chief Commercial Officer; Mr. Ramesh Menon, our Chief Operating Officer; and Mr. Vikram Gupta, our Chief Financial Officer. I hope you have gone through our results release and the quarterly earnings presentation and press release, which have now been uploaded on the stock exchange website. The transcript of this call will be available in a week's time on the company's website. Please note that today's discussion may be forward-looking in nature and must be viewed in relation to the risks pertaining to the business. After the end of the call, in case you have any further questions, please feel free to reach out to us through the Investor Relations team. I now hand over the call to Mr. Rahul Guha to make the opening remarks.

Rahul Guha – MD & CEO: Thank you, Pritesh. Good evening, everyone, and thank you for joining us today. As in all my calls, I will begin with a quote from Nelson Mandela in recognition of our foray into Africa: “It is in your hands to make a better world for all who live in it.” We believe Thyrocare has the opportunity to take its proven business model and make affordable, high-quality diagnostics accessible to many more patients.

Diagnostics today has moved from a back-end support function to the center of clinical decisions and preventive care. That is exactly where our model of affordable, accessible, and dependable testing fits. Technology is a growing part of that story. We continue to invest in digital capabilities across booking, logistics, lab operations, and reporting, which improves efficiency today and prepares us for future innovations.

Continuing the growth momentum of over 20% achieved in each of the past 2 years, our pathology business grew even faster in Q2 FY25, delivering 27% growth. This performance reflects our sustained investments in service levels and quality, which continue to strengthen our franchisee network.

During the quarter, we recorded our highest-ever franchisee additions, taking our active franchisee base to over {? 12,981 ?}, four times the base we started with at the time of the acquisition. Our laboratory network has expanded from 17 labs in FY21 to 49 labs today, of which 5 new laboratories were opened in Q2 FY25. Across most of India, a Thyrocare lab is now within 150 km, so samples no longer travel to Mumbai except for specialized tests, thus enabling faster and more efficient turnaround times.

Report is AI-generated and may contain inaccuracies.

Our test menu has grown nearly five-fold to more than 1,420 tests, and our quality backbone has grown with it. We have more than 108 MD pathologists, and every lab we own is NABL-accredited, in a country where only 2% of labs carry that accreditation. On the collection side, our 2,100-plus phlebotomists, one of the largest home collection networks in the country, arrived on time for 99% of visits.

The most exciting part of this year is specialty. We took the Thyrocare playbook of scale, reach, and affordability into specialty diagnostics, starting with allergy and genomics. The business is now live and gaining steady traction. We call this journey from routine to remarkable the next frontier of diagnostics.

Specialty diagnostics in India is underpenetrated, expensive, and fragmented. These are the same problems Thyrocare solved in routine and preventive testing. Our operating model, built on scale, automation, quality, and affordability, is why we believe we can win here.

Our investments in expanding in-house capacity and broadening our test portfolio have enabled us to progressively bring specialty testing in-house, reducing our reliance on reference labs. Building on our historically modest specialty testing portfolio, the recent additions in allergy and genomics are beginning to deliver encouraging results.

While the specialty segment currently contributes only around 4% of our pathology revenues, the early traction reflects the benefits of our strategic investments, enhanced in-house capabilities, and continued expansion of our test menu. This is not just a portfolio expansion. It is a proven execution engine pointed at a larger, fast-growing segment. Our ambition is to build one of India's most trusted, accessible, and scalable specialty diagnostics platforms, and with it, the company's next long-term growth engine.

On NHL, Nuclear Healthcare Limited, as approved by our Board in the Q1 meeting and as communicated during our previous investor call, we have initiated the process for shareholders' approval for the disinvestment of NHL, our radiology business, for a consideration of 141 crore to Provera, which is a mix of cash of 81.9 crore and equity of 59.5 crore.

The decision was taken after considering the strategic rationale, including the focus of management on the pathology business, where growth, profitability, and return on capital are much higher. The return on capital employed, or ROCE, of Thyrocare is 34.95%, while NHL's ROCE is 6.95%.

The limited growth prospects of NHL as a standalone PET-CT player in the competitive integrated radiology market are reflected in NHL's degrowth of minus 9% in the past 5 quarters, negative 9% versus positive 22% average growth for Thyrocare standalone. NHL is pulling the consolidated revenue growth rate and EBITDA margin down by 2% and 1%, respectively.

NHL also has low operating PAT, and the investment required to continue Nuclear, as many pieces of equipment are at the end of their lives, is substantial. Hence, we took the decision to exit NHL.

Provera is a more scalable platform that will consolidate India's fragmented radiology market by acquiring established doctor-run centers and integrating them through centralized radiology

Report is AI-generated and may contain inaccuracies.

reporting, shared procurement, and back-office efficiencies. Excluding NHL, Provera has already executed definitive binding agreements for acquiring 39 radiology centers. We feel NHL will have found a good home in Provera in the competitive radiology market.

I am also pleased to announce the launch of our pregnancy test kit, a rapid home testing solution that delivers results in just 5 minutes. We have onboarded Yami Gautam as our brand ambassador to strengthen awareness and consumer outreach for this product. This launch marks the first of several products in our pipeline, and there will be more news to come in the coming quarters.

With that, I will now hand over the call to Rajdeep to take you through our business and commercial performance.

Rajdeep Panwar - Chief Commercial Officer: Thank you, Rahul, and good evening to everyone joining us.

We continue to deliver strong growth numbers, with consolidated revenue delivering 25% year-on-year growth in Q2 FY24. Aarogyam, our flagship preventive brand, and Jaanch, our curative and chronic care range, continue their strong growth momentum. While Jaanch is still only 2.5% of pathology revenue, it grew by {? 58% ?} and is fast becoming a strong pillar of our non-lifestyle portfolio.

Let me now break this down across our key business segments. Our franchise business grew 27% year-on-year. We added about 1,180 franchisees in the quarter, our highest quarterly addition in 3 years, taking the active base of franchisees to a record of 12,900 and above.

