

SASTASUNDAR VENTURES LIMITED

Azimganj House, 2nd Floor,
7 Abanindra Nath Thakur Sarani (Formerly Camac Street),
Kolkata – 700017, India. Tel: +91 33 2282 9330; Fax: +91 33 2282 9335
Email: info@sastasundar.com; Website: www.sastasundarventures.com
CIN: L65993WB1989PLC047002

Date: 24-08-2023

To,

The Corporate Services Department, BSE Limited Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai - 400 001 Scrip Code: 533259	Manager - Listing Department The National Stock Exchange of India Ltd. Exchange Plaza, Plot no. C/1, G Block, Bandra-Kurla Complex Bandra (E), Mumbai - 400 051 Symbol: SASTASUNDR
---	--

Dear Sir/Madam,

Subject: Disclosure under Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 – Transcript of Conference Call

Ref: Our letter dated 11.08.2023 for intimation of the schedule of the Earnings Conference call for Q1 FY24.

This is in furtherance to our letter dated August 11, 2023 intimating that a conference call was scheduled to be held on August 17, 2023 at 5.00 pm IST to discuss the Q1 FY 2023-24 Earnings of the Company.

Pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed herewith a copy of the transcript of the said call with the Investors.

Please also find herein below the link of the transcript of the said call that has been uploaded on the website of the Company.

https://www.sastasundarventures.com/Pdf/Sastasundar_Ventures_Ltd_Q1_FY24_Transcript.pdf

You are requested to kindly take the same on record.

Thanking you,

For Sastasundar Ventures Limited

Pratap Singh
Company Secretary & Compliance Officer



“Q1 FY '24 Earnings Conference Call”

August 17, 2023



**MANAGEMENT: MR. BANWARI LAL MITTAL - FOUNDER AND
EXECUTIVE CHAIRMAN, SASTASUNDAR VENTURES
LIMITED**

**MR. DINKAR BAGARIA - CFO, SASTASUNDAR
HEALTHBUDDY LIMITED**

MODERATORS: MR. RONAK JAIN - ORIENT CAPITAL

Moderator: Ladies and gentlemen, good day, and welcome to the Sastasundar Ventures Limited Q1 FY '24 Earnings Conference Call.

As a reminder, all participant lines will be in the listen-only mode. There will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference, please signal an operator by pressing '*' and then '0' on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Ronak Jain from Orient Capital, their Investor Relations Partner. Thank you, and over to you, sir.

Ronak Jain: Hello. Good evening, everyone, and welcome to the Q1 FY '24 Earnings Conference Call of Sastasundar Ventures Limited.

Today on this call we have Mr. Banwari Lal Mittal Sir, Founder and Executive Chairman, along with Mr. Dinkar Bagaria sir, CFO of Sastasundar Healthbuddy Limited.

This conference call may contain forward-looking statements about the company which are based on the beliefs, opinions and expectations as of today. Actual results may differ materially. These statements are not the guarantees of future performance and involve risk and uncertainties that are difficult to predict. A detailed Safe Harbor statement is given on Page 2 of the Company's Investor Presentation, which has been uploaded on the stock exchanges and Company's website as well.

With this, I will hand over the call to Mr. Banwari Lal Mittal sir for his opening remarks. Over to you, sir.

Banwari Lal Mittal: Good evening, my dear shareholders. I am B. L. Mittal, Chairman and Executive Director of Sastasundar Ventures Limited (SVL) as well Sastasundar Healthbuddy Limited (SHBL), the ** subsidiary of the company.

There is consensus that India has its time now and next 10 years it presents significant opportunity. Out of this opportunity, we firmly believe that healthcare and digital and combination of that will be one of the front runners.

We are referred as a nation as Pharmacy of the World, but still about 60% of our population got no access to affordable health care in convenient manner. The reason is not the shortage of resources, but the absence of data driven efficient health care supply chain. We are working to solve this issue and building data driven efficient supply chain both in B2C and B2B.

**** Note: During the call, SHBL was inadvertently said as 100% subsidiary, please note that actually 72.14% shares of SHBL is held by SVL.**

We firmly believe that digital is not a fashion statement, but it is to reduce cost by bringing efficiency and to increase consumer experience. We also firmly believe that ecosystems which are built upon cash burn and then on the strength of capital will not be sustained, but ecosystem which are built upon efficiency and consumer focus will be winners.

