Entero
Healthcare Solutions Limited

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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 August 04, 2026 bearing reference no. 28/SE/LC/2026-27, August 05, 2026, bearing reference no. 29/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 August 10, 2026 at 12:00 Noon (IST) to discuss the Company's Unaudited Financial Results for the quarter ended June 30, 2026 is annexed herewith.

This is for your information and records.

Yours faithfully,

For **Entero Healthcare Solutions Limited**

SANU VISHAL KAPOOR
Digitally signed by SANU VISHAL KAPOOR
Date: 2026.08.17 12:40:33 +05'30'

Sanu Kapoor
Vice president – Group General Counsel,
Company Secretary & Compliance Officer

Encl: as above

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"Entero Healthcare Solutions Limited
Q1 FY27 Earnings Conference Call"
August 10, 2026

E&OE - This transcript is edited for factual errors. In case of discrepancy, the audio recordings uploaded on the stock exchange on 10th August 2026 will prevail.

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

ANALYST: **MR. RAHUL DANI – MONARCH NETWORTH CAPITAL LIMITED**

Moderator: Ladies and gentlemen, good day, and welcome to the Q1 FY27 Earnings Conference Call of Entero Healthcare Solutions Limited, hosted by Monarch Networth Capital Limited. As a reminder, all participant lines will be 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.

Please note that this conference call may contain forward-looking statements about the company, which are based on the beliefs, opinions and expectation of the company as on the date of this call. These statements are not the guarantees of future performance and involve risk and uncertainties that are difficult to predict.

I now hand the conference over to Mr. Rahul Dani from Monarch Networth Capital Limited. Thank you, and over to you, sir.

Rahul Dani: Thank you, Julius. Good afternoon, everyone, and a warm welcome to Entero Healthcare Solutions Q1 FY27 call. On the call today, we have representing Entero Healthcare Solutions, the management team comprising of Mr. Prabhat Agrawal, Managing Director and CEO; and Dr. Balakrishnan Kaushik, Group CFO. We also have SGA, IR partners.

I will hand the call to the management for the opening remarks, and then we'll move to Q&A. Thank you, and over to you, sir.

Prabhat Agrawal: Thank you. Good afternoon, everyone. Thank you for joining our earnings conference call to discuss the performance of Q1 FY27. My name is Prabhat, and I'm joined by Bala Kaushik, Group CFO; and SGA, our Investor Relations Advisors 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.

We have started FY27 on a very strong footing. Consolidated revenue grew 38.2% year-on-year to INR1,940 crores. And on a like-for-like basis, which adjust for the impact of revenue recognized on a net margin basis and the divestment of a subsidiary in the base period. Growth was even stronger at 40% year-on-year.

This top line performance was accompanied by continued and meaningful margin improvement with EBITDA margin reaching 5% for the quarter. We are pleased to have delivered our full year FY27 EBITDA margin guidance in the very first quarter of the year.

Now coming to the composition of this revenue growth. Organic revenue growth for the quarter was 17.8% on a reported basis and 19.6% on a like-for-like basis, comfortably ahead of the underlying pharmaceutical market growth of 13.8%. Inorganic growth was at 20.4% and the entirety of this growth came from the calendarization of acquisitions completed in last year. There were no new acquisitions during Q1 FY27.

As also spoken in our last earnings call that we have completed a significant volume of M&A over the preceding 2 years. And our stated priority for this year is to consolidate, integrate and organically build upon the platform we have already created. We remain open to compelling opportunities should they arise, especially in the last quarter of this financial year.

Also in our last earnings call, we had communicated about certain low-margin businesses that we were consciously exiting to release working capital for deployment into higher-return opportunities. That process continues during this quarter and has impacted our reported growth by around 2.5%.

Gross margin expanded 147 basis points year-on-year to 11.4% and EBITDA margin expanded 143 basis points to 5%, while EBITDA growing 94% year-on-year, nearly 2.5x our revenue growth rate. This margin expansion was driven by 3 levers, scale led procurement economies, a growing share of revenue from the MedTech business, where we play a full commercial role rather than pure fulfillment role and the deliberate exit from certain low-margin accounts.

Having achieved a 5% EBITDA margin in the first quarter itself means we are already tracking well at our full year FY27 guidance. And our focus for the upcoming quarters will be on sustaining and where possible, building further on this margin base.

Profit after tax for the quarter was INR52 crores, up 72% year-on-year with a PAT margin of 2.7%. Profit after tax attributable to owners was INR38 crores, up 37% year-on-year. I would like to provide some clarification in reference to the non-controlling interest, which stood at INR14 crores for the quarter or approximately 27% of profit before minority interest.

As many of you are aware, our acquisition structure in few acquisitions involved a majority buy-out, but not a full 100% stake. We have a pre-agreed contractually defined call options (subject to certain conditions) to acquire the residual minority stake over a defined time horizon, exercisable at a valuation multiple, consistent with the multiple paid at the time of original acquisition.