We also continue investing in our relationship with channel partners. During the quarter, we held 2 structured partner meets regionally and 1 round-table conference with doctors, giving partners a platform to have an open dialogue with our doctors. The feedback and knowledge sharing in these forums happen very consistently. These meetings continue to shape our service levels and our next set of initiatives.

Specialty, which Rahul spoke about, is now commercially live and building momentum. Our dedicated specialty team works directly with physicians, hospitals, and healthcare institutions through scientific discussions, one-to-one engagement, and visits to their clinics and labs, so that they can see our quality system first-hand. The goal is not more tests or revenue; it is sustained clinical adoption. Affordability, scientific engagement, and our national network together allow us to take advanced diagnostics to far more patients than the segment reaches today.

Moving to our partnership business, the business grew 28% year-on-year. Growth was led by insurance and healthtech, along with continued scaling of existing accounts. Our API-based integration lets partners switch on diagnostics across multiple cities very quickly, which strengthens our position as a preferred B2B business partner.

This growth has been led by strong momentum in the insurance and healthtech segments, along with controlled scaling of existing accounts. Our API-based integrations are also enabling partners to expand diagnostics offerings across multiple cities seamlessly, which is easing our positioning as a preferred B2B partner.

Report is AI-generated and may contain inaccuracies.

As Rahul mentioned, this quarter we also stepped into the consumer products business with the launch of the Thyrocare Pregnancy Test Kit. It is a rapid home test that gives a result in 5 minutes with 99% accuracy when used as directed, at an MRP of just Rs.60.

What makes it distinctly Thyrocare is the second assurance that comes with it. Every kit carries a coupon for a beta-hCG blood test at half price, 399 instead of 800, which can be booked for home collection or at a Thyrocare outlet. One kit with 2 assurances: a quick answer at home and lab confirmation 1 step away. It also brings a new customer into our network at the moment when it matters.

To drive wider adoption, we are leveraging the API Holdings Group's distribution network through PharmEasy and Ascent, respectively, to make the kit accessible to consumers. Today, we are already present in 10,000-plus pharmacies.

Across channels, our focus remains on depth, improving partner productivity, and widening the value we deliver through a broader test portfolio, stronger service, and now, our own products.

With that, I will hand it over to Dr. Caesar to walk you through the operation and lab initiatives.

Dr. Caesar: Thank you, Rajdeep. Good evening, and a warm welcome to everyone joining us today.

I will focus on 3 areas today: first, our lab network; second, our operational capabilities and research; and third, how we are improving the experience of patients and doctors.

Starting with the lab network, we now operate 48 labs in India and 1 in Tanzania. This quarter, we added 5 new labs: 4 Regional Processing Laboratories at Asansol, Nashik, Madurai, and Jabalpur, and 1 hybrid lab partnership at Jamshedpur. Each of them brings processing capacity closer to the fast-growing Tier 2 and Tier 3 markets, where demand for quality diagnostics is rising fastest.

Now to the second area: our operational capabilities and research. We continue to widen the specialized specialty portfolio, building on the foundation we laid earlier this year with genomics, specifically non-invasive prenatal testing and allergy testing during the start of this year. Our approach remains measured: introduce clinically relevant offerings, invest in physician education and scientific engagement, and then scale adoption over time. In specialty, credibility comes before volume.

Now the third area: patient experience, which is something I care deeply about. Diagnostics is fundamentally a trust business. Every improvement we make is driven by a simple question: does this make the patient and doctor feel more confident in us? We are answering it through 4 pillars that underpin trust in medical diagnostics.

First, accuracy and quality, which remain non-negotiable. With our NABL-accredited labs and continuous investment in state-of-the-art equipment and upgrades, 96% of samples were processed in NABL-accredited labs this quarter.

Second, faster resolution when things go wrong. We strengthened our complaint channels, shortened resolution times, and communicated more proactively with patients. Complaints fell to 2.9 per million tests in Q2, comfortably within Six Sigma levels, and this is the lowest we have ever

Report is AI-generated and may contain inaccuracies.

recorded.

Third, faster reports. Better logistics, tighter lab processes, and the opening of new labs have brought our average turnaround time to 3.5 hours in the quarter.

Fourth, we continue to strengthen trust with doctors, who are often the patient's first point of contact. We host doctor meets at our own laboratories, giving physicians first-hand exposure to our quality systems, equipment, and processes. This quarter, we conducted 45 such meets, engaging over 100-plus doctors. In addition, our CMEs and RTM meetings help us connect with nearly 300 specialist doctors. These relationships are increasingly important as we expand our specialty portfolio, where doctor-led adoption plays a very critical role.

Overall, we are building an operational asset that can scale quickly without compromising on quality or experience.

With that, I will now hand it over to Vikram for the financial performance.

Vikram Gupta - Chief Financial Officer: Good evening, everyone, and thank you for joining us today. I am pleased to report that we delivered another quarter of strong financial performance driven by consistent revenue growth. Thyrocare has consistently delivered a 20% growth rate over the last 9 quarters, with the last 2 quarters growing faster at 25% growth. This sustained performance reflects the strength of our business model.

Now let me take you through the key financial highlights for the current quarter. Starting with revenue, our standalone revenue came in at Rs.256 crores, which is 26.7% up year-on-year, driven by strong growth across both our franchisee and partnership businesses. On a consolidated basis, revenue stood at Rs.271 crores, representing a robust 25% year-on-year growth.

Moving to margins and profitability, our consolidated gross margin was 74.2%, reflecting an improvement of more than 190 basis points year-on-year. This was largely driven by a strong 27% growth in test volumes, which helped us improve operating efficiencies.

Employee and other overheads increased year-on-year primarily due to inflation, higher volumes, lab expansion, and investment in new growth areas like specialty and the pregnancy kit. Our EBITDA margin for the quarter was 33%, with year-on-year growth of 25%. Profit after tax before exceptional items stood at Rs.60 crores year-on-year, with a PAT margin of 22%. Earnings per share before exceptional items for the quarter was Rs.3.78, compared to Rs.3.01 last year, representing year-on-year growth of 26%.