Our unique health medical system for B2C supply chain and for B2B supply chain called Retailer Shakti presents a significant opportunity in India which is being transformed to a digital and from unorganized to organized supply chain. We had an inflection point where we turn the innovative supply chain as profitable in this quarter.

We are working to launch new application based upon AI in preventive diagnostic and emergency health care to expand our Genu Lab business at core.

The simplification of the corporate structure has already been initiated, and we hope to complete the process in next one year subject to regulatory approval. The healthcare business after the simplification exercise complete shall be housed in the listed company, and there will be separate listed company to house the financial service business.

We wish to give more time to your questions and address those questions, and therefore don't intend to repeat the information which have been presented in the presentation submitted or presentation is available at website of exchanges, both financial presentation as well as the presentation on merger and demerger which represents how the simplification is being carried out is available for your information on exchanges that you may please refer to.

Along with our subsidiary's CFO, Mr. Dinkar Bagaria is present. So, we will be happy to answer your questions. Thank you so much.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Jyoti Singh from Arihant Capital Markets Limited. Please go ahead. As there is no response from the current participant, we will move to the next question, which will be from the line of Sahil Dajuria, an individual investor. Please go ahead.

Sahil: Sir, my first question is to gain a better understanding of our warehouse business on the operational front. Could you please clarify whether we own these warehouses or operate on a lease model?

Banwari Lal Mittal: No, first, the warehouse as such is not our business, but the warehouse is the facilitation to fulfillment the digital supply chain business. So, the warehouse, one warehouse at Baruipur, West Bengal is our own lease for 99 years and others are all rented.

Moderator: Does it answer your question, Sahil? Ladies and gentlemen, we will move to the next question, which will be from the line of Rahul Arukandathil from Vista Investment. Please go ahead.

Rahul: Sir, I have just one question. So, because I am fairly new to your company and I believe this is your first Concall, sir, could you please tell us like, you know, what are the levers for margin

expansion? Because I see that there has been an increase in gross profit over time, which is a good sign, but the gross profit when I was looking at your balance sheet, that's mostly just raw materials consumed, right? So, in that how is your money increasing? Like, how is that increasing? Like, what are the costs included in that other than the materials?

Banwari Lal Mittal: The margin expansion lever, the principal lever is the volume. That happens in every supply chain industry. So, as the volume increases, your purchase cost becomes more efficient because your procurement is large. You are able to get more discount from the supplier and second margin lever is because of the increase in the volume, your capacity utilization increases substantially, and that's why your per unit cost reduces significantly.

So, as you see from the complete history, as the volume is increasing, the procurement margin is increasing and the cost is decreasing. And that is the cause of margin expansion, and that we hope to continue in future.

Rahul: Sir, follow-up to this. In your, what you call, presentation and also in your financials, when you say that, when you consider this gross profit, which is like cost of material consumed, so in cost of materials consumed, are you also considering the transportation and logistics which is required for that?

Banwari Lal Mittal: So, our logistic cost for procurement is included in the cost of material consumed.

Moderator: Thank you. The next question is from the line of Amarnath Bhakat from Ministry of Finance of Oman. Please go ahead.

Amarnath Bhakat: I have two set of questions. First of all, these few days back the government has given some kind of a circular that from henceforth all these physicians has to write only the API name, that is the only the salt name and not the brand name of the medicine in the prescriptions. I don't know whether it will be implemented in full from the day one or not. How that particular change in regime is going to impact your business?

Banwari Lal Mittal: I think that is a very long-term strategy of the government, but there are two ways to look into. One is that we are the suppliers. So, whatever doctors write in the perception, our job is not to manufacture the medicine. We are going to supply whatever is asked by the customers as per the perceptions. So, this particular circular and notification is applicable on doctor's prescription, and then in any case if the doctors write, they write the generic name, but they also suggest the brand name. There is no restriction.

And obviously, the customer chooses the brand name as recommended by the doctors. So, at the end of the day, it is between doctors and patient, and doctors need to write as per the regulations and patient orders as per the doctor's advice. Our job is not to make a judgment on that, but to supply as per the customer's order. So, we will follow the same strategy, and materially, it does not impact our business.

Amarnath Bhakat: So, that means this circular effectively has no material impact on you.