A non-wholly subsidiary that outperforms, will show a larger minority interest and this is a function of that business doing well, not of value leaking out to third parties. We always retain full operational and cash flow control over every one of these entities and minority share of profit is always reinvested in the business and not paid out. The minority interest could be bought out by the company as per the contractually agree option terms over a period of time.

Net working capital days improved to 61 days from 66 days a year ago, continuing the structural efficiency gains from the initiatives we have been taking since the past few quarters. Return ratios showed significant improvement in this quarter. ROCE yearly doubled year-on-year from 11.5% to 21.1% and ROE moved from 9% to 20.4%.

Both figures are also comfortably ahead of our full year FY26 numbers, which shows the improvement in returns with structures. This is a clear evidence that our growth is combined with capital efficiency.

Our MedTech segment, will continue to be the most important structural lever in our medium-term margin story. MedTech revenue is on track to cross INR1,000 crores in FY27 on an organic basis, and continues to carry higher gross and EBITDA margins than our core pharmaceutical distribution business. Our focus for the year is on deepening these existing relationships and building organic capability in this segment.

Operationally, our platform continues to scale. We now serve over 72,000 retail customers and more than 2,300 hospital customers, distribute over 83,400 SKUs and maintain relationships with more than 3,000 health care product manufacturers, supported by 138 warehouses across 475 districts in 19 states.

This scale and the 2-way network effect, it creates between our supplier base and our customer base remains, in our view, the core and extremely difficult to replicate moat that anchors this business. We remain firmly committed to our stated FY27 guidance of consolidated revenue growth of approximately 23% year-on-year, excluding any contribution from new acquisitions, alongside an EBITDA margin of 5% and EBITDA to operating cash flow conversion of 50%.

Beyond FY27, we believe Entero has built a differentiated, scalable and resilient health care distribution platform that is well positioned to compound over the long term. The Indian health care product market remained large, fragmented and is expected to continue growing at a healthy double-digit base, creating significant opportunity for industry consolidation and market share gains.

Our Pan-India distribution network, expanding MedTech portfolio, technology-enabled supply chain and disciplined capital allocation provides a strong foundation for sustainable growth. We are confident that the platform we have built today positions Entero to become India's leading integrated health care product distribution company over the next decade thereby creating sustainable long-term value for our shareholders.

With this, I close my opening remarks and invite people to ask questions. Thank you.

Moderator: Thank you. We will now begin with the question-and-answer session. The first question is from the line of Bharat C. Shah from BCS Capital Ideas Private Limited. Please go ahead.

Bharat C Shah: I think the first quarter is a reflection of the strategic outline that you have been painting out over the period of time. So delighted to see the more clear stratification of that. A couple of questions, first, if our inorganic activity is going to be a little new muted as strategically decided as you outlined, and the focus will be on consolidating the operations, which are existing, over next 3 to 5 years if we assume that no more acquisitions are made, what kind of end, let us say, IPM growth is about, say, 7% to 9% what kind of growth rate of Entero we can assume?

Prabhat Agrawal: Thank you. So, the industry structure in which we operate and right to win that we have in a very fragmented industry structure, I believe it gives us an opportunity to grow at an excess of 20% over medium term, both organically and inorganically combined.

As of now, our focus is mainly on organic because we believe that we have created enough moat -- enough platform opportunities, relationships, customer base that can help us to grow organically very well in the near term. So this year, our focus primarily has been on organic. At the same time, we continue to look for inorganic opportunities that can add value to our network.

So, coming back to your question, in near term, we believe that we should be able to grow at excess of 20%.

Bharat C Shah: Near term, meaning 3 to 4 years?

Prabhat Agrawal: 3 to 4 years, yes.

Bharat C Shah: Okay. And if you assume no acquisition, then still this kind of growth you visualize?

Prabhat Agrawal: Yes. This is our internal target for us to deliver.

Bharat C Shah: Okay. And I was delighted to see improvement in return on capital employed and return on equity, still a long way to go. But supposing continuing with the same question, if we make no more acquisition theoretically speaking, and we grew at 20% over let's say next 3 to 4 years. At the end of the third or fourth year, what kind of return on capital employed would you think would be possible?

Prabhat Agrawal: Anywhere, in the range of 25% to 30%.

Bharat C Shah: 25% to 30%. Okay. And margin improvement, I suppose has happened due to metric business growth. Is that assumption correct?

Prabhat Agrawal: It's a combination of all the reasons that I outlined in my speech, but yes MedTech was an important contribution.

Bharat C Shah: And the last thing, while you have many times outlined clear strengths is a distribution house and your own moats in the picture. But what -- I'm still a curious to understand more ringside view is to what makes us improve our market share? Or in other words, you grow much faster than the IPM is doing. If you can explain that a little bit in more deeper insights, that would be helpful?

Prabhat Agrawal: And this is a question that we have been addressing for many years now. In fact, this is a question that we asked ourselves when we started this company, right, what is it in Entero that can help us to grow faster than the industry, right. Because that's the whole basis for forming this company. And I'll repeat again for everyone's benefit that we have a unique value proposition and that helps us to outpace the market growth rate.