For the half year ended September 30, consolidated revenue is up {? precisely ?} by 25%, and EBITDA and PAT are growing year-on-year by 29% and 30%, respectively.

Now coming to the accounting and exceptional items pertaining to the NHL acquisition. As covered by Rahul, the Board of Directors of the company has approved the proposed sale of the company's entire shareholding in Nueclear Healthcare Limited for an aggregate consideration comprising cash and equity amounting to approximately Rs.141 crores.

Report is AI-generated and may contain inaccuracies.

Since the requisite shareholder approval and execution of the SPA remain pending, no held-for-sale or discontinued-operation classification under Ind AS 105 has been taken in this quarter's results. Nueclear Healthcare Limited continues to be consolidated as a wholly owned subsidiary in the H1 and quarter financials.

Separately, based on the latest valuation and term sheet, we have reassessed NHL's carrying value and taken an impairment of Rs.9 crores in Thyrocare's standalone books and Rs.45 crores in the consolidated financials against the goodwill arising from the acquisition of NHL. Please note that this is a non-recurring and non-cash charge and does not have any impact on the operational performance of the company.

Just to summarize how the impairment has been taken in the standalone financial books and the consolidated financial books of Thyrocare: in FY20, NHL's book value was written down to about Rs.150 crores in both the standalone and consolidated books, and for this, the company provided a Rs.44 crore impairment in the standalone books and a Rs.6 crore impairment in the consolidated books as per Ind AS accounting.

Since then, the standalone value has stayed at Rs.150 crores, while in the consolidated books, the net worth has grown with NHL's profits from FY20 to FY23. This gap in carrying value in both the standalone and consolidated books explains the different impairment charges in the 2 books this year. However, as covered earlier, this charge is one-time and non-cash, with no impact on the operational cash flows.

Our balance sheet continues to be strong and resilient, with net cash and equivalents of over Rs.211 crores and zero debt as of September 30, 2023. In cash flow, during H1 24, we generated INR 133 crore from operating activity. During H1 24, capex of Rs.30 crore was invested on account of new lab expansion, 5 in this quarter and 3 in Q1, and capacity capex to support 27% volume growth. In the balance of the financial year, we are expecting a similar capex investment for the growth of the business.

Overall, our steady performance reflects disciplined execution and a focus on profitable growth. We remain committed to delivering consistent financial performance while continuing to invest in strategic initiatives that will support our long-term growth agenda.

With that, I hand it back to Rahul for the strategic update. Thank you.

Rahul Guha – MD & CEO: Thank you, Vikram. Briefly, I would like to take a few minutes to recap our strategic direction, and then I will open it up for Q&A.

First, our value proposition to the customer. We will remain an affordable option for every patient, with good quality and on-time reports. Everything we do on this front is about low cost to the patient and assurance on quality through our certification and engagement with doctors. You can see the progress in this quarter's numbers: 3.5-hour turnaround time, 2.9 complaints per million tests, and our NABL accreditation footprint. This will remain at our core and will continue to guide everything that we do.

Report is AI-generated and may contain inaccuracies.

Second, our strategy. We remain the B2B partner of choice for every front-end diagnostics business in India, whether it is a small diagnostic center in a semi-urban area, a pharmacy in a metro, a small nursing home, an individual doctor, or a leading online diagnostics platform or healthtech marketplace.

We give them low-cost, robust testing so that they can serve their patients well. If they need phlebotomy, we mobilize our network of over 2,100 phlebotomists, including our network partners.

Management: The numbers bear this out. The strategy has been working well for us, with both our franchise and partnerships businesses posting strong growth.

Two natural extensions of this strategy are now live: specialty, where an on-ground technical sales team is driving doctor-led adoption of allergy and genomics testing at the same quality and affordable prices as our routine and preventive tests, and which marks our real entry into curative diagnostics; and our own products, starting with the pregnancy kit, which connects a quick answer at home to confirmation in our lab.

More of both are in the pipeline, and we look forward to sharing them over the coming quarters.

That, in brief, is our mandate as management.

Thank you for giving us a patient hearing. I will once again end with a quote from the Mahatma: “Find purpose, the means will follow.” Our purpose remains to provide affordable, high-quality testing to the masses.

With that, we will open up for Q&A.

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 please use handsets while asking a question. We also request that you please restrict yourselves to 2 questions per participant. If you have any further questions, you may rejoin the queue. Ladies and gentlemen, we will now wait for a moment while the question queue assembles.

Our first question comes from the line of Surya Patra with PhillipCapital. Please go ahead.

Surya Patra – PhillipCapital: Thank you for the opportunity, sir, and congratulations on the great set of numbers. My first question is on the franchisee addition growth that we are seeing, with the highest-ever franchisee addition in a quarter. The industry is struggling to have around 15% or mid-teens volume growth. In such a scenario, we are delivering franchisee addition growth of more than 25%. How should one think about whether this is an elevated norm now, or whether this is a quarter-specific surprise that we are seeing?

Management: Thank you for the question, Surya. As you know, I am a glass-half-empty kind of person, [laughs] you know. I am definitely very pleased with the franchisee additions in this quarter, right?

Report is AI-generated and may contain inaccuracies.

But if you look at it historically, between Q2 and Q3, we have never added franchisees, except when we acquired Polo and Vimta. Otherwise, if you go historically, Q3 is a tough quarter to add franchisees. To that extent, we put in all our efforts in Q2 to ensure that we could maximize the opportunity in Q2, and that worked out very well for us.

However, I do not anticipate a significant addition in Q3, and I am hopeful that we will go back to our normal pace in Q4, right? So,

Surya Patra – PhillipCapital: Okay.

