Ref: 104/SE/LC/2024-25 **Date:** 19/02/2025

To,

Head, Listing Compliance Department
BSE Limited
Phiroze Jeejeebhoy Towers Dalal Street,
Mumbai - 400 001.

Scrip Code: 544122

Head, Listing Compliance Department
National Stock Exchange of India Limited
Exchange Plaza, Plot No. C/1. G Block,
Bandra -Kurla Complex, Bandra (East),
Mumbai- 400051

Scrip Symbol: ENTERO

Dear Sir/Madam,

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

In continuation to our letter dated February 07, 2025, bearing reference no. 93/SE/LC/2024-25, 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 February 13, 2025 at 03:00 pm (IST) to discuss the Company's financial results for the quarter and nine months ended December 31, 2024 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: 2025.02.19 18:48:56 +05'30'

Sanu Kapoor
VP- General Counsel, Company Secretary & Compliance Officer

Encl. a/a

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"Entero Healthcare Solutions Limited
Q3 FY '25 Earnings Conference Call"
February 13, 2025

E&OE - This transcript is edited for factual errors. In case of discrepancy, the audio recordings uploaded on the stock exchange on 13th February 2025 will prevail.

MANAGEMENT: **MR. PRABHAT AGARWAL – MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER**
MR. C.V. RAM – GROUP CHIEF FINANCIAL OFFICER

ANALYST: **MR. ANSHUMAN GUPTA – INVESTEC CAPITAL SERVICES INDIA PRIVATE LIMITED**

Moderator: Ladies and gentlemen, good day, and welcome to Q3 FY '25 Earnings Conference Call of Entero Healthcare Solutions Limited hosted by Investec Capital Services India Private 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 is being recorded.

Please note, 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. Anshuman Gupta from Investec Capital Services. Thank you, and over to you, sir.

Anshuman Gupta: Thank you very much. Good afternoon, everyone, and a very warm welcome to Entero Healthcare Solutions Limited Q3 FY '25 Earnings Call. I'm Anshuman Gupta, part of Investec Capital Services. I cover pharma and healthcare. On the call today, we have representing Entero Healthcare Solutions, the management team comprising of Mr. Prabhat Agrawal, Managing Director, and CEO; and Mr. C.V. Ram, CFO. I will now hand over the call to the management team to make opening comments, and then we will open the floor for questions. Over to you, Sir.

Prabhat Agrawal: Yes. Thank you. Thank you, Anshuman, so much. This is Prabhat and good evening, everyone and thank you for joining our earnings conference call to discuss the operational and financial performance for Q3 FY '25. On this call, I'm joined by Ram, our Group CFO; and SGA, our Investor Relations advisors. I hope everyone had an opportunity to go through the financial results and investor presentation, which has been uploaded on the Stock Exchanges and on our company's website. I shall provide a brief overview of the key operational highlights after which Ram will take you through the highlights of our Q3 FY '25 financial performance.

We are pleased to report yet another quarter of strong growth and consistent execution at Entero Healthcare. In Q3 FY '25, our consolidated revenue reached INR1,359 crores, reflecting a robust 37% year-on-year growth from INR993 crores in the last year same quarter. Our organic growth stood at 17%, significantly outperforming the Indian Pharmaceutical Market (IPM) growth rate of 7% during the same period.

Our gross profit for the quarter stood at INR133 crores, a 48% year-on-year increase with gross margin improving from 9.1% in Q3 FY '24 to 9.8% this quarter. The EBITDA grew 75% year-on-year to INR50 crores, with EBITDA margin improving from 2.9% in Q3 FY '24 to 3.7% in this quarter. The improvement in profitability underscores our focus on enhancing the product categories, adding more value-added services, and driving procurement efficiencies. Further with the revenue growth and use of technology, the operating cost leverage is also helping in expansion of EBITDA margins.

Till date in FY '25, we have completed 10 acquisitions, which have collectively contributed INR792 crores in annualized revenue. These acquisitions have expanded our presence into new geographies and product categories such as diagnostic consumables, medical devices, and specialty pharma.

Entero has strategically established itself as a leading player in India's highly fragmented health care distribution ecosystem. With the Indian health care distribution market valued at $33 billion, we see significant potential for consolidation that could fundamentally reshape the sector. To capitalize on this transformative opportunity, we have adopted a well-calibrated approach that combines both organic and inorganic strategies.

