

Ref: 12/SE/LC/2026-27

Date: June 02, 2026

Scrip Code BSE: 544122
NSE: ENTERO
ISIN: INE010601016

To,

**Head, Listing Compliance Department
BSE Limited**

Phiroze Jeejeebhoy Towers Dalal Street,
Mumbai - 400 001

**Head, Listing Compliance Department
National Stock Exchange of India Limited**

Exchange Plaza, Plot No. C/1. G Block,
Bandra -Kurla Complex, Bandra (East),
Mumbai- 400 051

Dear Sir/Madam,

Subject: Intimation under Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements), Regulations 2015 - Transcript of Earnings Call/ Conference Call

In continuation to our letter dated May 21, 2026 bearing reference no. 05/SE/LC/2026-27 and pursuant to Regulation 30 and Regulation 46(2) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the transcript of the Earnings Call/ Conference Call held on May 26, 2026 at 12:00 P.M. (IST) to discuss the Company's Audited Financial Results for the Quarter and Year ended March 31, 2026 is annexed herewith.

This is for your information and records.

Yours faithfully,

For Entero Healthcare Solutions Limited

Sanu Kapoor

**Vice president - General Counsel, Company Secretary
& Compliance Officer**

Encl: as above



“Entero Healthcare Solutions Limited
Q4 FY26 Earnings Conference Call”

May 26, 2026

E&OE - This transcript is edited for factual errors. In case of discrepancy, the audio recordings uploaded on the stock exchange on 26th May 2026 will prevail.



**MANAGEMENT: MR. PRABHAT AGRAWAL – MANAGING DIRECTOR
AND CHIEF EXECUTIVE OFFICER
MR. BALAKRISHNAN NATESAN KAUSHIK
– GROUP CHIEF FINANCIAL OFFICER**

**ANALYST: MR. NITIN AGARWAL – DAM CAPITAL ADVISORS
LIMITED**

Moderator: Ladies and gentlemen, good day and welcome to the Q4 and FY26 Earnings Conference Call of Entero Healthcare Solutions Limited, hosted by Dam Capital Advisors Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference call is being recorded.

Before we proceed, this conference call may contain forward-looking statements about the company, which are based on the beliefs, opinions and expectations of the company as on date of this call. These statements are not the guarantees of future performance and involve risks and uncertainties that are difficult to predict. I now hand the conference over to Mr. Nitin Agarwal from Dam Capital Advisors. Thank you, and over to you, sir.

Nitin Agarwal: Thank you. Hi. Good morning, everyone and a very warm welcome to Entero Healthcare Solutions Q4 F '26 Earnings Call hosted by Dam Capital Advisors Limited. On the call today, we have representing Entero Healthcare Solutions, Mr. Prabhat Agrawal, Managing Director and CEO; and Mr. Balakrishnan Natesan Kaushik, Group CFO. I will hand over the call to the management team to make the opening comments, and we'll open the floor for questions. Please go ahead, sir.

Prabhat Agrawal: Good afternoon, everyone, and thank you for joining our earnings conference call to discuss the performance of quarter 4 financial year '26 and the full year. I'm joined by Mr. Balakrishnan Kaushik, Group CFO; and SGA, our Investor Relations advisers on the call. I hope everyone had an opportunity to go through the financial results and investor presentation, which are uploaded on the stock exchanges as well as on our company's website.

I'll start with the performance update of the full year, followed by quarter update, following which I will cover guidance for financial year 2027 and provide updates on the strategic initiatives and operational improvement efforts in the organization. Let me begin by first reminding ourselves of the vision we have set for our company.

We started this company 8 years ago with a vision to create a scalable, comprehensive and integrated health care distribution platform, which can add value to the entire health care ecosystem. Currently, the health care supply chain industry sized over USD 33 billion is extremely fragmented, which presents a massive opportunity for consolidating the space through use of technology and scale -- sorry, technology.

And scale-led benefits along with capitalizing on available M&A opportunities. We have been on this journey for almost 8 years now and have made significant strides in creating a PAN-India distribution platform, which is today serving more than 100,000 retail pharmacies that is almost 1 out of every 10 pharmacy in India and 3,600 hospitals spread over 523 districts of India to get access to one of the largest product portfolio of 97,500 SKUs.

The platform also serves over 3,300 health care manufacturers who get wide access -- market access. This year, we expanded our presence beyond pharmaceutical to include Medtech,

especially in the diagnostic and medical device space, which are synergistic and broadens and strengthens our platform.

We believe we are in a unique position to create a very impactful and extremely scalable organization that can proudly support the nation's objective of providing quality and reliable healthcare access to a billion-plus population in India. Now coming to the financial performance summary. At the beginning of financial year, we set out a few financial targets for us. And I'm pleased to share that we have delivered on each of those parameters.

First one, we guided for revenue growth of 30% year-on-year on a like-for-like basis, that is growth adjusting for the base impact of revenue recognized on a net margin basis and divestment of a subsidiary. In line with the guidance, our full year revenue on a like-for-like basis grew by 31.5% with top line at INR6,591 crores.

We outperformed IPM by 1.6x, delivering an organic like-for-like growth of 15.6%. The inorganic growth was 16% year-on-year during the year. Our second parameter for guidance was achieving EBITDA margin of 4% for the full year. Again, I'm pleased to share that we delivered 4% EBITDA margin, which is +67 basis points year-on-year with EBITDA at INR266 crores.