And the unique value proposition that we have for our both for our customers and for the principal companies that we work for. For the customers, our unique value proposition is the range. The time -- the number of products that we carry. We are working with more than 3,000 companies in India, whose products we are distributing.

So, for the customers, it's like 1 stop shop. They can get such a wide product range at -- from 1 distributor, which makes them come back to again, again and again because the alternate for us is to buy from a fragmented distributor base, which means you'll have to work with lot many distributors to assemble that product range.

So the product availability, the fill rate that we can provide, the service levels that we provide through our tech is what creates a very strong unique proposition for our customers. For the principal companies, we provide them an all-India access and All India reach, right.

By working with us, they get access to such a huge geography of India. They get access to such a large customer base. So, it's like a 2-way moat. We have so many companies because we have so many customers, and we have so many customers because we have so many companies. So, it's like a 2-way network that we have created that gives us right to win.

Bharat C Shah: Clearly, you have explained it many times on the similar lines. If you permit me, just one last thing, if I can read that, your relatively less emphasis on inorganic activity going ahead under something meaningful and attractive comes by is more because you think the acquisition opportunity per se you think are going to be less in risk compared to the past? Or it is a reflection of internal strategy of growing the business from within?

Prabhat Agrawal: So, there is no dearth of opportunities to inorganically acquire. There are enough distributors in India who are willing to transact, okay. And there are many sellers, but there are not many buyers. The buyers are basically limited to 1 or 2 organized players like us. But there are a lot of unorganized distribution companies that are willing to sell, right. So, it's not the dearth of opportunities. It's basically our whole internal strategy to focus on building what we have already created.

Acquisition basically serves a purpose, it's not, it's not an end in itself, it's a means to an end, right? So, unless the initial years, we did more focus on acquisition because we wanted to build a network. Now we have substantially build a network. There are a lot of organic opportunities can be created over this network, right? So -- but again, as I said, we keep our ears and eyes open to acquisition opportunities and we will do when we think it adds something to our network.

Bharat C Shah: Sure. No, thank you Prabhat ji and I hope many of the future value points hopefully Entero would achieve. Thank you and all the best...

Moderator: The next question is from the line of Arnav Sakhuja from Ambit Capital.

Arnav Sakhuja: So my first question is that now that our subsidiaries have started making cash flows, what is the mechanism of bringing the cash flow back to the parent company to further fund acquisitions?

Prabhat Agrawal: So most of the subsidiaries have been funded through inter-company deposits or intercompany loans. So, once we start making money, we pull back those intercompany loans that gives us cash flow in the parent company to acquire more businesses.

Arnav Sakhuja: Got it. And so just a clarification on, you know, one thing that you mentioned in your opening statement about the non-majority buyout of these subsidiaries. So, I mean, even I noticed that this line was there in the PPT, but it was not there in any of. So, is there any kind of new development or you know this line is just this buyout option has always been there, but it has just been added for clarification purposes.

Prabhat Agrawal: No, it was always there. See, when we acquire, you know, majority stake in any company, we also create the path to acquire the rest, because at end of the day, you know, there's nobody else who can acquire that balanced stake from, that distributor, right? So, you know, you know, whenever we are doing any transaction where we are not buying 100%, we have already a defined path, method, formula, valuation, everything agreed in the beginning itself. There's no single agreement that we have signed with any M&A opportunity where we have not defined that.

Arnav Sakhuja: And on an average, what would be the defined time horizon for each on these acquisitions?

Prabhat Agrawal: It could be anywhere between 2 to 5 years.

Arnav Sakhuja: Two to five years, okay. Okay, thanks again for the strong self-results and thanks for taking my questions.

Prabhat Agrawal: Thank you.

Moderator: The next question is from the line of from Akshat Mehta from Seven Rivers Holding. Please go ahead.

Akshat Mehta: First question that I had was regarding the margin, sir. If you can help us understand sequentially from quarter 4 to quarter 1, the 60-bps margin improvement what are the key factors that led to an improvement on a ballpark whether it's MedTech acquisition that we did in Q4 or some operational efficiencies or mix, or product mix change? And since you've already achieved the 5% number in Q1, can we look at further improvement out in the later quarter remarks? That's my first question.

Prabhat Agrawal: So, quarter 4 to quarter 1 anyway, we were close to 5%. And because we -- if you remember, we had given a clarification also that there were certain one-off items in quarter 4, that kind of brought down our margins. So, these one-off items, if you remove already close to 5%. And of course, going on from here, our aspiration target is to improve margins more from here.

Akshat Mehta: Okay. Secondly, sir, also I want to understand since you're not doing any major acquisitions this quarter, how should we look at two kinds of expenses, one is the operational expenses, employee costs and other expenses? And how should we look at the interest costs for the rest of the year?

Prabhat Agrawal: So, for employee expenses, most of the impact comes in quarter 1 only because that's where the increment cycle goes on effective from first of April. So you should not expect any major increase on employee expenses from here on. And interest costs, Bala why don't you respond to that?