For organic growth, our focus is on expanding our geographical footprint, deepening our market penetration, and increasing wallet share with existing retail pharmacies. We aim to grow our organic business at 1.5x to 2x of Indian Pharmaceutical Market (IPM) growth rate by adding new customers and expanding our product portfolio.

For inorganic growth, we have a disciplined acquisition strategy, targeting businesses that enhance our geographical reach or expand our product and service offerings. We have built a robust acquisition pipeline where many of them are in advanced stages and nearing closure.

Leveraging our expansive and continuous growing pan-India network - comprising 104 warehouses, relationships with over 3,200 hospitals and reach to more than 86,200 retailers nationwide - we remain steadfast in delivering significant value to healthcare brands. Our SKU portfolio has expanded to over 76,600, ensuring that we are well positioned to cater to the diverse and evolving needs of our customers. Currently, we are actively deepening our market presence in Tier 2 and Tier 3 cities, unlocking untapped growth opportunities, and enhancing our wallet share in these underserved regions.

We remain extremely excited about the potential and the opportunities that Entero all-India distribution network, infrastructure and capabilities can bring to enhance the healthcare access and supply chain efficiency in the country.

Our strategic priorities are well articulated and serve as a clear road map for our future initiatives:

Number one, **expanding market reach and portfolio**. We remain committed to deepening our geographical footprint, broadening our customer base, and enhancing our product portfolio through collaboration with healthcare brands.

Number two, **diversifying product offerings.** We'll continue to introduce new product categories such as specialty pharmaceuticals, medical devices, in vitro diagnostics (IVD), and surgical consumables, solidifying our position as a one-stop procurement partner for our customers.

Number three, **enhancing service capabilities**. We aim to continuously expand our value-added services, including marketing and promotional support for healthcare brands, along with innovative solutions like HealthEdge, to deliver a differentiated and integrated service experience.

These strategic initiatives collectively position us to achieve market-leading organic growth and establish Entero as a partner of choice for both healthcare brands and our customers, including pharmacies and hospitals.

We remain dedicated to expanding our operating margins by leveraging key drivers such as adding margin-enhancing product categories, more value-added services and enhanced procurement efficiencies and the benefits of operating leverage. Our focus is on delivering consistent quarter-on-quarter improvements in these metrics to strengthen profitability and operational resilience. Further, through operational excellence initiatives and use of technology, we will continue to work on improving our working capital cycles and operating cash flow.

I extend my heartfelt gratitude to our team for their unwavering dedication and to our shareholders for their steadfast support and trust in our vision. With this, I will now ask Ram to summarize the company's financial performance for Q3 and 9M FY '25.

CV Ram: Thank you, Prabhat, and good evening, everyone. Summarizing below Q3 FY '25 consolidated financial highlights.

Revenue for Q3 FY '25 is at INR1,359 crores, registering a growth of 37% compared to same period last year. 17% of this growth is organic and 20% is from acquisitions. As mentioned by Prabhat, we have completed 10 acquisitions so far in FY '25 and we have recorded INR197 crores revenue during the quarter from these new acquisitions.

We recorded gross profit margin of 9.8% in Q3 FY '25 vis-a-vis 9.1% in Q3 FY '24, an improvement of 73 basis points. The improvement in gross margin is a result of our continuous effort to scale high-margin product categories, value-added services and initiatives taken by us for procurement efficiencies.

EBITDA for the quarter is at INR50 crores with a growth of 75% on year-to-year basis. EBITDA margin in Q3 FY '25 is 3.7% compared to 2.9% in the same quarter last year, recording an improvement of 80 basis points, primarily coming from the gross margin improvement and operating leverage. We continue to make significant investments in talent, process improvements and technology to support the integration and expansion of recent acquisitions.

Profit after tax for the quarter is at INR29 crores, increasing by more than 4x compared to last year's same period. This spurt is on account of higher EBITDA and optimized net finance costs.

Now coming to 9M FY '25 consolidated financial highlights.