- Banwari Lal Mittal:** No, no material impact.
- Amarnath Bhakat:** Whether it is applicable today or not tomorrow, whatever.
- Banwari Lal Mittal:** Yes, it is not. This particular circular, particular strategy is not applicable. We remain the supplier of pharmaceutical companies as ordered by the customer.
- Amarnath Bhakat:** The second question is to understand this business little more. Now that B2C platform is that generally like we have these different apps and we just get the order to them and then you supply to the home. I am sure this will be the cheaper compared to a particular person buying from the medical store, right?
- Banwari Lal Mittal:** Right.
- Amarnath Bhakat:** Now trying to understand, just to understand the scalability of this particular business to achieve a particular volume, why do you think that this particular model will take over the existing model that the people go and talk to the pharmacist and then take the medicine from there compared to this e-medicine things, and if you can also elaborate the same compared to how the other countries where this particular model got success over a period of time?
- Banwari Lal Mittal:** No, but this is a very good question. We firmly believe that this particular online digital model is not going to take over the existing pharmaceutical shops or we call this small shops or being the organized chain. This will rather supplement.
- So, if you put up the Indian map and see that where these organized supply chains are working that you will find that only 20% of the area is covered by the organized supply, branded supply of the medicine. 60% of the area don't have any access to the medicine and where, you know, putting inventory of all the medicine giving access of all the medicine at single click and then ensuring that genuine medicine reach out as per the order is very difficult.
- So, this market we divide into two parts. One part is the acute medicine market where the patient requires acute medicine like antibiotics or a fever medicine or cough and cold medicine, and second is the chronic patient.
- So, going forward, we firmly believe that both will coexist. There is nothing that one particular model will rule. Both will coexist, and we present the supply chain for both the opportunities. One is the B2C and second was Retailer Shakti supplying to this pharmacy chains and offline pharmacy.
- So, the offline pharmacy primarily will be servicing to the acute medicine. The online medicine market may not be that perfect into the acute medicine, while the chronic medicine, the online medicine will take over substantial part of the business, and this will supplement to the area where 60% of the area where we don't have access to affordable health care. So, both will exist. Both will stay. And this is the same inflection point.

India is a very large country. We have a population of 1.4 billion people, and the young population today will slowly start aging. They will require more health care, more medicine and aging with money in their pocket. So, this is a good opportunity, and I think the existing infra will be required both in terms of online and offline.

Amarnath Bhakat: Is there any other country nearby who actually followed this particular model and got successful, and actually they are making the cash out of the business?

Banwari Lal Mittal: I think in China, JD Health is making the cash out of this business, but primarily some part of the pharmacy only. They are mainly in doctors and OTC segment. So, this has to be seen, but there is no such reference other than China. Obviously, U.S. market have just started. Some online Amazon has started there. They have taken over one company, but this is evolving, and we're yet to see any significant development in online pharmacy because it is highly regulated business, and I think India will take a lead into this.

Amarnath Bhakat: So, that means this business is in a nascent stage not only in India, but globally also, this is in a nascent stage. No other country is already having where this business is really matured.

Banwari Lal Mittal: No, no country has a matured business in online pharmacy. Not in my knowledge at least.

Amarnath Bhakat: Sir, one financial question relating to this. Now at the moment, your business is the cash flow negative, right? Even if the gross profit is little bit improving, how do you get the confidence to the investor that at some point of time the cash flow from the operation, not the profit, will be positive, and this business will be self-funded without any outside funding necessity?

Banwari Lal Mittal: Yes, so this business will be surely for self-funded, and this will start operating cash flow. So, there are three part of the business I would summarize. One part is our B2C business where we're largely supplying to the health buddies. That will start I think very soon, maybe within a year to start positive cash flow out of the business.

Then there are two other business which are in a very nascent stage. One is for B2B platform called Retailer Shakti. That will take around two, three years' time to generate the free cash flow and then we are another building a very unique AI-based app called Geno Health app that will yet to start, and along with the Genu Diagnostic. So, two verticals. One is the diagnostic vertical along with wellness and emergency care that will take certain amount of investments. Retailer Shakti will take certain amount of investments, but the supply chain business will start very soon the positive cash flow also.

Amarnath Bhakat: And you have the adequate cash to fund this, right?

Banwari Lal Mittal: Yes.

Amarnath Bhakat: Until those new businesses get matured, I am sure first few years it will burn the cash, like your current business, the B2C is burning the cash. And you are confident that probably within a year time, this business will be having some positive cash flow, and that cash flow will be adequate

enough to fund your other two businesses or we need to go for some fundraising or some other way to collect the fund?