Balakrishnan Kaushik: So, on interest costs, we had taken our debt for acquisition, the last acquisition that we did, we had taken a debt and the increase in interest costs that we are seeing between Q4 to Q1 is primarily because of the full quarter impact of the interest. So, we had taken the disbursement somewhere end of January, early February in Q4, and you see the full impact for the quarter. And we had also a -- we have taken about INR200 crores of debt for the primarily because of that.

Akshat Mehta: How should we look at for the rest of the year? Will it go down quarter-on-quarter basis?

Balakrishnan Kaushik: This will be broadly in the same range. We don't expect it to significantly go down, but it will be broadly in the same range. We don't exceed it going up as well.

Moderator: Sorry for interrupting Mr. Akshat. Please rejoin the queue for the more question. The next question is from the line of Khushi from Negen. Please go ahead.

Khushi: I just had one question. It was regarding what is the pipeline for FY27 for acquisitions that you want to do?

Prabhat Agrawal: This question I've already clarified before that we are not looking for any major acquisition in FY27. We have the pipeline, but we don't see doing big acquisitions during this year.

Khushi: Okay, thank you.

Moderator: The next question is from the line of Chetan from Girik Capital. Please go ahead.

Chetan: Congrats for the good set of numbers. I think we started with fatter of this quarter with a very strong print. Couple of questions. One is on the other opex, if I look at sequentially, Q4 had a higher impact because of the one-off, INR56 crores were there, including INR11.5 crores of one-off items. This quarter, we have reported similar print. Is there any -- it's a clean other opex, and this is what we should expect going forward?

Prabhat Agrawal: So, the entire INR11 crores, as we said did not go into other expenses. Part of it also went in gross margins. The one that we had disclosed before that they are one-off items on a closure of business and all that. So, all that did not go fully in the other expenses. Only part of it went into other expenses.

Chetan: Okay. So, INR55 crores are run-rate wise likely to be sustainable at this level or at the percentage level?

Prabhat Agrawal: Yes.

Chetan: Okay. And if I look at the sequentially the inorganic piece which is around last quarter, we reported almost 348-odd-so growth has contributed almost 26% towards 4Q revenue -- revenue growth. This quarter, that number is around 20.4%. So, it translates into -- there is a difference of almost, I would say, INR70-odd crores, INR60-odd crores.

Why should this new acquisition revenue should largely translate into calibrate in the current quarter, right? Ideally. So is there -- you called out last quarter that a supply to diagnostic PPP contract was sitting in high base in 4Q. That can be one of the reasons or any other thing you want to call out?

Prabhat Agrawal: No, that's the main reason. In the last call also, I said there were certain government projects that we're doing. And there were a preponement of billing in last quarter itself because of the government budget is getting closed down. Part of Q1 revenues were pulled into Q4 revenue of last year.

Chetan: Got it. Okay. I'll join back in. Thank you.

Moderator: The next question is from the line of Alok Dalal from Jefferies. Please go ahead.

Alok Dalal: Congratulations on a very good quarter. Just a couple of questions. One is of late; we've seen an improvement in IPM. Apart from GLP, is there anything else which is driving this change?

Prabhat Agrawal: No, we are also very happily seeing that kind of higher growth in IPM for last 2 quarters because it used to be like 7% to 9% earlier now move to double digit and primarily driven by volume growth, right, which was earlier muted or even negative now at positive. So, it's -- I would say all around across therapy areas, we are seeing higher growth than before.

Alok Dalal: Okay. But is it any specific region or any specific thing that you've come across, which is leading to this sudden shift in IPM growth?

Prabhat Agrawal: So, we are not able to decipher the exact reason of why there is a meaningful change in the growth rate, even though we are experiencing that growth, but we are not able to isolate any specific reason or factor for that.

Alok Dalal: Okay. And Sir, do you think this is a sustainable growth number or after a couple of quarters, again, it may start reverting to the mean?

Prabhat Agrawal: So, you mean to say IPM growth rate.

Alok Dalal: Yes, IPM growth rate?

Prabhat Agrawal: I can't forecast what IPM growth rate could look in next few quarters. But what I can say, we are confident about the growth rate that we are projecting. In fact, we had made our organic forecast on a lower industry growth rate only.

Alok Dalal: Okay. All right. And despite that, you've achieved 19% on like-to-like, which is a very healthy number?

Prabhat Agrawal: Actually, to be honest, this number was 22% because we consciously cut down to 2.5% of growth.

Alok Dalal: Yes, correct. You mentioned that Okay. And the second question is on working capital. So, with a significant improvement in the first quarter itself versus last year. Is there a renewed guidance for working capital days for FY27?

Prabhat Agrawal: No, we will stay with our guidance. I'm not revising any guidance numbers based on quarter 1 performance. Maybe let's complete 1 more quarter, then we might speak about what could be the rest of the year guidance for second half.

Alok Dalal: Got it. Okay. And last one is on your -- you mentioned about revenue growth...

Moderator: Sorry for interrupting, Alok sir. Please rejoin the queue for more questions. Thank you.

Prabhat Agrawal: Alok, anyway, you can connect with us separately.