Revenue for 9M FY '25 is at INR3,757 crores with a growth of 30% year-on-year basis. Gross profit margin stood at 9.5% compared to 9% during previous year same period. EBITDA for 9M FY '25 is at INR123 crores, an increase of 48% year-on-year basis. Operating margins for 9M FY '25 are 3.3%, which is an improvement of 39 basis points compared to previous year. Profit after tax for 9M FY '25 is at INR76 crores, up by 4x from INR19 crores recorded in the same period last year.

On the working capital front. In Q3 FY '25, our net working capital days stood at 69 days, including acquisitions. We will continue to focus on efficient working capital management, and this will remain a core pillar of our financial strategy going forward.

During Q3 FY '25, we have witnessed an improvement in return profile of the company with an annualized ROCE stood at 12.3% and ROE stood at 9%. This improvement is primarily coming from the margin improvement during the quarter.

With this, I would like to conclude the presentation and open the floor for questions and answers.

Moderator: The first question is from the line of Sajal Kapoor from Antifragile Thinking.

Sajal Kapoor: Health care to my mind now as well as in the future is all about ATA, ATA that is Accessibility, Technology and Affordability. So in that context, Slide 29, what characteristics of the platform are unique to Entero? And how do these proprietary features provide a competitive advantage?

Prabhat Agrawal: Yes, very, very good question. I personally believe technology can play a big role in driving efficiencies in healthcare supply chain, okay? Just to give an example, there are many, many items in technology, which helps in improving things. But I'll just give you a very simple example of ordering. Now most of the ordering is happening on app-based ordering is happening or web-based ordering is happening.

A few years back, all the orders were manually collected by our salespeople or through telephone calls, which was a very inefficient process because when you order to a salesman, he will not be able to remember all the SKUs. He will not even know which SKUs are in stock. Then he will transfer those orders to our billing guy in warehouse. Then the billing guy will punch in the orders. Accordingly, the products will get invoiced and all that.

Today, the customer at his own convenience can order looking at our inventory in our app and place an order and he can get invoiced immediately. He will also know which products are in stock, what are the schemes running on those products. All this information is available transparently to him through tech. And even the ordering process has been so simplified for him - that order to dispatch time reduces significantly because the moment he places an order, the order is already captured in the system.

So this helps him to reduce his stock levels at his own retail pharmacy, reduces expiry. A lot of information and data that we provide to the healthcare brands can help them to optimize their own inventory, reduce the expiry rates. So wastages and all can be reduced significantly.

So some of these technologies, we have built in-house, and we are using it to drive our business performance and also helping the customers to improve their customer experience. This is just one example. There are many such examples, which where the use of technology is helping in driving efficiency in the healthcare supply chain.

Moderator: We now invite the next question, which is from the line of Devanand Mohan from Avendus Spark.

Devanand Mohan: I just have a couple of questions. First one is, can you give me a breakup of the other segments, sir, like when I'm talking about the sales and marketing as well as the private label business. It was in the single digits. Just wanted to know where it is now?

Prabhat Agrawal: Sorry, can you please repeat? I lost you in the last part of your question?

Devanand Mohan: So, I just want to know the breakup of other segments, particularly the sales and marketing segment as well as the private label segment, where it is currently in terms of revenue mix?

Prabhat Agrawal: We haven't kind of disclosed the breakup between sales and marketing and other services because most of these are integrated in nature. Where we are taking contracts with the companies, we are taking both marketing as well as distribution rights.

But one of the margin lever is also when you engage more deeply with the companies and do more value-added services to them, which includes marketing, promotion, and all that, that helps us to grow your gross margin profile. And that's also one of the reasons you will see that our gross margin profiles have gone up in last few years and last few quarters.

Devanand Mohan: I could see that. So I don't need the breakup of those two, but probably those two put together would probably increase in the revenue mix, right, sir, maybe in low double digits now?

Prabhat Agrawal: Yes, it's not, see, distribution is the majority of our business. The marketing services is a small part of the business, but has a good impact on the margins.

Devanand Mohan: And the next one would be like what would be the EBITDA margins of the acquisitions that have been scaled up, the scaled up acquisitions?

Prabhat Agrawal: Sorry, what are the EBITDA margins for the recent acquisitions you are asking?

Devanand Mohan: No, no, no, the acquisitions that you've already scaled up.

Prabhat Agrawal: So every business is continuously scaling up. The businesses there are certain geographies where we are enjoying 20% market share also. And there could be geographies where we are enjoying 5% market share. But even this 20% market share geography, we can still scale up because we still see a lot of opportunity in scaling up even in those micro markets.