Management: I guess that is a long answer to your question, but I would say that we are positively surprised by the number of franchisee additions in Q2 versus our plan. However, it is too early to commit that this will be the normalized run rate of franchisee addition. I will need to see 1 or 2 more quarters of this kind of execution from Rajdeep and his team. I think then we will be more confident about the guidance.

Surya Patra – PhillipCapital: Sure, sir. But is it fair to believe that we are surpassing the annual guidance of 1,500 for sure? That is—

Management: That [laughs] we have already—I cannot [laughs]—it is difficult to say yes. [laughs] It is difficult to counter that statement. Yes.

Surya Patra – PhillipCapital: Sure, sir. My second question is about the pregnancy kit with the lab-based combination that we have introduced. Obviously, this is a unique offering from our side in the industry. I wanted to understand something about the economics of this revenue stream, because the device is a Thyrocare-branded product.

Management: Yes.

Surya Patra – PhillipCapital: If you can talk about the supply chain that you have planned for this, that is one question. Secondly, what is the role of API here in this revenue stream? And ultimately, what margin should one expect from it?

Management: Thank you for that question, and thank you for studying it in detail and seeing that it is definitely a differentiated offering from the current products out there, right?

Surya Patra – PhillipCapital: Sure.

Management: From an economic standpoint, I would say the gross margin of this business is more or less comparable to our diagnostics business, and the EBITDA margin of this business is also at a normalized level comparable to our pathology business.

Of course, in the next few quarters, we will invest heavily to market and promote the product, right? I do not anticipate this being EPS-accretive for at least the next 3 quarters, right? We will do a lot of out-of-home media, and we have invested in Yami Gautam as our brand ambassador, so all of those are at a cost that is already baked into Q2, right?

We anticipate continuing those investments for at least 3 more quarters, right? From a bottom-line point of view, we should not expect anything from this initiative because we are investing to

Report is AI-generated and may contain inaccuracies.

establish the brand and the presence and all of that.

With regard to the supply chain, we have 2 vendors who assemble and manufacture the kits for us under stringent Thyrocare quality standards. We have our own QC and validation that validates the kits and all that. However, we are using outsourced vendors; we are not yet taking it in-house because we have not seen the volumes as yet, right? That is the backend supply chain.

When it comes to the role of the group, as you probably know, Ascent is one of the largest distributors to chemists in the country. Of course, being a sister concern in the API Group, Ascent is distributing these pregnancy kits across the country.

So far, they have managed to place the pregnancy kits in 10,000 chemists as of today. We have the retail distribution from Ascent, and PharmEasy has also listed it on its own platform. More importantly, a lot of the quick-commerce partners that we work with have also listed the pregnancy kits on their respective platforms.

The kit is available online, in quick commerce, as well as in offline chemists. As of now, it is available in 10,000 offline chemists.

Operator: Thank you. Mr. Patra, kindly come back for a follow-up question. The next question is from the line of Mohit Jain from Dayaram Wealth Managers. Please go ahead.

Mohit Jain – Dayaram Wealth Managers: Good evening, sir. Thank you for the opportunity, and congratulations on a great set of numbers. My first question is regarding the partnerships. Can you throw some light on what exactly has led to this 32% increase in volumes? Insurance usually does this at the beginning or at the end of the year. I am unable to calibrate this. Is it mainly through online aggregators?

Management: I will let Rajdeep take this question. Rajdeep, do you want to answer?

Rajdeep Panwar – Chief Commercial Officer: It is a mix. I would bifurcate it into the bigger pie of business that contributes to the partnership side of it. The topmost player is definitely PharmEasy, which contributes around 11% of it.

Then it is followed by similar kinds of platforms, which are corporate and very large businesses. It would be difficult for me to communicate the names, but the fact is that these are definitely online players who do a lot of SEO online, and in most cases, they are regionally very strong players. Those are the first kind of partners.

The second, along the same lines, would be the ones who do a lot of onboarding with corporates on the partnership side of the business. These are the ones who handle the corporate side of the business and have many corporates onboarded with them.

Then comes the insurance component, which you rightly mentioned. Since the numbers are only at the beginning or perhaps at the end of the insurance period, those numbers are not really very big, I would say.

Report is AI-generated and may contain inaccuracies.

Mohit Jain – Dayaram Wealth Managers: All right, understood. One more question: is there any news on the API–Thyrocare merger or reverse merger? Can you throw some light on that?

Management: [pause] Could you repeat the question?

Mohit Jain – Dayaram Wealth Managers: There is some news about an API and Thyrocare merger or reverse merger. Can you throw some light on that?

Management: I have spoken about this very publicly as well. At this point in time, there is no evaluation of any type of corporate action, whether it is a reverse merger, IPO, or anything of that nature.

I have given 2 milestones before any of this conversation starts. The first is that the API Group should be debt-free. That milestone was achieved earlier, just a few months ago.

More importantly, the second milestone is that API Group excluding Thyrocare turns profitable, right? We are still about 2 or 3 quarters away from that milestone. I have guided to API Group excluding Thyrocare turning profitable by Q4 FY27.

It is only by then that I think any kind of corporate action would even be in the realm of discussion, because with 1 company doing so well on the profitability side and the other company being loss-making, I think it will be difficult to convince the majority, if not the minority, to support that kind of corporate action at this point in time.

This discussion is too premature. It will be taken up once API Group can stand proudly and say that, excluding Thyrocare, it is profitable. After that, all options are open, whether API Group would like to do an IPO on its own or explore a reverse merger. That will be a subject of discussion once we cross this milestone.

Mohit Jain – Dayaram Wealth Managers: All right, that makes sense. Can I squeeze in 1 more question?

Management: Yes, 1 more question.

Mohit Jain – Dayaram Wealth Managers: I also wanted to understand the franchisees. We have already added 2,000, so are we being too aggressive, or is churn expected later?

Management: First, this is a net addition number, so it always accounts for churn, right? As I said, in Q3, except for last year when we acquired Polo and Vimta, we saw a jump in franchise addition. If you go back in history, it is a very rare event to be able to add franchisees between Q2 and Q3.