Moderator: The next question is from Vansh Solanki from RSPN Ventures. Please go ahead.

Vansh Solanki: Good afternoon, actually. So, my question is on depreciation. The last call management told that the depreciation increased due to the acquisition in the Anand Chemical. So, like, there is, due to the business model, what they are supplying machines to the customers. But on a quarter-on-quarter basis, the depreciation is decreased. So, like, what will be the range in the going forward?

Balakrishnan Kaushik: So, Vansh here, there were certain machines in last quarter where we had taken depreciation because we wanted to accurate and depreciate those machines given the kind of revenue those specific machines we are giving. So going forward, what number you're seeing now is what you will see broadly as depreciation going forward. What you're seeing in Q1 is what you will see going forward, subject to any new major capex.

Vansh Solanki: And the second question is on the income tax slab. So, have we any deferred tax asset balance with the company? and like if I assume that going forward, maybe in FY27 and FY28, we will be normalized effect will take that to 25%. Is that number, correct?

Balakrishnan Kaushik: So currently, we do have deferred tax assets that are there. The guidance for FY27, we've given a 22.5%. Guidance for FY28 and beyond, we will come to it when we are closer to close of FY27.

Moderator: Thank you. Sorry for interrupting, Mr. Vansh. Please rejoin the queue for the more questions. The next question is from the line of Simran Thakkar from Beas Capital. Please go ahead.

Simran Thakkar: Thank you for taking my question. So, there was this one deal that we did with a BTA with Vishal via Sai Pharma. So, could you just please let us know what is the deal about the consideration to Sai and its revenue and margin profile, and how would it contribute to the top line and margins ahead? And also, whether it's in diagnostic phase cardio, orthosurgical, consumable space?

Prabhat Agrawal: So that's a pretty small deal compared to the size of operations that we have today. It's an acquisition that we have done in the state of Andhra Pradesh to build on the surgical consumable business profile. So, it will be integrated with one of our business in AP, and it will help them to diversify into surgical consumable space, which is typically a higher margin business than pure pharma.

Simran Thakkar: Right. And any revenue margin profile that you could just mention and also the consideration and size?

Prabhat Agrawal: Revenue, it's not a meaningful -- not even contributing any significant number to our overall size of business.

Simran Thakkar: Understood. Okay. Thank you.

Moderator: The next question is from the line of Akhil Parekh from 360 One Capital. Please go ahead.

Akhil Parekh: Yes, thanks for the opportunity and many congratulations on strong execution. So, my first question on the market share, if you can throw some color on where does our market share stand…

Moderator: Sorry to interrupt, sir. Please use your handset. You're not audible, sir.

Akhil Parekh: Hello.

Moderator: There's still a disturbance a bit.

Akhil Parekh: Just one second.

Moderator: Sorry, sir. Your voice is not audible. Please rejoin the queue for the more question. The next question is from the line of Kumar Saurabh from Scientific Investing. Please go ahead.

Kumar Saurabh: My question is around -- I believe we have reached to a level where for the incremental 20% plus growth whatever is the incremental working capital required. If I remember your guidance, we want to convert 50% of EBITDA into OCF which gives us somewhere around INR200 crores. So, my sense is we are at a point where because of our margin improvement we should be able to take care of the incremental working capital through our internal accruals.

And if we are able to do that, it means, we'll be able to convert more percentage of EBITDA to PBT. And already, we have done great. I think 2 years back, we have 33% PBT to EBITDA. Now we are around 60%. So, do you see next 2 - 3 years possibility, first that we will not need an incremental debt if we are not going for more acquisitions?

And second, the possibility to reduce this debt over a period of time if we are not going for incremental acquisitions? And how do you see going forward in the long term? Do you see again we will come back to acquisition mode or you'll be more interested in paying the debt and improving your PBT to EBITDA ratio, which will ultimately again give us the operating leverage on the profitability side versus sales growth rate?

Prabhat Agrawal: Yes. First of all, let me clarify, when I say OCF. When I say OCF, OCF is after accounting for changes in working capital. So, when I say 50% of EBITDA getting converted to OCF, means EBITDA minus working capital changes, whatever is the remaining is supposed to be 50% of EBITDA. So just because you are OCF positive means you have enough internal accrual to fund your working capital changes.

Now we are saying that in this year, we will have 50% left after accounting for working capital changes, is that money could be used for acquisition, could be used for paying off debt, it can be used for buying of minorities. There are multiple uses of that extra cash flow that we have, we need to see and compare which gives us the most incremental improvement in EPS. Accordingly, we will deploy that money.

Kumar Saurabh: So, either then we will go for paying off debt or we will go for acquisition, which should help us to increase our sales growth rate. So, both way it should boost up our PAT.

Prabhat Agrawal: Yes, of course. I mean the money will not be kept idle or we are not proposing to declare dividend or anything like that. So that money will be reinvested in the business, and it should be reinvested in ways, which can create the maximum shareholder value.