As we continue to grow, when you continue to grow and occupy a dominant market share, it helps you in many ways. It helps you in implementing your credit policies. It helps you in getting to a better working capital cycle. You can optimize inventory, you can collect the money more in time from with the retailers, your operating cost as a percentage of revenue goes down.

So there are many advantages of scaling up. I mean, we have not given the breakup or we have not classified any of our entities as scaled up and something which has not scaled up.

Devanand Mohan: But sir, but scaled up in the sense that I meant integrated, like integrated fully into the business?

Prabhat Agrawal: All our entities are fully integrated in our business. Once we do the acquisition, next 3 months, we spend on integrating them to our policy, procedures, systems, ERP, tech, buying pattern, everything gets integrated in the next 3 months from the acquisition date.

Moderator: The next question is from the line of Sajal Kapoor from Antifragile Thinking.

Sajal Kapoor: I lost my connection. So apologies, but yes thanks for the follow up. On the technology thing, Slide 29, I mean, how scalable is this technology? And can we use this technology to support 10x as many hospitals, 10x as many manufacturers as we are doing today?

Or what parts of this and as I add on, what parts of this platform are getting prioritized for future investment and development? I mean what I'm trying to understand is this could potentially be a very high ROCE kind of a stand-alone revenue stream. I mean, how scalable is this basically?

Prabhat Agrawal: See, we are not selling technology as a separate revenue line, okay. So the technology is basically integrated with our business operations to drive a better customer experience or to drive more efficiencies at our warehouses and our delivery. So as of now, we are not monetizing technology as a separate business line for us, okay.

Now coming back to your question on how scalable it is, the platform is an open platform. Today, 86,000 retailers are using it. Even tomorrow, 150,000 retailers can use it because it's the same technology. We have already done all the development work, tested in the market. Customers are enjoying a similar service on that. So what we need to do is to just maintain it.

There could be a lot of small value adds that we can build around it. Like, for example, we are working on a system where we are creating a wallet for the retailers. So any additional offers and all, we can put them in their wallet. They can use that wallet to buy our private label. So those add-ons, we continue to innovate and build.

Sajal Kapoor: And one book-keeping question for Ram. On the operating cash flow, I mean, both organic and inorganic flavor. So adjusting for or excluding inorganic was operating cash flow positive? What is the outlook for the operating cash flow?

CV Ram: So currently, from the operating internal accruals to what we are spending for the working capital, operating cash flow is negative currently. And we are improving quarter-on-quarter, and then we expect this to be positive by next year.

Prabhat Agrawal: We are very, very confident that next year, our operating cash flow will surely be positive.

Sajal Kapoor: Even including the ongoing inorganic?

Prabhat Agrawal: So excluding investments, when we say operating cash flow, operating cash flow means internal accruals to fund your own growth and taxes and all that paid from that. So for investments, we raised this IPO funds, which we are using to purchase more assets in the country. But operating cash flow is for organic business.

Moderator: The next question is from the line of Chintan Sheth from Girik Capital.

Chintan Sheth: Great set of numbers. A couple of questions on the acquisition part, the pipeline you mentioned has been pretty strong in your opening remarks. If you can give a little bit more color on how one should look at, because that piece will be a significant part of our overall growth strategy going forward.

So if you can provide some colour - what are the areas, which are the geographies we are currently looking at, and some guidance in terms of whether the similar run rate likely to continue for upcoming period or not? That will be the one question and I'll follow up with another question.

Prabhat Agrawal: So if you look at the guidance that we had given at the beginning of this year was that we should be able to do INR1,000 crores of inorganic acquisition during the year. So out of that INR1,000 crores, we have already done INR800 crores, close to INR800 crores.

So balance INR200 crores or more we are targeting that we should be able to do in this fourth quarter. And we have enough funds left. We have enough opportunity left with us to pursue a similar kind of numbers going forward in the next year as well.

Chintan Sheth: And second is, if I look at the margin improvement and all, if you can quantify a little bit in terms of how much has come from product mix, how much has come from procurement efficiency - that gives us a direction to at what lever is still available for us to further improve our margins through procurement efficiency because of the scale, which we'll be able to achieve by these acquisitions.