On a lighter note, Rajdeep is confident that he will do it this year, [laughs] but perhaps you can give more context, Rajdeep, on the franchise addition. Have we been too aggressive in H1? Over to you.

Rajdeep Panwar – Chief Commercial Officer: I think that if you had heard previous discussions on the same topic, you would find that the seeding happened much earlier in the form of the sales organization. The seeding happened last year when we built a field sales organization for hunting and looking for franchisees.

Report is AI-generated and may contain inaccuracies.

What you are seeing is actually the growth resulting from the many attempts made in the last quarter of the last financial year and definitely the first quarter of this financial year. That is what is resulting in what you see today in terms of numbers.

The expectation remains the same, and as Rahul also mentioned, I am confident that we will keep adding franchisees. I do not foresee any reason for us not to keep adding. However, seasonality in the business works, and the launches and all the auspicious occasions that happen across the year also have an effect. That is one of the components that fluctuates when people get into a new business.

Keeping all that in mind, I still think that we will continue to maintain the momentum.

Operator: Thank you, Mohit. Kindly come back for a follow-up question. Participants, you may press star and one to ask a question. The next question is from the line of Taran from Tamohara Investment Managers. Please go ahead.

Taran – Tamohara Investment Managers: Thank you for the opportunity, and congratulations on a good set of numbers. My question is in line with the earlier question about reverse-merging the PharmEasy business. Fundamentally, the 2 businesses are different, so I understand that you will consider it after the 2 conditions are met in the future.

However, we sold Nueclear earlier because it did not align with the capital efficiency and growth of the pathology business. We sold it at 140 crore, so I wanted to understand the logic of merging a completely different business into this, even if we consider it in the future. This is my first question.

Rahul Guha – MD & CEO: It is too premature to answer that question. As I said, we are right now focused on execution and ensuring that we achieve the milestones we have committed to, both in Thyrocare as well as in the API Group.

Therefore, I have not even spent too much time thinking about all of this. My suggestion is that we hold off on these questions until I have achieved the milestones.

Taran – Tamohara Investment Managers: Okay, fair enough. Thank you. My second question is whether you are open to acquiring any assets in the genetic testing space.

Rahul Guha – MD & CEO: Absolutely. We are open to all sorts of acquisitions, whether for geographical expansion—I have been very vocal about Gujarat, Rajasthan, the Northeast, and parts of South India where we have historically been weak. We have been evaluating almost any kind of asset in these geographies, as well as specialty, genomics, and any differentiated testing that we think would be a huge value-add to our portfolio. We are always on the lookout.

Taran – Tamohara Investment Managers: Okay, thank you so much for that.

Operator: Thank you. The next question is from the line of Aditya Khemka from InCred Asset Management. Please go ahead.

Aditya Khemka – InCred Asset Management: My question is on franchisee productivity. Franchisee revenue per active franchisee appears to be in the range of 1.2 lakh per quarter for the last 4 to 5

Report is AI-generated and may contain inaccuracies.

quarters. Would growth largely be driven by the franchisee count, or should we directionally also see higher productivity per franchisee?

Rahul Guha – MD & CEO: When you are adding 20% of the base every year, new franchisees, as I have always said, come at a lower average revenue per franchisee. Of course, I have always shared how mature franchisees grow.

These 2 factors, with a 20% franchisee addition, neutralize each other. If you look at it, for possibly the last 12 quarters, the average revenue per franchisee has more or less remained range-bound in that 1,20,000 range. That is the effect of older franchisees going up while newer franchisees are starting on a lower base.

I do not expect that mix to slow down, at least for some time. I would bet more on franchisee addition than revenue per franchisee driving the growth.

Aditya Khemka – InCred Asset Management: Understood. If I break down the test volume, which was 7%, with patients being up 13%, what is the strategy around higher tests per patient, which is up 12%? Is it bundling? Directionally, what would be the qualitative nature of test growth going forward?

Rahul Guha – MD & CEO: I said this last time. Our strategic intent is to increase the revenue per patient, and as you rightly pointed out, that is through bundling.

You have to remember that at a patient level, all our costs are fixed, whether I send a phlebotomist to your house, transport the sample in the mid-mile, or process the vial in the lab. All of those are linked at a patient level. Every additional test that we sell at a patient level actually comes only at gross margin, because all the other fixed costs are already linked to the patient collection.

Our focus has been to increase the revenue per patient, and we have been quite successful at that by ensuring bundling and improving the tests-per-patient mix.

Overall, it makes sense commercially, but more importantly, it also benefits the patient. It allows patients access to a broader set of tests and a larger bouquet of tests to help manage their health better.

Keeping aside the commercial side of it, I think it is really part of our mission to ensure affordable, good-quality testing. We should make it easy for a patient to test comprehensively and ensure that their health is in good shape.

It makes commercial sense, but we are more patient-centric on that front. Therefore, when we think about being broader in our test menu and test bouquet through bundling, it is to help the patient manage his or her health better. Commercially, it also yields better revenue per patient as well as much better profitability. However, the anchor is the patient.

Operator: Thank you. Aditya, I will request you to come back for a follow-up. The next question is from the line of Ashutosh from Mirabilis. Please go ahead.

Report is AI-generated and may contain inaccuracies.

Ashutosh – Mirabilis: Thank you for the opportunity, and congratulations on the continued great execution. I have a couple of questions. First, on the specialized testing side, we announced this a couple of quarters ago, and this will be a longer journey, as you rightly said. I wanted to understand where we are in this journey and what kind of portfolio we will try to build here. Could you throw some light on that?

My second question is on the new D2C foray that we have made with this test kit launch. Would we try to build more of a D2C-centric focus here with the new product pipeline that you highlighted for the coming quarters? Given the context of investing in both these areas, how should we look at the margins over the next 1 to 2 years?

Rahul Guha – MD & CEO: I will answer the second question and then hand over to Rajdeep to answer the specialty question.