Kumar Saurabh: Got it. And my second and last question is on the IPM growth side. And 1 gentleman also asked this question. And you have been in this industry for a long, long time. One question is can you provide, educate us anything on the cyclicity of this industry? Because the IPM growth fluctuated 7% to 14%, and last time in 2023, didn't sustain from 16% came down. So, if you can educate us on cyclicity and usually how is the volume versus value in the long run, how the contribution has been?

Prabhat Agrawal: So, if you look at cyclicality in a year, typically, the quarter 2 is, where the maximum contribution in IPM happened. So, if you take 4 quarters as 25% each in every quarter, the quarter -- 2 is typically the higher -- the quarter 1 is like 22% to 23% of total sales. And then the volume and everything picks up in quarter 2, typically, in pharma industry. But if you're asking for my view on long-term trends on the growth rate, we were in that cycle of 10% to 12%, then we went down to 7% to 9%.

We have again come back to 10% to 12% growth rate in IPM. And as Alok has asked me before what's my view or what's my forecast, and I said, I'm unable to give a forecast on this really, because I'm not able to isolate any specific factor that has led to this.

Moderator: Sorry for interrupting Mr. Kumar, please rejoin the queue for the more question. The next question is from the line of Deepak Ajmera from IGE India. Please go ahead.

Arpit Tapadia: Yes, Hi, thank you for the opportunity and congratulation on the good set of numbers. Arpit Tapadia on this side. I want to ask, what has been our source of, let's say, excess growth over IPM, is it therapeutic area or something else?

Prabhat Agrawal: It's primarily increasing wallet share from the customers or growth in the number of customers because -- and that increase in wallet shares is primarily coming from our USP, which is better fill rate, better product availability, better range that we are offering to our customers. And more collaborations, we are able to hold with companies.

Arpit Tapadia: Okay. Secondly, the participation of generic drugs has been consistently increasing in our overall pharma market. So, in that environment, how do we are so certain about margin maintenance or expansion?

Prabhat Agrawal: Sorry, sorry, I lost you on the first part of your sentence. Can you repeat, please?

Arpit Tapadia: Yes, yes. So, my question is the participation of generic drugs are consistently increasing in our overall pharma sales market. So, into that particular environment as other companies are struggling to maintain or expand margins like DavaIndia, how do we are certain of margin expansion and maintenance?

Prabhat Agrawal: So, the generic drug in India is primarily divided into, let's say, 4 categories of drugs. One is patented drugs, the second is branded generic, the third is trade generic and fourth is only generic, generics. So, we are participating in the first 3 segments, which is patented drugs, in branded generic and trade generic. We're not so much participating in the pure generic, generic. But 98%, 99% of Indian Pharma Industry is basically consisting of the first 3 segments only. And we are represented in all these 3. So, if the trade generic is growing, we are also enjoying that growth rate.

Moderator: Sorry for interrupting Mr. Arpit. Please rejoin the queue for the more questions. The next question is from the line of Nitin Agarwal from DAM Capital. Please go ahead.

Nitin Agarwal: Congratulations on hitting the 5% EBITDA margin mark. My question was, we've now had the MedTech acquisitions with us for some time now. So, in your experience, what kind of value-creating opportunities do you see in these MedTech transactions as you sort of integrate them versus the transactions, the prior transactions, prior acquisitions of the pharma distributors?

I mean, do you see more opportunities for synergies, more opportunities of value creation in these businesses in MedTech or versus the traditional pharma businesses? And what kind of opportunities do we see from here on?

Prabhat Agrawal: So, both these segments create opportunity for us or presents opportunities for us. In the case of MedTech, you can force a lot of Pan-India or national level collaboration. Those opportunities are far more available in MedTech as compared to pharma. And in MedTech, you can play a commercial role also where you are also responsible for end-to-end demand generation and fulfillment. Those kinds of opportunities are plenty in this.

The MedTech distribution is limited to very few players. You have a much larger number of distributors in pharma than you have in MedTech. So there the collaboration with the companies could be more meaningful. It could be more value added, it could be more comprehensive. That's what I see going forward.

Nitin Agarwal: And in this business, assuming we don't hypothetically assume we don't take any more acquisitions in MedTech. What is the kind of growth that one can achieve in this business over a 3 - 5-year period?

Prabhat Agrawal: 20%, we can definitely target those kinds of growth rates in MedTech. MedTech opportunities are also large because not enough competition in MedTech as compared to pharma. Pharma there are lot many distributors but the role of distributors demand fulfillment, which is related to warehousing, logistics and all that. In MedTech, you are playing a meaningful role in creation of demand for that product. So, in such kind of scenario, your opportunities are more.

Nitin Agarwal: I was trying to just push the point that it is possible for us to grow much beyond 20% on the current platform that you've created without in more acquisitions or that's pretty unrealistic?

Prabhat Agrawal: I think it's a safe assumption to build in our model, 20%. If we do better than that, of course, everyone would be keen to do that. But from a modelling perspective, from taking a reasonable forecast on which everyone is confident, you should built 20%.

Moderator: The next question is from the line of Sidharth Negandhi from CWC. Please go ahead.

