

Chairman's Review

Dear Shareholders,

2017-18 marks the end of another great year for the Company. I am happy to report that we have yet again delivered strong performance and created value for our shareholders. But what makes me even more satisfied is our sustained efforts towards enriching communities with our operations. Our efforts to promote wellness and preventive care and make it affordable, have contributed to increased awareness among individuals to become proactive and take preventive measures to deal with lifestyle disorders. But when we began, things were different. Clinical testing rates were unreasonably high, and many were unable to afford it. This was unsafe. The facility of early diagnosis of various disorders, which could help people take timely action for treatment wherever necessary, was not available.

There was a dire necessity for change. And so, we came with a disruptive business concept – we focussed on volumes, overnight processing and offered multiple tests in packages to bring down prices. With this, clinical testing for preventive and wellness care that was beyond the reach for many, became affordable.

It is interesting that even the government is now focussed on making healthcare affordable with its ambitious Ayushman Bharat National Health Protection Mission (ABNHPM) by providing health coverage to poor, who are most vulnerable. This will empower them to better deal with the burgeoning out-of-pocket healthcare expenditures. This is a welcome move, and we, as a responsible organisation will continue to support it with our efforts to make healthcare affordable and accessible to every citizen in the country.

2017-18 PERFORMANCE REVIEW

We recorded a 17% growth in our revenues to ₹ 356.31 Crores in 2017-18. However, this growth was slower than what we have achieved historically. A key reason behind it was our lower spending on advertising this year. During the IPO-phase, we undertook significant advertising, which boosted our brand's resonance and led to stronger growth. We expected its lingering impact to continue driving growth. And so, we stopped advertising this year and took decision not to take a hike on test rates, which otherwise could have boosted our revenues. Nevertheless, despite this lower revenue growth, we reported better profitability. Our EBITDA and PAT grew by 26% and 36% respectively to ₹ 144.29 Crores and ₹ 93.44 Crores, respectively.

In terms of revenue mix, both our B2B (laboratories and hospitals) and B2C (retail patients) segments are growing strongly. Business-wise, pathology revenue was up by 16% to ₹ 331.79 Crores, while the radiology (PET-CT imaging) revenues were stronger at 33% to ₹ 24.52 Crores.

In pathology business, our Aarogyam products have had a successful run and drove revenues over the years. But the challenge now is, similar products have been introduced by several players and the competition has become intense, leading to a decline in growth rate. To remain competitive and boost volumes, we undertook the strategic decision of reducing the test rates towards the end of the year, the impact of which shall be reflected in the next fiscal. This may hurt our realisations to some extent, but it was necessary. The point to note here is that, the dynamics of this business demands volumes and unless you get them, operations will not be sustainable. Being the lowest-cost operator, this bodes well for us. But our competition does not have such luxury and after a point,



“It is interesting that even the government is now focussed on making healthcare affordable with its ambitious Ayushman Bharat National Health Protection Mission (ABNHPM) by providing health coverage to poor, who are most vulnerable.”

they will not be able to sustain lower prices. We believe this strategy will be crucial in curbing competition. Besides, this move will be a booster to the GoI's Ayushman Bharat mission as we further make clinical testing cheaper and bring more people into the fold of healthcare services.

In the radiology business, our 10 operational PET-CT centres have recorded a fair growth in volumes with average daily scans of 74 per day. Though our growth in the segment has been inspirational amidst a bleak industry scenario, there is enough room to improve. I believe, the future beholds great opportunity for the segment and if operated more efficiently, it has scope to surpass the pathology segment's profitability. We will continue to add more centres during the next year under franchisee-model and explore options for joint venture.

VENTURING INTO STRATEGIC AREAS

During the year, we divested our water testing business, Whaters to Equinox Labs, who are into the same business and bought a stake in their business. While we are focussed on clinical chemistry, Equinox focuses on analytical chemistry. The strategic investment would diversify our offerings and open-up opportunities to venture into R&D space. But this, we will only consider when we cross a certain threshold market size.

We have invested in a new Tuberculosis (TB) focussed arm, Focus TB, which will aim to provide affordable TB testing services. For this, a state-of-the-art TB diagnostics facility was established within our Navi Mumbai CPL. TB is a major life-threatening disease, killing over four lakh people in India every year. With this venture, we intend to improve the scenario by using the highly advanced Polymers Chain Reaction (PCR) technology to ensure faster and quality test results to enable patients to take timely diagnosis.

We entered into strategic collaboration with Datar Cancer Genetics Limited (DGL) to introduce extensive test menu of Histopathology and Immunohistochemistry at the lowest price. A renowned NABL accredited laboratory, it specialises in biopsy and cancer-related testing.

EXPANDING REACH

We opened two new regional processing centres in 2017-18, taking our total RPL tally to eight. These new RPLs are in Patna and Mumbai, both these cities have high workloads and the centres are already beginning to report good volumes. These centres have enabled us to efficiently distribute workloads across all centres and will contribute to strengthening volumes.

INDUSTRY OPTIMISM

I believe the industry still has a lot to offer. If you compare with developed nations, India's per capita healthcare spending is just a tenth, which means there is huge scope for growth. Besides, wellness care is a segment that is growing faster than sickness care. The industry is witnessing increasing advertising and promotional activities leading to increasing awareness among individuals, especially the top of pyramid. Moreover, there will be rising trend of opportunities shifting in favour of organised players and trusted brands like ours.

For PET-CT scans, I feel the industry is still very young in India. Oncology is still an underpenetrated segment because of lack of proper infrastructure and inadequate oncologists in the country. Having said that, India is still the fastest growing PET-CT market and I believe the market will mature sooner than later.

Besides, India's healthcare market is amongst the cheapest globally and medical tourism is steadily rising over the years. There are greater chances that as India's reputation in global healthcare industry keep improving and better infrastructure comes up, it will emerge as the world's healthcare hub.

OUTLOOK

The industry scenario is positive. With our volumes and technologies, we will continue to disrupt market and overcome competition. Our ventures into new businesses of radiology and Tuberculosis, will provide us diversification and strengthen growth. We are optimistic of ABNHPM and believe it would create significant opportunities.

I thank all our stakeholders for their continuous support. We have time and again delivered sustained performance and healthy returns and shall continue to do so. We are aligned with the government's objective of making healthcare accessible and affordable. I hereby also thank all Thyrocareans whose tireless efforts have contributed to the Company's success. Together, we will work for a healthier and better India.

Warm regards,

Dr. A. Velumani