On the second question, we definitely think of point-of-care as a large opportunity for Thyrocare, where we have a point-of-care device backed by a lab test. We feel that is an excellent value proposition to the patient or customer.

We will definitely look at launching more devices along the same theme. However, I would not like at this point in time to divulge the exact products that we will launch, because that is a matter of strategy. We will definitely continue down the same path.

On the subject of specialty, Rajdeep, you can take that.

Rajdeep Panwar – Chief Commercial Officer: On the specialty side, what we have picked up as a menu to start with is reproductive genomics. The testing we are picking up and building is around that.

If you look at the test menu we are considering, it is mostly related to maternal screening and then further moving towards more detailed diagnosis in that area. We have built the team around that.

The team we have is from the industry itself, and these people have very good scientific know-how of the tests and of the way they usually meet with clients, which includes doctors, nursing homes, and other practitioners who are practicing these kinds of clinical services in the market.

What was the other query you had on specialty?

Ashutosh – Mirabilis: [inaudible]

Rajdeep Panwar – Chief Commercial Officer: I am sorry, I cannot hear you clearly.

Ashutosh – Mirabilis: [inaudible]

Rajdeep Panwar – Chief Commercial Officer: I think there is a network issue at his end.

Ashutosh – Mirabilis: Hello?

Rajdeep Panwar – Chief Commercial Officer: Yes.

Report is AI-generated and may contain inaccuracies.

Ashutosh – Mirabilis: On the specialty side, have we started launching tests, or are we in the process of launching tests?

Rajdeep Panwar – Chief Commercial Officer: We have started testing. We actually invested in the capex for this last financial year. We launched specialty as a segment in May, and we have started marketing these tests and have also started testing.

Operator: Thank you, Ashutosh. I will request you to come back for a follow-up. The next question is from the line of Mohit Jain from {? Jayram ?} Wealth Managers. Please go ahead.

Mohit Jain – Dayaram Wealth Managers: Yes, sir. I have a small question. If we look at Twitter, we have seen many complaints regarding report delivery or the phlebotomist not arriving on time. If we look at the presentation and your guidance, the issues that we face are no longer there, and 99% of the complaints are reduced by 24%. Could you provide some guidance on that?

Rahul Guha – MD & CEO: We serve 1 lakh patients every day. Even at 99%, there are 1,000 patients where we show up late, and all 1,000 of them get very upset and take to social media. That has become the norm.

However, the footprint is 99% on-time arrival. We measure it and track it daily in the organization. As I said, at our scale, 99% still means 1,000 late arrivals a day, 30,000 over a month, and 3.5 lakh over a year. That is bound to make its way into social media.

Rajdeep, do you want to share how we track it and—

Rajdeep Panwar – Chief Commercial Officer: I think there are a few more facts around it. It is across 4,500 pin codes where we manage this, which also includes a remote location in a particular city. It also includes cumbersome travel by an individual from one location to another, which may extend to 15-20 km. There may be its own hindrances on the way, such as traffic and so on.

However, we have a very stringent phlebo-tracking mechanism. The phlebotomist uses an application, and this application gives him directions. We also have a timestamp for every aspect of the individual's work, such as starting his journey, reaching the customer's place, billing the patient, collecting the sample, and then entering all the required information and sending the picture of all of that to the server.

These timestamps are how we are able to communicate to you that this is 99%. We have all these tracking mechanisms with which we control all of this. As Rahul mentioned, this 1% is around 1,000.

Sujeet – Individual Investor: All right, okay. That is it from my side. All the best.

Rajdeep Panwar – Chief Commercial Officer: Thank you.

Operator: Thank you. The next question is from the line of Chintan Sheth from Girik Capital. Please go ahead.

Chintan Sheth – Girik Capital: Thank you for taking my question. I hope I am audible.

Rahul Guha – MD & CEO: Yes.

Report is AI-generated and may contain inaccuracies.

Chintan Sheth – Girik Capital: I have 2 sets of questions. One is on the write-off. In the initial announcement that we saw on the exchange at the time of the announcement of the Nucleus deal, we mentioned that there was a net worth of around 80-odd crores. We sold it at 140-odd crores.

I am trying to understand the write-off that we have accounted for this quarter. You tried to explain it in the initial comments, giving details about the goodwill and everything. If the book value of the business was 80-odd crore at the end of March and we sold it at 140, ideally there should be a gain on the sale of the asset. That is what I expected, but I would be happy to hear the reason for the write-off.

The second is a 2-part question largely on the margin front. Given the new initiatives we are planning, including the devices and specialty division, how should one look at the margins as these businesses or initiatives scale up?

Initially, the heavy lifting will be done by the existing cash-generating businesses. Will that affect the margin trajectory? Could you provide some color on how the margin trajectory will play out while we invest heavily in awareness, people, processes, and everything else?

Would the margin be different from what we have achieved over the last few years? Would the impact be higher?

The second sub-part is the employee cost, which was elevated this quarter. You highlighted it in the initial remarks as well. Is this the run rate we should expect in subsequent quarters? Those are the questions I have. Thank you.

Rahul Guha – MD & CEO: I will take the second question first, and then, Vikram, you can take the question on the impairment.

As I have been guiding in the past, we will reinvest the operating leverage in growth. I have been saying that broadly 32% EBITDA was where we closed last year, and I have been saying that we will maintain that range of EBITDA. When your—

Rahul Guha – MD & CEO: —growth is 25%, your cost never grows at 25%, so you get significant operating leverage in the business.

I have been using that operating leverage to fund all these investments: the edge genomics, the field force team, the investments in launching the pregnancy kit, and both brand ambassadors, Madhuri Dixit and Yami Gautam. All of that has come from operating leverage.

Even though I have been saying a 31.5% to 32% margin, in H1 we delivered a 32.6% margin, so some of the operating leverage still came through. However, I have always maintained that we will be measured in our investments, and it will depend on the operating leverage that we get out of the business.