This came on the back of gross margin expansion of 78 basis points year-on-year to 10.3%, driven by better product mix and procurement efficiencies. Gross profit came in at INR680 crores, up 40% year-on-year. Full year PAT stood at INR146 crores with PAT margin of 2.2%. PAT grew by 36% year-on-year.

Our third parameter of guidance was operating cash flow. We continue to optimize working capital and net working capital days continued to improve on a quarterly basis through the initiatives taken during the year. Our optimization efforts, especially on inventory and accounts receivable side, along with improved EBITDA margin drove operating cash flow of INR96.2 crores for the full year.

There is also a steady improvement in the return ratios. Return on capital employed improved to 14.6% in FY '26 from 10.7% in FY '25 and return on equity increased to 12.5% from 7.7% in FY '25. Next, moving on to quarterly performance. In line with our full year results, we saw solid growth momentum in quarter 4.

Revenue grew 42.6% year-on-year with organic growth on like-for-like basis at 17.1% and growth led by new acquisitions at 26%. Gross margin expanded by 110 basis points to 10.9% during the quarter, with gross profit growing by 59% year-on-year to INR207 crores. Our EBITDA margin was at 4.5%, that is 85 basis points plus year-on-year with EBITDA at INR86 crores, growing by 76%.

PAT margin was 2.4%. PAT grew by 44% year-on-year to INR45.1 crores. Our ROCE on a quarterly basis improved to 18.4% from 14.8% in the last quarter. ROE was 16% versus 10.4% in the last quarter. We achieved operating cash flow of INR104.6 crores with net working capital days at 59 days versus 64 days in the previous quarter.

Now coming to acquisitions. As you are aware, we have closed 7 acquisitions during the year, including 3 in MedTech segment, which is Anand Chemiceutics, Ace Cardiopathy and Biode Technology. With these acquisitions and existing presence that we have in this segment, we have built significant scale and presence in the MedTech space.

The segment now contributes more than INR1,000 crores in annualized revenue for us. We have added scale in the key subsegments of diagnostic reagents and equipment, cardiology and consumables through these acquisitions. Apart from distribution services, we also played a value-added commercial role for some of the manufacturers where we market and promote the products using our sales and marketing team.

We are further forging new partnerships with innovators and global players and expanding our sales and marketing infrastructure in these segments. MedTech distribution is a large and synergistic opportunity and diversifies our revenue mix and strengthens our position in the health care distribution platform with wider product offerings.

Finally, as we close FY '26 and move on to next financial year, I reiterate that we have delivered on all parameters of our guidance. With optimism and confidence for the next financial year, let me lay out our guidance for FY '27. We aim for consolidated revenue growth of 23% year-on-year, excluding any new acquisitions with 5% EBITDA margins.

Our focus would be on profitable revenue growth and operational efficiencies to drive margins. We aim to deliver EBITDA to operating cash flow conversion ratio to be at least 50% to ensure sustainable growth path for future. With this, I close my opening remarks and invite people to ask questions. Thank you.

Moderator: Thank you very much. We will now begin with the question and answer session. We will take the first question from the line of Govindarajan Chellappa from CSIM.

Govindarajan Chellappa: My first question is on the minority interest during the fourth quarter. There's been a significant jump from the third quarter to fourth quarter. And considering that most of your acquisitions, you have 70% to 80% stake, the incremental minority interest is more than half of the incremental EBITDA during the quarter. So that somehow doesn't add up. Could you just explain that?

Prabhat Agrawal: Yes. Sure. Thank you, Govind. In the last quarter of financial year '26, we had an abnormal contribution from one of our subsidiaries, which -- where we have partial stake, not full stake. And that's the reason the minority interest contribution for quarter 4 was abnormally high, but over next year, it's going to normalize. The minority interest is not likely to be as high as it was there in quarter 4.

Govindarajan Chellappa: Yes. I mean thanks for giving a specific guidance for FY '27. But honestly, without knowing what the minorities contribution is going to be, it's very hard for us to make sense of the overall numbers?

Prabhat Agrawal: So what we can say for next year, you can take around 25% to 27% of PAT before minority interest to be contribution from minority interest. This quarter, the minority interest was almost 38% of our PAT. That will be reduced by 10% to 12% in the next year.

Govindarajan Chellappa: Do you think 25 -- about 25% being minority interest?

Prabhat Agrawal: Yes.

Moderator: We will take the next question from the line of Chintan Sheth from Girik Capital.

Chintan Sheth: Am I audible?

Prabhat Agrawal: Yes, we can hear you.

Chintan Sheth: Great set of numbers. Just to clarify on the growth, you mentioned organic kind of ex acquisitions, we'll be reporting almost 23% Y-o-Y growth in FY '27. Does that include 2 components? One is the calendarization of the acquisitions which we did this year. So basically, the INR1,000 crores pro forma revenue, which we acquired this year, I think we booked around INR500 crores, INR550-odd crores during the year. So, remaining revenue is included in the 23% growth guidance, is it correct understanding, right?

Prabhat Agrawal: Yes.

Chintan Sheth: Okay. And second is, does this high growth organic growth, which we are planning, which we are expecting also includes the expectations of the GLP-1 drug for the full year impact of the generics. And if you can give some -- provide some insight into what kind of -- obviously, the role you are playing for the other part.

But any specific you want to point out on how are you looking and ensuring that we don't lose out on the GLP-1 in the coming year? If you can provide some insight into how you are approaching GLP-1 as a category? Given it's a kind of a big growth driver for the overall IPM expectation for the next year?