Prabhat Agrawal: If you look at this quarter, our gross margins have expanded by around 70 basis points. Now the breakup of this 70 basis points into various levers is difficult to give on this call, okay? But what I can say to you that this is not exhausted. There are still a lot of opportunities left in further expanding our gross margins - because the levers that are being applied to expand the gross margin, things like more value-added services, scale-based procurement efficiency, that has not played out completely. I would say it's still a small part that we have been able to leverage on right now. So still a lot more to go in future as well.

Chintan Sheth: And lastly, on the inorganic side, do you see the market a little tightening or the ask has been increasing, which might slow us down in terms of our comfort to acquire distributors going forward? Or we are comfortable, even the current scenario is comfortable enough to target such kind of the number you have guided that we will be able to achieve?

Prabhat Agrawal: So market is very conducive. There are lot many sellers. The buyers are very, very few. There are only two or three organized players, out of which we are the most active one. So the equation is very unbalanced. There are lot many sellers than buyers.

Moderator: The next question is from the line of Bhargav from Ambit Asset Management.

Bhargav: Sir, is it fair to say that once we become a positive operating cash flow post-working capital company, the pace of acquisition can actually see a leg up?

Prabhat Agrawal: Sorry, last point, pace of acquisition could be a…

Bhargav: Increasing in momentum?

Prabhat Agrawal: So I think the pace of acquisition is dependent more so on the right set of targets that we need to close, okay? It's not that we are not closing anything because of lack of funds or anything like that. We haven't closed anything in the last quarter specifically, we couldn't close the transactions that we want to close.

They need to have a right fitment into our business model. Either they are adding a new geography or adding a new product segment that we don't operate in. So to answer your question, it's ability to have more cash to invest doesn't necessarily bring you more acquisition opportunities.

Bhargav: And sir, of the acquisitions that we would have done in the last 2 years, how many of those entrepreneurs would have continued to stay with us post the acquisition?

Prabhat Agrawal: Most of them. Majority of them.

Bhargav: And that still continues. Most of them still continue to be with us.

Prabhat Agrawal: Yes, yes.

Bhargav: Because if I remember correctly, earlier, we used to give sort of equity for them. But now post we getting listed, what is the incentive for them to stay back?

Prabhat Agrawal: So some of the acquisitions that we have done recently, we haven't done 100% acquisition. So it's 70%, 80% stake that we have taken, and we have a call option to buy the rest. So they are continuing with us. And if you meet some of these promoters, this is what they know doing. This is what they do. This is a business that they understand.

So most of the people have joined hands with us to grow with us, not to monetize their assets. Their holdings, we are monetizing anyway, but they see a bigger value in growing with us.

Bhargav: And lastly, sir, on the hospital side, are we also contemplating that we manage the entire procurement of hospitals? Is that also a business we want to pursue aggressively?

Prabhat Agrawal: Yes, that's an idea that we continuously debate on and we also get offers to do that, okay? As of now, we have not taken up any contract where we are 100% responsible for the entire hospital procurement. But this is something that looks very interesting to us. Maybe in times to come, we would pursue and close some of those opportunities.

Bhargav: And in that, is it fair to say that our share of private label, especially in consumables or surgical items, we can also push that?

Prabhat Agrawal: Yes. If you have a complete control on the procurement of any entity, any hospital or pharmacy or anyone, you would have a much better chance of pushing your private label because then you are deciding which brands will come in.

Bhargav: And globally, is it popular this model or not that popular?

Prabhat Agrawal: Sorry?

Bhargav: Globally, is this...

Prabhat Agrawal: Globally, it has been done in many countries. They have a group purchasing office. So basically, it's like a GPO concept where they outsource the procurement to some larger entity who consolidates the requirement of many small entities and aggregate their requirement and tries to get a better pricing and deal from the manufacturers.

Bhargav: And on this quick commerce, there have been talks that they will also start selling OTC. Are we in discussions with these quick commerce platform?

Prabhat Agrawal: See, we still have to see how does the quick commerce perform in the pharma segment. I tell you the pharma as a category has 3 complexities, which other categories don't have. Okay? Number one is the SKU complexity. If you want to give a full service to all pharmaceutical products to a customer, which typically a prescription would have 3, 4, 5 drugs written in it, then you'll have to maintain a huge SKU list. It might be difficult for you to give a 100% fill rate from your dark store. That's number one.