Sidharth Negandhi: Congratulations on very good performance. I'm assuming most of the low-margin business that was shut down was hospital supplies given that, that customer base has reduced year-on-year even after the acquisitions. On that, are you seeing any more low-margin businesses that you believe you can go out of that can further unlock net working capital reduction. So that's question one.

Question 2 is probably, if I look at the pharma customer base, right, or the overall customer base that 1,000 new customers added year-on-year even after the acquisitions that we make. So, I'm assuming a lot more of the growth has come from higher wallet share versus adding more distribution. Are you seeing that continuing to be the case or do you see opportunity for further distribution expansion with your current set of relationships right?

And the third question was on the call options that you mentioned. Will the exercise of these call options require you to raise capital at the holdco level or are there buyback arrangements, which means the subsidiary can buy back equity at their level from the minority owners, when you bought it from? Yes, those are my three questions.

Prabhat Agrawal: So, you have asked 3 questions. The question number 1 was basically the businesses that we let go off because of low margin growth. So, it didn't primarily come from hospital, came primarily from our sub-distribution business, okay. And there are opportunities for further taking out some business, but we are taking -- first, our -- always our first priority is to improve the margins from those businesses before we take a decision to let them go. So, we will first try to improve, re-negotiate our terms if we can get better. If not, then we will decide if we want to let it go.

Number two, you asked about growth going forward, it's more number of customers or more wallet share. See always the wallet share, the contribution from -- the contribution in growth from wallet share is always higher than the contribution in growth from new customers. Because new customers when they join, they don't allocate much high wallet share to start off the business because they want to experience the service levels and other things with us before they increase the wallet share. But once you are there with them for some quarters, and there is a significant opportunity to increase the wallet share with them.

And your third question was around the buy-out on minority interest. We will evaluate what is the best way to acquire minority interest, whether to fund from parent company or to fund from subsidiary. We have all the options available. The contract doesn't define how we have to fund those acquisition of minority. It only defines the valuation multiples that we have to pay and the time period.

Moderator: Thank you. Sorry for interrupting Sidharth sir. Please rejoin the queue for more question. The next question is from the line of Binoy Jariwala from Upachaya Investments. Please go ahead.

Binoy Jariwala: Yes, sir. Thank you for the opportunity. Just one bookkeeping question. If you could help me with the gross debt number, the net debt number and OCF for this quarter?

Prabhat Agrawal: So, we are not getting our balance sheet reviewed or balance sheet audited by auditors in quarter-to-quarter basis. It's done twice in a year, which is in September and March. So, we'll disclose those numbers during that time.

Binoy Jariwala: And the OCF?

Prabhat Agrawal: See, OCF is basically a function of balance sheet. So again, you will get those numbers in September. And one more point, one general point I wanted to make to general investor base at large, that we should not be looking at OCF on a quarter-to-quarter basis. We should be looking at an annual basis because -- and that's how I have given the guidance that on an annual basis, we will convert 50% of our EBITDA to OCF.

The reason being there is some bit of seasonality in pharma business. There is Q2 is typically higher business for entire industry as a whole. So, you prepare for that in terms of inventory getting ready for the high fees. So -- but still, we give every quarter we give working capital numbers because that's an important parameter for everyone to see that the working capital numbers are not getting worsened off.

Moderator: The next question is from the line of Alok Dalal from Jefferies India Private Limited. Please go ahead.

Alok Dalal: Yes, thanks for the follow up. Sir, you mentioned 3 years organic growth, 20% is achievable. Would this also imply that your EBITDA margin should be around 6% at that time?

Prabhat Agrawal: So, when I said 20%, I said 20% total growth in business. We should -- and without any meaningful acquisition, there are some small acquisitions might happen in that 20%. And of course, as we grow 20% our cost base, itself not going to grow at 20%. So, you will gain something from operating leverage.

And at the same time, the margin expansion at the gross margin also would happen because of the scale that we are getting the procurement, benefits that we get as we grow. So of course, at a 20% growth rate over the next 3 - 4 years, there should be a good expansion on EBITDA margins also.

Alok Dalal: Yes. Because from 5%, the ask rate is only 30 basis points every year, which I believe, should be achievable. So, 6% not at all asked?

Prabhat Agrawal: Why should we limit to 6% only.

Alok Dalal: No, no. So, 6%, let's say, achievable is what I'm trying to say.

Prabhat Agrawal: Yes. Yes. We have internal aspiration and target would be more than 6% for sure.

Alok Dalal: Understood. All right. Thank you, Prabhat.

Moderator: The next question is from the line of Rashmi Gohil from Arihant Capital. Please go ahead.

Rashmi Gohil: I want to ask the question about MedTech revenue rate. Can you please confirm the quarterly trajectory, which is needed to greater than INR1,000 crores FY27 is to revenue. So, it can be modeled as a distinct segment with its own growth and margin profile?

Prabhat Agrawal: Yes, yes. We are comfortably above those above INR1,000 crores for this full year.

Rashmi Gohil: So, what percentage of full year growth is expected from organic executions versus distributions, given zero inorganic contribution in quarter one of FY27?