I would say that a long-term guidance of about 31% to 31.5%, where we are funding all these investments for growth, is what I would anchor on, and not above that.

Report is AI-generated and may contain inaccuracies.

Coming to your question on employee costs, as you rightly pointed out, all this field force, new labs, and new technologies require people, and that is what you see in the people costs. That is a simple enough explanation. I will ask Vikram to take the point around the net worth versus the write-off.

Vikram Gupta – Chief Financial Officer: The 83.54 figure that you referred to is the net worth of the NHL entity. The difference that comes in the books of Thyrocare standalone and consolidated is the difference between the carrying value of that investment in the books of Thyrocare and the consideration that we are receiving.

The net worth of NHL cannot be compared with the {? sale value ?} to evaluate any upside or downside. It is the difference between the carrying value of the investment in the Thyrocare books vis-à-vis the consideration that we are receiving.

The carrying value in the books is around Rs.83 crore of net worth plus the goodwill sitting in the financial statements at the time of consolidation. All together, it comes to approximately Rs.180 crore.

The valuation report has come in at approximately Rs.141 crore, which is the term deal that we have signed, and shareholder approval is in progress. As a result, we have to take a financial hit through impairment in Q2 to bring both the standalone financial statements and consolidated financial statements back to the same levels.

In the standalone financial statements, we took an impairment in 2020. The remaining impairment of 9 crore has come in the standalone financial statements. In the consolidated financial statements, the impairment has come to around Rs.35 crore on account of profitability having increased over a period of more than 6 years, plus the 9 crore. Together, this comes to around Rs.44-Rs.45 crore in the consolidated financial statements. That is the impairment taken in the consolidated financial statements. I hope we have answered your query.

Operator: Thank you very much. Gentlemen, I request you to come back for a follow-up. The next question is from the line of Aditya Chheda from InCred Asset Management. Please go ahead.

Aditya Chheda – InCred Asset Management: Can you quantify the ESOP cost for Q1 and Q2 independently? Also, was there a meaningful one-off cost toward launch expenses in Q2?

Operator: Aditya, sorry, your voice is breaking. Can you please come to an area with better reception and repeat your question?

Rahul Guha – MD & CEO: I will repeat the question. I heard the question. Can you quantify the ESOP cost for Q1 and Q2? Vikram, do you want to take that?

Vikram Gupta – Chief Financial Officer: ESOP cost is around Rs.4 crore in both Q1 and Q2.

Aditya Chheda – InCred Asset Management: Okay. Lastly, if the launch expenses were material in Q2, can you quantify them?

Rahul Guha – MD & CEO: Roughly 1.5 crore has been incurred in Q2, and I expect to incur another 3 in Q3.

Report is AI-generated and may contain inaccuracies.

Aditya Chheda – InCred Asset Management: Okay, thanks. That is it.

Operator: Thank you. The next question is from the line of Nishant, individual investor. Please go ahead.

Nishant – Individual Investor: Can you explain how you are going to be positioned with the test kit launch? It would be competing against a much larger or wider portfolio of products that are coming from the prescription side, the Rx side, or the OTC side, whereas you will be coming in as a standalone product. How would you achieve distribution and off-take?

Rahul Guha – MD & CEO: Very good question. Firstly, I want to re-anchor on the differentiation. With a Rs.60 test, we are giving a Rs.400 benefit on the confirmation test, and that confirmation test is backed by Thyrocare. That is the overall value proposition to the customer.

You can buy an equally competitive test at almost the same price as all the competing pregnancy kits. However, should you receive positive news, you can confirm it immediately with a Rs.400 benefit on the beta-hCG test.

That is the first part. Second, if you look at the API Group, we have India's third-largest distribution network for medicines in the country, covering both medicines and OTC products, through Ascent.

Ascent roughly distributes about 4,500 crores of medicines across the country to 50,000 retailers every day, and we are leveraging that distribution footprint to position this product.

Similar to an OTC company, we have an in-house sister company that has distribution capability. More importantly, Ascent has already placed the pregnancy kit in 10,000 outlets. To that extent, we have achieved quite a bit of distribution on that part. That is on the sell-in side.

On the sell-out side, as I indicated in my initial comments, we have a large out-of-home budget that will launch after Diwali. Hopefully, you will see advertisements with Yami Gautam promoting our kit, similar to the other OTC players that you outlined.

Nishant – Individual Investor: Understood. Strategically, why would this product business fit within Thyrocare? If I take the group as a whole, why would it sit within Thyrocare and not be part of the other API Holdings companies?

Rahul Guha – MD & CEO: It is a fantastic lead-generation funnel for Thyrocare. Just imagine someone testing positive for pregnancy. After the beta-hCG test, she does a lot of testing during her pregnancy, so this is a fantastic lead generator for Thyrocare.

Thyrocare is well known as a brand for testing. When you launch in the market, if I had launched under PharmEasy or any of the other group entities, Ascent is a distributor, so it would be a relatively unknown brand in that category.

However, when it comes to pregnancy kit testing, or testing in general, Thyrocare is really known as a brand and a testing expert. It therefore has a natural fit with the Thyrocare brand, and it is a wonderful lead-generation funnel for Thyrocare.

Report is AI-generated and may contain inaccuracies.

Operator: Thank you. Participants, we take the next question from the line of Yogesh from Haitong Securities. Please go ahead.

Yogesh – Haitong Securities: Thank you for the opportunity. My first question is on franchise addition. Now that we have reached a base of 12,900 active franchises, where should we look at this franchise base stabilizing over the next 2 to 3 years? Would it be 18,000 to 20,000, or what kind of figure do we aspire to achieve?

The second question is regarding our coverage. In your 2026 annual report, you mentioned that there are around 5,500 pin codes that you cover in India. I believe that is sizeable coverage in India for any diagnostic franchise or diagnostic player to have.

Are the newer franchise additions coming through deeper penetration in the areas that are already covered, or are we reaching other pin codes, newer pin codes, and newer geographies, and is that driving the growth for us?