Prabhat Agrawal: Right. So our product portfolio is very, very wide. GLP forms a small portion of our product portfolio as GLP forms a small portion of overall IPM industry, right? But our market share in GLP is higher than our overall market share on -- in India because GLP distribution is not as widespread as a lot of other products are, right? A lot of general medicines are, right? So given the fact that we have the cold chain facility in all of our warehouses and there are a few specific companies doing GLP-1. So we would get a disproportionate share of GLP-1 distribution for sure. It's built into our growth guidance.

Chintan Sheth: Got it. And on the minority, you clarified that. But typically, we take 2 - 3 years, right, to fully consolidate and acquire the remaining stake. That level of buying out the business will be considered or you like to continue the structure with majority ownership, but partial minority with the erstwhile owners. How should one think about it?

Prabhat Agrawal: Right. So every transaction we do or every acquisition that we do, whether in Pharma space or MedTech space, we always have the call option on the remaining of the stake because we clearly

lay out the path how we will take full ownership of the company, okay? And the time lines, valuation multiples, everything is predetermined in the first contract itself. So we have a time line to -- we have an option to buy the rest of the stake at predetermined valuations and on a defined time line. So that option we always have.

Chintan Sheth: And the time line is basically 2 -3 years post the acquisition or more than that, just to kind of on that?

Prabhat Agrawal: So in some of the cases, it's a 3-year period. In some cases, it could be 5 year.

Chintan Sheth: Got it. Got it. And last update on my side, and I'll jump back in queue quickly. If I look at your pre-minority net worth - equity, we -- despite the very strong profitability, the absolute number seems to be flattish or slight dip on the net worth side. If you can elaborate what went into it, which resulted into flattish net worth for the year? That will be the last and I'll jump back in queue.

Balakrishnan Kaushik: I'll take that call, Bala here. I'll take that question. So basically, since this year, we have entities where we are not 100% shareholders and the number of entities where we are not 100% has increased. This is basically the impact of the first-time recognition of put option liability. So typically, the -- that's the main reason why you're seeing the net worth flattish. The profit moves into my net worth, but the impact of the put option liability is bringing it down to make it flattish. This is required under IndAS. So this is more an accounting thing rather than a pure movement of net worth.

Moderator: We take the next question from the line of Akshat Mehta from Seven River Holdings.

Akshat Mehta: First question was if you can help us break up the 20% revenue growth and 5% margins, what will be the key drivers, how you kind of achieve that, can help us with that? And secondly, on the same note, 23% revenue growth seems to be a bit low given that INR1,000 crores of revenue is going to come from the Medtech acquisition that we've done on the full year. So how should we kind of look at that?

Prabhat Agrawal: So 23% revenue guidance basically based on two, three things. One is, of course, the calendarization impact of the acquisitions done during the last year, right? And the second is the organic growth, right? While calculating the organic growth, we have also taken down some business on a net revenue margin basis also. There are certain businesses that we have added where we are only recognizing the net revenue, okay?

So that has an impact on overall revenue growth for next year. And also, there are certain low-margin business that we are giving up, and we are releasing the working capital to invest in more profitable or more higher return on investment generating assets. So we have factored all this in while giving the revenue growth guidance of 23%.

Akshat Mehta: And sir, on the margin side?

Prabhat Agrawal: Margin side also. We have given 5% EBITDA margins for next year. That factors in the contribution from MedTech that factors in the operating leverage that factors in certain

businesses where we are below margin businesses that we are giving up. So this is the net margin guidance for next year after considering all these impacts.

Akshat Mehta: Okay. My next question is on the working capital cycle. So you've seen some dip in the working capital cycle. But again, on the face of it, it seems like that majorly being driven by the payable cycle actually going up rather than inventory or the payables coming out. I mean how should we look at this in FY '27 and how sustainable is this number at the end of FY27?

Prabhat Agrawal: So the payables increase is mainly contributed by higher MedTech contribution. MedTech, the payment cycle is not like 7 and 21 days as in pharma. There the credit provided by all these companies are much higher as compared to, I would say, pharma side, right? So that's the reason why you are seeing a higher payable days, right? Going forward for next year, the guidance that I've given is that whatever EBITDA we generate, at least 50% will get converted to cash flow or operating cash flow. So that includes both the margin impact and also working capital rational.

Akshat Mehta: My exact question was that will we see kind of a working capital drawdown because we haven't yet seen the full year impact of the acquisition full year revenue impact of acquisitions that we've done. And our plan is not to have too many acquisitions in FY '27. So will that have an impact on the overall working capital cycle in FY '27?

Prabhat Agrawal: So if you look at my -- this year quarter revenue itself is more than INR1,900 crores. And if you annualize for next year, the annualized number itself is close to INR8,000 crores, right? So I've already built in most of the working capital in this quarter itself. So new -- unless our growth rates are much higher than 23% that we are guiding for, right? -- your incremental working capital is not going to be huge because a lot of the working capital is already in place at end of this year balance sheet.

Akshat Mehta: And last question, sir, what can we expect the tax rate to be in FY '27?

Balakrishnan Kaushik: So we expect it to be in the range of about 22% - 23% for FY '27.

Moderator: We will take the next question from the line of Sudarshan Padmanabhan from ASK NDPMS.

Sudarshan Padmanabhan: Sir, my question is.

Moderator: Sudarshan I would request you to please use your handset mode and speak.