Number two is how would you address the prescription requirement in those 10 minutes or 15 minutes of time that you have. And third, there are issues around managing the trade associations and pharmaceutical AIOCD and others. So these are the key complexities that any quick commerce company would have to encounter before they try to scale up pharma as a category on their platform.

Moderator: The next question is from the line of Gautam Gosar from Monarch AIF.

Gautam Gosar: So my question is on net working capital. So in Q1, you had around 71 days of net working capital and 69 days for Q2 and Q3. But in your presentation, you mentioned around 75 days working capital for the 9 months. So I didn't understand how much exactly is our net working capital days?

CV Ram: 69 days is the working capital days for the quarter three. 75 days is for the 9 months. So the way it worked out is - you have debtors plus inventory minus payable and then divided by the revenues grossed up with the GST of 12%.

Gautam Gosar: Okay. But for all the quarters, our working capital has been less than 71 days and for 9 months how is it 75 days?

CV Ram: No, no. Actually, this comes because on the 9 months thing, we have announced acquisitions and we have closed acquisitions in the second part of the Q2 and Q3. So from the revenue if you divide, the working capital comes in full. Because when we acquire, the working capital is 100% is added to the base, while the revenue is only for 3 to 4 months. That is the reason you will see this number slightly higher.

Gautam Gosar: So basically, I was asking what should be our aspiration for the net working capital days coming down?

CV Ram: Definitely, I think there is an additional 5 to 6 days we can definitely optimize from the current level over the next 12 months.

Gautam Gosar: Okay. And one more question on the same lines. We are currently operating cash negative. So at what margins will we get operating cash positive?

Prabhat Agrawal: So operating cash flow is a function of 2 things. One is margin and second is optimization in working capital. We believe that even at current margins, we should be operating cash flow positive just by improving our working capital, okay. And the further improvement of margins from here should result into a bigger positive delta on operating cash flow.

Gautam Gosar: Okay. Understood. And sir, lastly, you recently announced the convertible debt of around INR600 crores. You've taken an approval for that. Can you highlight like for what reason is it? And what should be the timeline for the same?

CV Ram: This is between the wholly owned subsidiaries and the parent. And this is more internal efficiencies in terms of funding the subsidiaries. And there are intercorporate deposits already there and it will be cash flow neutral at overall level. So this is internal structuring.

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

Alok Dalal: Prabhat, will you still be able to achieve your FY '25 revenue growth guidance of 35% to 40%?

Prabhat Agrawal: That will depend on how soon we are able to close some of these impending acquisitions in this quarter.

Alok Dalal: Because even if I assume that you are able to close, then the implied growth rate will be anywhere between 49% to 68% versus 4Q '24. Is that achievable?

Prabhat Agrawal: I mean, the more we take time, the more difficult it becomes.

Alok Dalal: Okay. And one more guidance was about 4% EBITDA margin for the exit quarter, which is 4Q '25. Will you be on track to achieve that?

Prabhat Agrawal: We are targeting that, Alok. See, quarter-on-quarter, we have been able to deliver EBITDA margin improvement. So we'll continue to target improvement in this quarter as well.

Alok Dalal: Got it. Prabhat, you mentioned the delays in closing acquisitions. I missed the reason for that. Can you please help understand why are the acquisitions getting delayed?

Prabhat Agrawal: There's no specific reason. Some people were not available and it's just procedural. There is no specific reason that we are not able to find opportunities or anything like that. It's just that those identified opportunities, we have taken a little more time to close it. I mean, the negotiations have taken a little more time to close it.

Moderator: The next question is from the line of Romil Jain from Electrum PMS.

Romil Jain: So just want to understand, on the acquired companies, how much levers would be left in getting to the EBITDA margin targets that we have at a consolidated level? So of course, I mean, we are working towards that. But just want to understand where does the subsidiary EBITDA margin stand together?

Prabhat Agrawal: So EBITDA margin improvement is not going to come only from new acquisitions. It has to come from our existing business, which is still the largest part of our business. So the new acquisitions have just added more scale, added us the capability to bargain more. That's it. I mean it's not that the improvements will only be reflected in the new acquisitions.

Romil Jain: Okay. But when we acquire broadly, where are they in terms of margins?