Rahul Guha – MD & CEO: Understood. Let me try to answer the question quickly. We expect to maintain 1,500 to 2,000 additions every year. If you take a 5-year view, it is simple mathematics: we will be between 20,000 and 25,000 franchises in 5 years.

It is an ocean. In our estimate, there are roughly between 3 lakh and 4 lakh diagnostic centers in the country. We service 12,000 at this point, and 5 years later, perhaps 20,000 to 25,000. It is still a long way to go before we say we are tapped out in terms of our ability to expand.

On the other part, regarding whether it will be more in areas where we are already present or in virgin territories, I can ask Rajdeep to expand on that strategy.

Rajdeep Panwar – Chief Commercial Officer: It will be a mix of both. Deep penetration in the existing market is one of the key factors, and broadening the geographies is another lever on which we are working.

The existing manpower deployed in individual cities will also continue adding franchisees. This spread will not specifically come only from existing territories; it will be a blend of both. I hope that answers your question.

Operator: Thank you. The next question is from the line of Sujeet, individual investor. Please go ahead.

Sujeet – Individual Investor: Hello. Am I audible?

Rahul Guha – MD & CEO: Yes, Sujeet.

Sujeet – Individual Investor: Good evening, Rahul sir and everyone. I got the answers to all the questions, but I have 3 questions that are not related to the numbers. They are related to the shareholding pattern, API Holdings, and the interim dividend, or dividend in general.

I want you to let me know the shareholding pattern. I am seeing a drastic decrease from earlier. When API Holdings bought it, the holding was between 70% and 75%, and now it has come down to somewhere around 50%. Will that shareholding percentage go down further?

Report is AI-generated and may contain inaccuracies.

Second, has this merger happened? I am not aware of the news, so I am trying to understand whether API Holdings has merged with Thyrocare.

Third, last year, the interim dividend was paid. Was it a one-off special dividend, or, based on cash requirements, will it go back to a yearly dividend?

Rahul Guha – MD & CEO: Let me quickly answer all 3 questions. Firstly, there is no intent to go below 51%. I do not see any reason that the group would need to go below 51%. That is the first answer.

On the merger, there has been no merger until now. As I have said earlier, we will discuss any of these options only when the API Group turns profitable.

On the dividend, yes, we had paid an interim dividend. We will look at the cash flow position and then decide what final dividend we will move forward with, and this will be as per policy.

Operator: Thank you. The next question is from the line of Riddhi Shah from DSP. Please go ahead.

Riddhi Shah – DSP: Thank you for this opportunity. I wanted a clarification. Regarding the franchisee additions for the first half, how many would have been branded and how many would have been unbranded?

Rahul Guha – MD & CEO: I will ask Rajdeep to answer that.

Rajdeep Panwar – Chief Commercial Officer: Of these, 800 are pure branded centers, and the rest are unbranded.

Riddhi Shah – DSP: Fair enough. One more question: for a mature franchisee, what kind of growth can one expect going forward? How long does it take for a franchisee entering our system to achieve maturity? Sorry if you have answered this earlier.

Rahul Guha – MD & CEO: Rajdeep, you can take this.

Rajdeep Panwar – Chief Commercial Officer: As Rahul mentioned earlier, the opportunity is immense. It also depends on the kind of franchisee it is.

A franchisee can be as large as one doing revenue of 5 to 10 lakh a month and can also be—

Management: —a franchisee managing revenue of 60,000 a month. To answer the first point, the maturity for somebody to start making money is somewhere around 60,000 to 70,000 a month when it comes to somebody managing a franchisee in a Tier 2 or Tier 3 city.

There are many components, including the real estate cost of that particular area. The people-management cost also comes into play. However, when it comes to the opportunity size for an individual franchisee, it is huge.

It can also depend on the market that the franchisee is serving or the kind of network that the franchisee has. It is very difficult for me to explain exactly how this model works. The best option may be for you to take 1 franchise, because then I think you will learn. [laughs]

Report is AI-generated and may contain inaccuracies.

Operator: Thank you very much. We take the last question from the line of Sharan from Unifi Capital. Please go ahead.

Sharan – Unifi Capital: Is there any change in the revenue guidance for the near term? What is the aspirational mix of the specialty and consumer segments that we are entering, perhaps in the near term or in the long term?

Rahul Guha: I will give the specialty mix. As I said, in a 3- to 5-year horizon, specialty should be at least around 10% to 15% of our revenue, and we will hold to that.

When it comes to pregnancy kits and point-of-care devices, it has been 20 days since the launch, so I think it is too early for me to commit anything. Let me see how the launch goes and how the sell-out goes. I think I will give you guidance next year, in the next financial year, on where we think the point-of-care category will go.

Give us these next 2 quarters to figure it out and execute. With regard to revenue guidance, I had said mid-teens to high teens. I think early 20s is a good estimate of where we think we will end the year.

Operator: Thank you. Ladies and gentlemen, we will take that as the last question. I will now hand the conference over to Mr. Rahul Guha for closing comments.

Rahul Guha: Thank you, everyone, for joining us and spending time with us this evening. As always, we continue to remain focused on our strategy, which is to be the most affordable, good-quality diagnostic testing partner for anyone in the healthcare business.

We continue to execute on that strategy. We have been investing in improving our quality, improving our reach, and ensuring that our turnaround time is as close to best-in-class as possible. We have made substantial progress on all of this, and that is what is driving the results that you see.

I thank you all for your support in this journey, and I wish you all a good evening and Happy Karwa Chauth. Thank you.

Operator: Thank you very much. On behalf of Thyrocare Technologies Ltd., that concludes this conference. Thank you for joining us, and you may now disconnect your lines. Thank you.

Note: {? ... ?} indicates a figure or name where audio clarity was insufficient for confident transcription. Verify against the source audio or the company's published filings.

Report is AI-generated and may contain inaccuracies.