Sudarshan Padmanabhan: Am I audible now? So my question is on your strategy, especially given that we are going to generate good operating cash flows going forward. So we have seen a state of acquisitions in the last 3 to 4 or 5 years. I mean, we are at a certain scale at this point of time. Going forward, one, if you can give some color on the magnitude of cash flows.

Especially magnitude of acquisitions, especially given that our minority has inched up to 25% of the PBT or PAT pre-minority. The second is with respect to the quality of acquisitions because we have seen that MedTech is something that we are focused on. Incrementally, what are we going to focus differently as compared to what we used to focus in the last 4 - 5 years?

Prabhat Agrawal: Yes. So if you look at my next year guidance, I've given a guidance without including any new acquisitions, right? So we have done a lot of M&A in the last 1 or 2 years. So for next 6 to 8 months, we are only going to focus on delivering organic growth because there are a lot of opportunities that is available to us given that huge platform that we have built. And now our platform is including not only pharma but also MedTech space.

In MedTech space, we are tying up with a lot many new companies, whether it's in Imaging segment, whether it's in Neuropsychiatry, whether it's Orthopedics, Cardiology, multiple new segments, we are working with a lot of global companies where we can provide them a distribution platform in India.

So our job as a management is cut out for next year is to focus on a lot of organic opportunities that can be built over this platform. And that's the reason I have not included in the guidance any new acquisitions as of now. But as we say, we are not walking away from looking at any new acquisition opportunity. If something interesting comes up, we would definitely look at it. If it creates value for the shareholders, we would definitely look at it. And if that happens, accordingly, we will revise our guidance upwards.

Sudarshan Padmanabhan: Sure. And sir, with respect to the GLP-1, I mean, we have seen that this is actually encouraging to see the scale up happening in the ones that have gone generic. Can you give some color with respect to the positive impact it is having on our business? And if I take, say, 2, 3 years down the line, I mean, the positive thing is we have made entry into MedTech. Where do we see MedTech as a proportion of our business in terms of both sales and EBITDA?

Prabhat Agrawal: So on revenue side, the MedTech contribution now given all the acquisition that we have done and now everything we have consolidated in our revenues, it will be more than 15%.

Sudarshan Padmanabhan: And this figure, what would you expect or what would you aspire it to be, sir, in, say, 2 - 3 years?

Prabhat Agrawal: It can go up to 20%. See, pharma will still remain a core part of our business, right, because that's where we have massive scale as well. MedTech is a synergistic opportunity. And if you look at the industry size of MedTech and compare it with the industry size of pharma, this is what the ratio is approximately.

Sudarshan Padmanabhan: Sure. And I would assume that the impact on EBITDA would be higher, even that MedTech typically has about 50% to higher 100%, the kind of margins that we make on the pharma side?

Prabhat Agrawal: Yes. And the reason why MedTech, the margins are higher than pharma is because we play a more commercial role in those contracts, where we are also responsible for generating demand and sales for the companies. And that's why we end up enjoying better margins.

Sudarshan Padmanabhan: Sir, one final thing before I join back is your view on the GLP-1. How do you see this positively impacting?

Moderator: Sorry to Sudarshan. I would request you to please rejoin the queue again for more questions.

- Prabhat Agrawal:** I think I will answer the GLP-1 because I think that's a question from many analyst on this call or many participants on this call, right? So GLP-1, as we said, at the end of the day, see, we are doing approximately INR10 crores to INR12 crores of GLP sales per month, okay, which is approximately, I would say, let's say, 5% of all GLP value -- GLP overall industry value.
- Moderator:** We will take the next question from the line of Vansh Solanki from RSPN Ventures.
- Vansh Solanki:** My question is on the finance cost in last call, Mr. Prabhat mentioned that the finance cost will continue to rise and also in this quarter also, it has increased very well. And as you are not going to acquire new acquisitions, I said I think this finance cost will come down sequentially in FY '27. Is my understanding correct?
- Balakrishnan Kaushik:** This is Bala here Vansh. So we expect finance cost to remain relatively stable and then come down in future. So because in the earlier years, we had the IPO funds, which were also parked pending investment into acquisitions, which has happened in the last year. So that's the reason you see the higher interest cost in this year. So like you rightly mentioned, this will sequentially come down over the next couple of years. It's expected to remain stable in the near term, maybe in the next couple of quarters, and then you will see some reduction coming through.
- Vansh Solanki:** Okay. And the second question is on the depreciation. Depreciation has increased sequentially approx. 50%. So is it due to the new acquisitions we have done in the last 2 quarters or what?
- Balakrishnan Kaushik:** You are right. The depreciation has increased because in the MedTech business is slightly different from your typical pharma distribution business where there will be assets that will be placed at customer levels as well. And that's the reason why you're seeing a higher depreciation.
- Vansh Solanki:** Okay. So this depreciation is continue to be in this level and maybe increase if we acquire new MedTech acquisition in next year?
- Prabhat Agrawal:** Not all MedTech business has this depreciation component. Specifically, I would say, in the IVD segment of MedTech, where we are providing machines on reagent rental model, where we are putting our machines in the lab against a 5-year revenue contract with them, that -- those machines we are depreciating, right. So on other parts of business like cardiology and others, we don't have much of a depreciating machine.
- Moderator:** We will take the next question from the line of Aditya Chheda from InCred Asset Management.
- Aditya Chheda:** So my question is on the working capital, which is as a percentage of sales, it has been in the range of 20% to 22%. So what is your outlook on the best operating efficiency that you can have in this area? So some math that I did is that for the incremental sales guidance that we have, we will need an additional INR300 crores of working capital versus an EBITDA of INR400 crores, that would leave us with INR100 crores of OCF, which implies a 25% OCF to EBITDA conversion rate. So whether we expect this working capital as a percent of sales to come down directionally?
- Prabhat Agrawal:** No. So what we are comparing is -- what you are comparing is year-to-year, but compare with quarter 4 to next year numbers, right? My quarter 4 already has a working capital investment of

almost what, if you annualize INR1,900 crores of revenue -- 7,600 crores revenue worth of working capital is already there in the balance sheet, right? So we are looking at what the revenue guidance, this is only INR500 crores plus over quarter 4, which is hardly, INR50 crores, INR60 crores.