Prabhat Agrawal: We have given I think last time we have given what, 6% to 8%

CV Ram: Broad range combined.

Romil Jain: Okay. And sir, because we are continuously as a strategy, we are acquiring. And I think the competitors would also have an understanding of this strategy. So in general, has the valuations also started increasing when we are out there to acquire?

Prabhat Agrawal: How many people are there to acquire? How many people are out there to acquire? They are very, very few. I mean, the only two, three people are in organized distribution space, out of which only one or two are chasing. I mean one of the competitors is not even pursuing any acquisition. They are struggling for their own fund management. So I don't see any pressure on valuation at all.

Romil Jain: Okay. And lastly, I just want to understand the wallet share gains with the existing the chemists that we have, if you can give some data points how the wallet share has moved over a period of time?

Prabhat Agrawal: This data is not specifically available right now on the call. Maybe you can connect with the finance team or Investor Relations team. They will share with you some data points on the same.

Moderator: The next question is from the line of Yash from Dalal & Broacha.

Yash: Congratulations on a great set of numbers. Sir, my question is with regards to the acquired entities. So how should we think about the working capital of the acquired entities?

Prabhat Agrawal: More or less similarly with the rest of our business.

Yash: Okay. So as around 70 days?

Prabhat Agrawal: Just a bookkeeping that's a little bit different, what Ram tried to explain to you. That when you acquire somebody, you acquire the full working capital and it gets reflected in the balance sheet. But revenues you only consolidate from the time of acquisition.

Yash: So if at all, they are similar to us in terms of working capital. So then, the goodwill should be a lower part. Is my understanding correct?

CV Ram: Goodwill should be. Sorry, we couldn't hear you. Goodwill should be?

Yash: On the lower side.

Prabhat Agrawal: See, goodwill depends on two things, not only working capital, but also on their margin profile. I can tell you that the multiples are in the similar range.

Yash: Okay. And so you mentioned that 6% to 8% should be the gross margin range of the acquired entities. So EBITDA level, what should be the…?

Prabhat Agrawal: 6% to 8% is EBITDA margin, not gross margin.

Yash: 6% to 8% is EBITDA margin?

Prabhat Agrawal: Right.

Yash: Okay. So they're better in terms of margins than us?

Prabhat Agrawal: Yes, we are not pursuing low margin businesses. We are only pursuing margin accretive businesses.

Moderator: The next question is from the line of Aman Jain from Varanium Capital.

Aman Jain: Sir, just wanted to understand on the organic growth part. So one part is that we are expanding on pan-India level through inorganic acquisitions. But on the organic growth part, sir, once we are done with the strategy of inorganic growth, so how do we plan to scale our operations on pan-India level other than the value-added services?

Prabhat Agrawal: So we said that the guidance that we have given is that organic growth, we should be able to deliver between 1.5x to 2x the market growth rate. Now this delta of 0.5x to 1x of market growth rate will come from adding more customers, adding more products. There are many categories that we can expand, which we are not doing. There are many set of customers we can expand. There are many companies that we partner with. Just to give you an example, next year, we are looking at a good growth or good launch of GLP-1 drugs. We partner with them and enjoy the growth.

Aman Jain: So my question was more related that do we have any plans to set up a company by ourselves instead of acquisitions? And like, for example, if we set up a company in Mumbai and for further expansion.

Prabhat Agrawal: See, we open branches of our existing entities into nearby market. That's the part of our organic growth strategy. To add more customers, to be closer to the customers.

Aman Jain: My second question was on the margin front. So this is more of a broader question, sir. So, currently, we are inching towards 10% gross margins and about 3.7%, 3.8% EBITDA margin. So what is the optimum level of margins that we can expect in this business?

Prabhat Agrawal: See, the guidance that I had given at the time of IPO as well as in subsequent investor meetings, we said that near-term, by end of this year, we should be targeting 4% EBITDA margin. And by end of next year, we should be targeting 5% EBITDA margin. And then from there, we grow from there. But these are the near-term target guidance that we are give.

Moderator: The next question is from the line of Akul Broachwala from Avendus Investment Managers.

Akul Broachwala: Just in terms of your procurement strategy, so as and when like you continue to gain scale, are we in a position to get some margin benefit or some benefit in terms of working capital from the pharma companies on procurement side?