Prabhat Agrawal: So, the full year guidance that we gave for this year for growth is 23%, and that included like 11% or 12% from calendarization of last year's acquisition and rest was organic.

Rashmi Gohil: So, my next question is related to EBITDA margin exit rate target for FY27. Is 5% the floor or should the model build in further sequential expansion to the end of -- the last quarter of FY27?

Prabhat Agrawal: So, we are always targeting higher margins quarter-on-quarter. But for the full year guidance basis, we still maintain 5%, as I told before that after quarter 2, I might come out with a different number. If I see that for second -- based on the first half performance, I see that second half performance would be better than our guidance.

Moderator: The next question is from the line of Nikhil from Kizuna Wealth. Please go ahead.

Nikhil: Yes, hi, sir. Thank you for giving me the opportunity. So, I just have one question. Like we have a non-controlling interest call option on all the acquisitions that you made. So, are we going to acquire the rest of the stake this year? And how are you going to fund that?

Prabhat Agrawal: We can't acquire all of it in this year itself. But it's a defined time line in the agreement. So, all of that is not falling due in this year.

Nikhil: Okay. So, we can expect that the rest of those stakes acquired in the next year or the year after that FY28?

Prabhat Agrawal: We said, 2 to 5 years, 2 to 5 years is a normal time line that we give.

Moderator: The next question is from the line of Karan Gupta from Asit Mehta Investments. Please go ahead.

Karan Gupta: Yes, so 2 questions, 1 on the margin side. The gross margin expansion of close to 150 basis points. If you segregate from the segment-wise core pharma and MedTech. If you can share the numbers in terms of percentage, that is good, but you can also share the directional margin side of MedTech and core pharma because the 10%, 11.4% gross margin expansion we can build in the model, the major contribution is coming from the MedTech or core pharma that is something I need to understand?

Prabhat Agrawal: So, as I told you, to be honest, the gross margin profile is not so much related to a product category. It's more related to the role you are playing in that business. Wherever you are playing a demand generation role compared to only demand fulfillment role, your opportunity to expand gross margins is much higher. So even in pharma, if you are doing a marketing contract like we are doing for certain companies, there the gross margin profiles are much higher.

So, it's more related to the role that you're playing as compared to product category. It's just happening that in MedTech, we are playing that role much more as compared to pharma. Pharma demand -- majority of our business is under demand fulfillment, while MedTech, large part of our business is demand generation, okay?

And the margin increment on gross margin is happening on both pharma as well as MedTech. On pharma, it is primarily driven by scale, driven procurement efficiencies. And on MedTech getting more business opportunities and more collaborations with companies for demand generation.

Karan Gupta: Okay. Okay. Fair enough. Second one on the wallet share. So, some channels check suggest that for the IPM, for the core pharma segment, the distributors or the pharma retailers, they maintain close to 5% to 10% of supplier diversification for individual suppliers. So is that correct or we are getting -- or we are increasing our wallet share for the individual pockets? So, I mean, 10% kind of supplier diversification is correcting or you can see other picture also?

Prabhat Agrawal: So, your data point, I'm not able to understand. When you say 10% supply and diversification mean what?

Karan Gupta: Medicines of core pharma sales. So, I can diversify 10%, 10% on each. Just to diversify my supplier base. Are we increasing our wallet share in the same way to do, let's say, marketing role for the companies giving more platform-based services to the distributors, all the retailers so that we can increase our wallet share. So, what's our -- I can say the blended wallet share would be same?

Prabhat Agrawal: See, wallet share is a direct reflection of the value proposition that you give to the retailers. If you look your value proposition is higher to a retailer, we will allocate more share of this business to you. And that has been our target internally to increase our value proposition every year. So that's why we are adding more companies, we are adding more warehouses. We are adding better experience for him to buy. And that's how we are targeting higher wallet share year-on-year.

Moderator: Thank you. Sorry for interrupting Mr. Karan sir, please rejoin the queue for the more questions. The next question is from the line of Akshat Mehta from Seven Rivers Holding, please go ahead.

Akshat Mehta: Hi sir, just wanted to understand a small point, sir, why has the minority interest come down on absolute basis quarter on quarter?

Prabhat Agrawal: I think last quarter was INR16 crores, something like that, and this quarter is INR14 crores.

Akshat Mehta: It's INR17 crores and 14 crores.

Prabhat Agrawal: Yes, INR17 crores and 14 crores. It depends on how much profit they have made. It's a simple formula the -- as I told you in quarter 4, we had a significant preponement of revenue on one of our subsidiaries, right, which led to a higher profit share attributable to them.

Akshat Mehta: Okay. Thank you, sir.

Moderator: Thank you. Ladies and gentlemen, due to time constraint, we take this as a 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, and thank you for your faith, confidence in our company. If any question that has remained unanswered during this call, please feel free to reach out to our Investor Relations team. Thank you once again. Have a good day. Bye.

Moderator: Thank you, sir. On behalf of Monarch Networth Capital Limited, that concludes this conference. Thank you for joining us. You may now disconnect your lines.