Aditya Chheda: Got it. So on a reported basis for next year, this ratio will come down, which is working capital as a percentage of sales?

Prabhat Agrawal: Yes. I mean incremental working capital as a percentage of incremental revenue.

Aditya Chheda: Right. My next question was about the acquisitions that we do. What are the typical valuations that we pay for the valuations that we do?

Prabhat Agrawal: The same that we have always said before, which is 5 to 7x of enterprise value to EBITDA.

Moderator: We will take the next question from the line of Sidharth Negandhi from CWC.

Sidharth Negandhi: Just wanted to understand, you mentioned about certain global customers whom you are distributing products for in India. Given the current Middle East crisis, are you seeing a challenge either on pricing or on availability for this? And how do you see that playing out, especially, say, in the first half of FY '27? That was question one. Question two, just a clarification, when you mentioned the minority interest proportion going down from 38% to 25% I'm assuming that is not for the profits, right? That's for your net worth. Just a clarification?

Prabhat Agrawal: So I try to understand your second question better. But the first question that you talked about is the global challenges from the Middle East conflict. No, we are not importing a lot of stuff, okay? So even if we are working with a lot of partners, we are working with their local subsidiaries in India.

So they are importing the stuff, and we are doing the distribution and commercial role for them, right. There are -- but our direct imports from abroad is very small portion of our sales, right. So it's not going to impact directly anything significant to us in our business plan that we have prepared -- but if the whole industry faces a challenge like the pharma industry faces challenge or MedTech industry faces challenge in terms of their own typical critical imports, then we might -- we will be impacted by that as well.

Sidharth Negandhi: Sure. I appreciate that, Prabhat. What I meant to ask is while you may not be directly importing, if there is an import challenge that, say, their local subsidiary is facing, are you seeing any impact on your business from the local subsidiary not being able to provide products or anything of that sort or do you believe that largely you are insulated from the crisis currently?

Prabhat Agrawal: Largely, we are insulated. To be honest, like if you look at the last quarter, the conflict started in end of February, our numbers for the quarter was good. Next year also, we are forecasting good numbers. So I don't see any significant impact coming from -- we are largely insulated on this front because a lot of our business is domestic. our import component is very, very small in our overall business. So we are primarily a domestic player confined to issues.

Sidharth Negandhi: Sure. I hear you. I'll take the minority one offline later. Just a second question on the breakdown of your 23% growth. If you could give us some color on MedTech versus pharma? And if you could give us some color on organic versus calendarization in this will have obviously the three elements?

Prabhat Agrawal: Calendarization impact is around 11%, and the rest is organic in our 22% guidance. And the growth on pharma and MedTech both are equally contributing to the organic growth for next year.

Moderator: We will take the next question from the line of Shubham Aggarwal from Burman Capital.

Shubham Aggarwal: Sir, my first question is on organic growth. And I asked this question last quarter as well. So if I were to take a 12-quarter average of your IPM outperformance up to Q2 FY26, I come to a number of 1.9. Q3 dipped suddenly to 1.4%. And when I asked this question, the response was that IPM numbers sometimes are inflated and it's revised onwards.

But what we see is IPM continues to be in that 10% - 12% range. And 1.4x is again the outperformance in Q4 as well. Now if I were to think about IPM next year, 10%, let's put it at 10%. You just mentioned to the previous participant that out of 23% growth, 11% is from calendarization.

So if I just deduct that, 12% is basically the remaining growth. If I just add in some benefit because you are reducing some business voluntarily, it will add to that somehow. But maybe like 14% - 15% is the like-for-like, if I just add back the businesses are shutting down. So again, I'm coming to the 1.4, 1.5x number. So structurally, is the outperformance number reset for us because of the higher scale and because MedTech does not really grow in line with IPM. So we should look at it as more like a lesser rate? Or how should we look at it?

Prabhat Agrawal: See, you are right. The last two quarters, we have seen that IPM growth rate used to be 7% - 8% has gone to 12%, okay? And that's why our multiplier has gone down from 1.7x, 1.8x to 1.4x. If you look at our organic growth rate for last two quarters also has been in the range of 16%, 17% as it was in earlier years as well, right? -- earlier quarters as well.

But the denominator has increased significantly from 7% to 9%, it has gone to now 12% for last two quarters. And that's why you see this 1.4x against 1.7, 1.8x that we used to have earlier, okay. Now next year, your question is very valid that even if, let's say, industry grows at 12%, why are we forecasting only 12% organic growth, okay.

And the answer to that is the one that I told before that there are certain businesses that we are giving up because they are not generating very high ROIC for us. And like-for-like in certain businesses that we are taking up on a net margin basis, okay? So like-to-like growth is actually around 15%, which is again coming back to 1.5x of industry growth rate, but revenue recognized is lower in our financials, because of the accounting treatment.