Prabhat Agrawal: We get benefits on margins based on the scale. We get schemes, offers, quarterly annual volume-driven targets.

Akul Broachwala: And so is this, how do we plan to kind of manage our working capital as well, by kind of elongating our payable days further?

Prabhat Agrawal: Not so much on the payable days. We haven't seen a huge improvement on the payable days. But then more you scale up your business, the more dominant you become in the market. You can optimize your inventory better. You can manage your receivables better, because the shop is more dependent on you. So he's more likely to accept whatever terms you offer to him. So there are many ways the scale helps us in optimizing your working capital, not only from the payables to suppliers.

Akul Broachwala: Understood. And second question is on your acquisition strategy. So are we kind of focusing more on distributors who are in Tier 1 or metro cities or more probably towards Tier 2, Tier 3 kind of setup?

Prabhat Agrawal: Even in, where we see that we are a very, very small player in metro city. I mean, there are very few large metro cities left for us where we are not a significant player. Plus Tier 2 and Tier 3 cities where we have opportunities, which is underserved, we are not able to reach from one of our existing entities or from one of our existing warehouses properly. So that's what we are targeting even Tier 2, Tier 3 cities.

Moderator: The next question is from the line of Chintan Sheth from Girik Capital.

Chintan Sheth: One question I had was on the acquired entities for this year. So far, how much we have spent in terms of capex? And if you can bifurcate what will be the proportion of goodwill in it and what will be the working capital which we have consumed?

CV Ram: Yes, close to INR300 crores is what we have spent so far on the acquisitions. The total goodwill & incremental goodwill I just give you. Total INR430 crores is the total goodwill and then incremental will be about close to INR200 crores.

Chintan Sheth: INR200 crores is goodwill increment. Okay. And in terms of other income run rate, which we have seen from Q1 to Q2 and Q2 to Q3, there is a slight deceleration. How should one look at other income going forward as we consume our capital? I believe that is the reason why our other income i.e. interest income has been tapering off.

CV Ram: That's correct. Broadly, that is correct. I think we deployed from Q2, Q3 onwards. So that's when the interest income has come down. Overall finance cost, we have net positive finance cost this year compared to last year. We have about INR7 crores net positive income from the finance.

Moderator: The next question is from the line of Unnati Bhavekar from Share India.

Unnati Bhavekar: Just a couple of questions. What could be your pan-India market share individually? You had mentioned it before that for the top three players together, it is around 8% of the market. So, has that particular market share has increased in this quarter, if you can share it?

Prabhat Agrawal: Yes. If you look at pharma market as somewhere onwards of INR2 lakh crores, we will be around 2%, 2.5%.

Unnati Bhavekar: So incrementally, has there been any change? Or has it been constant around 2%, 2.5%?

Prabhat Agrawal: How can it be constant when we are growing our growth rate much higher than the industry growth rate? Definitely, the market share is going up, growing.

Unnati Bhavekar: Okay. So comparative number, would you be able to share year-on-year basis?

Prabhat Agrawal: Sorry, what? Which number?

Unnati Bhavekar: Like Q3 '24, what could have been your market share then individually?

Prabhat Agrawal: See, you have our revenues for Q3. You have the IPM market. You can calculate what's the market share. And you can see what is our market share now.

Unnati Bhavekar: So the private label share of the revenue was mentioned last time at around 1% of the revenue. So has it been around the same percentage or has it increased in this quarter?

Prabhat Agrawal: No much significant change.

Unnati Bhavekar: Okay. And you expect it to be around the same number going forward over short to medium term?

Prabhat Agrawal: We are targeting to grow this for sure. But to make meaningful change - because our revenues from other than private label is also growing so significantly. Even to just maintain the same share and our revenue growth for this year is 37%. So just to maintain the same share, the private label has to grow 37%, right - which is not an easy task.

Moderator: Ladies and gentlemen, that was the last question. I would now like to hand the floor over to the management for closing comments.

CV Ram: I would like to thank everybody for joining the call. I hope we have been able to address all your queries. For any further information, kindly get in touch with our Investor Relations Advisors SGA. Thank you once again and have a great day.

Moderator: Thank you, sir. On behalf of Investec Capital Services India Private Limited, that concludes this conference call. Thank you all for joining us, and you may now disconnect your lines. Thank you.