Shubham Aggarwal: Great. My second question is again on minority interest, but I'll ask it in a different way. So sir, the first time you asked that question in this call, you responded that there was abnormal profits

in one subsidiary where it's probably close to 50% - 60%, I'm not sure, but the minority interest hence from that one subsidiary increased.

My counterpoint or response to that to you is, wouldn't that also have hence driven your -- a lot of your EBITDA margin expansion quarter-on-quarter, right? So let's say, there is a subsidiary where you have, let's say, 55% or 60% interest. And let's say, that's done really well, right? And in terms of margins, that has been consolidated fully in your numbers.

So EBITDA has taken the benefit, EBIT, there is a benefit, PBT, there is a benefit, PAT, there is a benefit. But then it gets leaked out to non-controlling interest, right? So when you say -- so now number one, is that the case? Is then the right number for EBITDA margin, 4.5% not the case if this was an abnormal case?

And then the second part to that is, if we should expect a reduction in the run rate of minority interest in the incremental quarters, wouldn't that hence, be a headwind to your margins because it helped your margins in Q4? I am just trying to understand that.

Prabhat Agrawal:

No. So the next year... Quarter 4 EBITDA margins was 4.5%, right? While for next year, the guidance I'm giving is 5%, right. So definitely, there is a much higher margin in next year that we are projecting vis-a-vis this year, right. So on an overall margin basis, I'm revising my guidance upwards, not reducing, right.

Now the reason I told you was that the minority interest was abnormally higher in one subsidiary because there were certain sales that were preponed by the customer. So the customer -- we were planning for that sales in quarter 4 -- quarter 1 of this year, but the customer requested for those equipments in quarter 4 itself because the government project was executed before time. So that's the reason.

Otherwise, there is no abnormal as such. And the margin guidance that I've given is not only MedTech, there are a lot of other factors on margin improvement. There are certain businesses which we are giving up because of low margin. That also adds to the margin uplift. There are a lot of organic businesses that we are building in the company on MedTech space.

So that's all our higher-margin contribution businesses, right? There are operating leverage coming, again, 23% growth we are talking about. So operating leverage is also contributing. So there are many factors which is going to impact and keep our margin another 50 basis points higher than what it was in quarter 4.

Moderator:

We will take the next question from the line of Divya Agrawal from Ficom Family Office.

Divya Agrawal:

Yes. So firstly, I just wanted to know, so currently, I believe we have around 4 MedTech companies. So is the target for INR1,000 crores revenue achievable from these companies? Or will we need some additions in this segment?

Prabhat Agrawal:

INR1,000 crores is just based on what we have today, what we are delivering today. We don't need more companies to take to INR1000, 1,000 crores base already achieved. Next year with organic growth, it will be about INR1,000 crores without adding anything more.

- Divya Agrawal:** Our earlier growth was 30%. So now we are coming down to 23%?
- Prabhat Agrawal:** Because last year, we did a lot of acquisitions also. So in 23% next year, we are not including any new acquisition, right? So last year, I think the new acquisitions contributed almost 16% to our growth, right? Next year, that component is basically 0.
- Divya Agrawal:** So are there limited opportunities available for this MedTech segment acquisition?
- Prabhat Agrawal:** No, it's not the question of opportunities. Opportunities are a lot. Now we have already proven that we can buy MedTech acquisitions at reasonable price and execute it. So there is no shortage of pipeline, but we have to chew what we have already acquired, right? So we need to build on this.
- We need to spend more time on organically building this business, optimizing this business, going after a lot of opportunities that present itself based on the platform that we have. So today, a lot many global companies are looking at us or tying up with us because they know that this is a business expertise that we have built over the last 2 years. So we would rather focus our energies on that rather than chasing new acquisition targets.
- Divya Agrawal:** Right. And lastly, sir, just wanted to know your CFO.
- Moderator:** Sorry to interrupt in between Divya I would request you to please rejoin the queue again.
- Divya Agrawal:** Sure.
- Moderator:** Thank you. We take the next question from the line of Vineet from Toro Wealth Managers. Please go ahead.
- Vineet:** Hi, sir. Good afternoon and congratulations for great results.
- Moderator:** Sorry to interrupt in between Vineet you are not audible.
- Vineet:** Am I audible now?
- Moderator:** No you are not audible. Please use your handset and speak. Vineet as there is no response. I will request to please rejoin the queue again.
- Vineet:** Am I audible now?
- Moderator:** No you are not audible, sir. I would request you to please rejoin the queue again. Thank you. We will take the next question from the line of Kumar Saurabh from Scientific Investment. Please go ahead.
- Kumar Saurabh:** My question is around the acquisitions we have done. I'm not looking at exact number, but in what percentage of these acquisitions, the key management persons are still there with us?
- Prabhat Agrawal:** 100% of the acquisition. The recent acquisition we are talking about?

- Kumar Saurabh:** No, I mean in last 2, 3 years because my understanding is this is a business where the key management person is very important for the sales and for the collection. So with that intent, my question is there.
- Prabhat Agrawal:** So generally, whenever we are doing an acquisition, even if we are doing a 100% acquisition, the promoters or the selling shareholders stay with us for at least 1 year, right. That's the contract that we negotiate with them, right. So if you look at our earlier acquisitions, the ones that we did in FY '19, '20, '21, some of the promoters have left because the lock-in period is over. But the recent acquisitions, everyone is with us because they want to be with us.
- And anyway, we have not bought 100% of their stake in the acquisition that we have done post IPO, right? So they all guys are with us. And they believe in this Entero vision. So we are working together and jointly trying to grow business. And since they hold a part of the stake also, there is skin in the game for them. There is an upside available to them.
- Kumar Saurabh:** Great. Sir, one related question. So once some of these promoters leave, how do we take care of that relationship building, which they had with the organization? And second, in the acquired companies, what has been the growth rate of the acquired companies pre-acquisition and post acquisition, if you have that data?
- Prabhat Agrawal:** So the first question, how do we take care of this? First of all, even if somebody leaves. Only the selling shareholder leaves the management team stays with us, right? So the salespeople, the operations people, the customer interface people, they are all still in the company. It's only one person or two person that leaves the company, right?
- So it's not that -- and by the time we have already had paused the relationship ourself, we have people in our company who are closely working with these companies at a pan-India level. So we maintain those relationships and carry those relationships even if they exit after the lock-in periods are over.
- Kumar Saurabh:** Great. And the second question on the pre and post-acquisition growth rates?
- Prabhat Agrawal:** I will share with you separately. Maybe the finance team can share with you data because offline if I tell you something, it may not be very accurate.
- Kumar Saurabh:** Sure. And the last question is given we have.
- Moderator:** Sorry to interrupt in between. Saurabh I will request you to please rejoin the queue for more questions.
- Kumar Saurabh:** Sure.
- Moderator:** Thank you. We will take the next question from the line of Utkarsh Somaiya from Eiko Quantum Solutions Private Limited.
- Utkarsh Somaiya:** This is Utkarsh from Eiko Quantum Solutions. I actually wanted to understand that if you don't do any acquisitions for the foreseeable future, your FY '28 growth, assuming 1.4x

outperformance versus IPM should be 14%, 15% given that IPM would be 10%. Is that a fair assumption?

Prabhat Agrawal: Every FY '28 guidance I'm not giving. There are a lot of business that we are trying to build in this year, which will determine the growth rate of FY '28. There are a lot of organic opportunities, massive organic opportunities that are available with us, right? So we are working on that. So maybe in the second half of the year, I can give you more visibility for FY '28.

Utkarsh Somaiya: Okay. And this interest cost and depreciation that you have in this quarter has gone up. Is that sustainable? Is that a sustainable number for the next year?

Prabhat Agrawal: Interest cost will go up because we have acquired many entities for which we are paying up. And we have already finished up the IPO funds, right? So that is leading to increase in debt levels or liquidation of the investments that we had, right. So the interest costs will go up for some time till the time we pay all those debt levels.

Utkarsh Somaiya: What is a number we can work with for the full year FY '27? Interest cost?

Prabhat Agrawal: Why don't we -- our finance team will give you a range.

Moderator: Thank you. We will take the next question from the line Anupam Aggarwal from Lucky Investments.

Anupam Aggarwal: Congratulations on good numbers, sir. Just one question. A lot of questions have been asked on EBITDA margin. My question will solely be focusing on gross margins. We've improved about 90 basis points for the quarter Y-o-Y and 80 basis points for the whole year. How are you able to kind of source better from the manufacturers? And what kind of better margins you have been able to take from the entire channel? If you can maybe give some idea and color there, please?

Prabhat Agrawal: So why we are able to get a better margin just because of our scale. Once you buy so much in those quantities, of course, you can enjoy economics of purchasing, right. So that's number one. Secondly, in many places, as we said, we are playing a commercial role. Commercial role means we are also responsible for sales and demand generation.

In that scenario, the gross margin that the companies give us is much higher than the gross margin that they would give for a pure fulfillment role. So the impact of -- the reason for increase in gross margins is coming from basically these 2 reasons. One is the scale-led purchase economics and secondly is more commercial role being played.

When I say commercial role, when I say for many companies, we are exclusive distributor for the entire India market, right. So we are doing end-to-end work for them from developing the customer, service, installation of equipment, creating the distributor network in the country, launching new products. So a full agency model as we say in other countries where we have full commercial role we are playing. Once you play a full commercial role, you would certainly expect much better gross margins than when you would play just a demand fulfiller role.

- Anupam Aggarwal:** Understood. Sir, how much would be the contribution of these third-party manufactured products, sir?
- Prabhat Agrawal:** So I would say in more than 10% to 15% of our sales is coming from where we are playing a full commercial role.
- Anupam Aggarwal:** And have you seen that contribution increasing, sir, over the last 3 to 4 years?
- Prabhat Agrawal:** Yes. And that contribution should increase going forward as well because we are targeting such kind of opportunities.
- Anupam Aggarwal:** Understood. How much incremental margins you would be getting, sir, in these kind of model compared to your generic distribution model?
- Prabhat Agrawal:** It depends on what is the scale potential of these companies. It's no uniform number I can give you, but it could be at least double of normal distribution margin.
- Anupam Aggarwal:** Understood. Great, sir. Just last question.
- Moderator:** Sorry to interrupt in between Anupam I will request you to please rejoin the queue again.
- Anupam Aggarwal:** Sure. Thank you.
- Moderator:** Thank you. We will take the next question from the line of Karan Gupta from ACMIIL.
- Karan Gupta:** So 2 questions, one on margin, one on working capital side. The gross margin part that you also mentioned in your PPT is in the range of 8% to 15%. It is the gross margin, right?
- Prabhat Agrawal:** Which slide?
- Karan Gupta:** Slide number 28. Just for confirmation, the 8% to 15% on the distributor side, it is basically the gross margin that you are saying?
- Prabhat Agrawal:** Yes.
- Karan Gupta:** Okay. Okay. So the band, we are at the lower margin side, 9% something. What it will lead to increase the margin maybe in the 11% to 12% kind of range -- and what is our margin in core pharma and MedTech right now? That's the one question.
- Prabhat Agrawal:** See, large part of margin expansion, the EBITDA margin expansion that I'm talking about for next year also is going to come from gross margin expansion. This year also, if you look at large part of our EBITDA margin expansion has come from gross margin expansion itself.
- Karan Gupta:** Okay. Okay. So what is the gross margin right now, core pharma and MedTech if you just gross numbers...
- Prabhat Agrawal:** What the total gross margin for this quarter was 10.9%.
- Moderator:** We will take the next question from the line of Bharat C. Shah from BCS Capital Ideas Limited.

Bharat Shah: I just wanted to understand what is the desired return on capital employed that you are looking forward to and when? And in sync with that, what is the likely sustainable growth because superior ROC will have impact on your ability to grow your growth also will have impact on your ROCE through the operating leverage. And therefore, can you first talk about what in your opinion is the desirable ROCE? And when do you see that being achieved without diluting debt?

Prabhat Agrawal: So the ROCE for this quarter was 1.4%, right? And with the margin expansion to next year by another 0.5% from the current quarter, definitely the ROCE for next year will exceed 20%...

Bharat Shah: My question was, is that the desirable ROCE that you look forward to in your opinion, that is more or less in the character business that you can achieve?

Prabhat Agrawal: No, if you're asking are there opportunities to increase the ROCE beyond 20%, yes, it is available for sure, right? But it may not happen in maybe next year or next quarter.

Bharat Shah: What in your opinion is the real competitive advantage you bring on the table for you to earn 22%, 24% ROCE. I mean at the end of the day, there is a demand for the product. And pure distribution, even in consumer businesses, we have seen over a period of time, consumer businesses which were riding on high ROCE through impregnable distribution strength that advantage is eroded. So what really is the core moat and the sustainable advantage which will protect and enhance the return on capital employed?

Prabhat Agrawal: So you have come to a very strategic point what is the moat available. I tell you the kind of moat that we have, it's very difficult for anyone to build. We have 100,000 customers in India, right? -- and we have more than 3,000 companies that -- for which we are the distributors in the country, right? Nobody has that kind of a network.

So many customers are there with us because there are so many companies' products we have available. And so many companies are with us because we have so much of customers, right? So it's a 2-way moat. It's a 2-way closed-loop system. More companies come to you because we have so much of customers and more customers come to you because we have so many companies, right?

So it's very difficult for anyone to build this 2-way moat. And we have taken like 7, 8 years. We have done so many 40, 50 M&As to build this kind of a mode. And that gives us a sustainable long-term advantage because so many companies, we do a large part of their business in India.

There's not much of options available outside us. The option available is going to smaller distributors who can only do a limited role, right? So the ROCE will keep on increasing as long as we keep on building this 2-way moat. And I believe that if somebody can forecast 4 - 5 years down the line, that will create a very unique barrier to entry for this business.

Bharat Shah: And if the retail becomes more and more consolidated and institutionalized, much like you are institutionalizing the distribution, will the equation in the terms of the trade change between the 2?

Prabhat Agrawal: Yes. So the reason why we have this unique advantage is because the supplier base is also very fragmented. And the customer base is also very fragmented. And you asked specifically about the retail being unorganized in India. Retail, do you see a lot of consolidation happening in retail space?

I don't see that because India has more than 1 million pharmacy stores. The number of stores that belong to chain stores is hardly 15,000. So still 97%, 98% of store network in India is basically mom-and-pop. And even that 1%, 2% organized retail is happening after 30, 40 years.

The biggest store network in India is MedPlus, which is 5,500 and second biggest, let's say, -- sorry, first is Apollo, second is MedPlus. Together, they add up to like 10,000, 12,000 stores in the country, and they are adding like 500 - 600 stores every year. So you imagine -- and then after MedPlus and Apollo, there is no one having even 500 stores in India, right? So the consolidation on retail is not going to be such that the organized chain will start contributing a large part of India's pharmacy business, pharmacy retailing business.

Bharat Shah: Sure. And just one last bit. On the other income, I just wanted clarity from Bala. It seems to swing year-by-year being high in fiscal '25 and moderating in fiscal '26. So can you highlight the source of the other income, which is swing? There was one exceptional income or expense that I'm ignoring but how is that other income behavior?

Balakrishnan Kaushik: So basically, FY '25, we had a large other income mainly because we had funds from the IPO that were there during -- that were invested during FY '25 in deposits, mutual funds, etcetera. We've utilized those funds for acquisitions and for working capital as the purpose for which the IPO was done. So since those funds have now been invested into the business, you don't see it in other income in FY '26.

Bharat Shah: Got it. So last year is more representative now?

Balakrishnan Kaushik: Yes. FY '26 is more representative. You're right.

Moderator: Ladies and gentlemen, due to time constraint, we will take that as the last question for today. I would now like to hand the conference over to the management for the closing comments. Thank you, and over to you, sir.

Prabhat Agrawal: Thank you, everyone, for joining this call. I hope I was able to address some of your queries during this call. But if any queries remain unanswered, please feel free to reach out to our Investor Relations team. Thank you once again for your support and confidence in the company. Thank you so much.

Moderator: Thank you, members of the management. On behalf of Dam Capital Advisors, we conclude this conference. Thank you all for joining with us today, and you may now disconnect your lines