Banwari Lal Mittal: No, we don't need fundraising. We already have around 400 crores liquidity in hand, and in this business, in both the business, Genu Pharmacy and Retailer Shakti, we don't need much of the capital. So, we firmly believe, and we have the business plan effective to that. So, for next five years, we don't need to raise any capital. We are well-capitalized.

Moderator: Thank you. The next question is from the line of Manav Vijay from Deep Financial Consultants. Before you go ahead, sir, let me remind participants if you wish to ask a question you may please press * and 1. Manav, you may proceed with your question.

Manav Vijay: Sir, first of all, I think you have posted a tremendous amount of numbers. These are fabulous numbers. I just have two sets of questions. First one, as far as this Health Buddy supply chain business is concerned, and you have provided the breakup in terms of segmental as well between the Health Buddy supply chain, Retailer Shakti and Genu Path, so on a quarter-on-quarter basis, and I am referring to the presentation that you guys have posted on the exchanges, so on page 20 of that presentation, in quarter four, we had a 255 crores of sales in Health Buddy supply chain, it was almost similar number in this quarter as well, and the EBITDA from that part of the business moved from a negative 6.3 to a positive 8.1 crore. Can you please help us to understand this transition?

Banwari Lal Mittal: Yes. So, the Health Buddy supply chain because this has got some maturity, and during this quarter, now you must be seeing that in the entire e-Pharmacy Division, the discounts are reducing everywhere. So, our competitor has reduced discount, and that has enabled us also to control the discount, and this less discount will continue. So, that may be the reason that the volume is flat. However, that started generating the cash flow.

Manav Vijay: And sir, is there a thought process that we should develop or understand that, let's say, maybe in this quarter, the competitors decided to reduce the discount, so we also replied back accordingly and reduced the discount and due to which this segment posted number. How should we think about this going forward on a slightly longer-term basis?

Banwari Lal Mittal: So, longer-term, this is very clarity now that startups, entire startup ecosystem, as I said that it is an inflection point where the startup industry have understood, and also the venture capital fund providers also understood that there is no meaning of burning cash in discounts. So, that consolidation phase is going on, and the growth will also come back very sharply once this consolidation phase is over, but now one thing is very clear that this cash burning discount is a matter of history, and we don't find anybody has now the strategy to grow based upon discount. So, discount is over, and we firmly believe that the profitability will continue, and once this consolidation phase is over, the volume will also come.

Manav Vijay: Sir, one question continuing on this topic. So, earlier we used to, let's say, provide 21% to the retailer, and the retailer used to give 15% of that to the consumer in terms of discounts and the

rest between our purchase price and what we will pass on to the retailer used to become our gross margin. So, now when the discounts have come down on the street, does that mean that the 21% margin that you used to pass on to the retailer, that has come down?

Banwari Lal Mittal: So, that depends upon month-to-month or quarter-to-quarter. So, exact numbers, since these exact numbers are not disclosed, so I am afraid that I can't share the exact number quarter-to-quarter, but overall the scheme is same.

Manav Vijay: Maybe one last thing from me. So, you have, as of now, seven warehouses. How many you intend to open this year?

Banwari Lal Mittal: So, we plan to go a little bit slow in opening new warehouses because as I said that this is the consolidation phase. So, we are watching the industry where it goes and how it goes, but now the sustainability and profitability is the key. Right now, from the seven warehouses, we are able to supply pan-India. There is no problem in as far as the supply of the pan-India, but in next quarter we will be able to frame up the scheme of increasing the warehouse. So, during this year, we don't intend to open much of the additional warehouses, but rather than focus on building efficiency at the seven warehouses and make the seven warehouses more profitable first. So, that is not in the very aggressive agenda to open new warehouse until and unless these seven warehouses turn positive.

Manav Vijay: And the entire corporate restructuring that you outline giving your opening address, that you believe should get done in next one year?

Banwari Lal Mittal: Yes, sure, because we already submitted the documents to the exchange for their permission, regulatory permission. From our side, we are pushing very hard, and we firmly believe that it should be completed in next one year.

Moderator: Thank you. The next question is from the line of Jyoti Singh from Arihant Capital Markets. Please go ahead.

Jyoti Singh: Sir, now the question was on the Flipkart Pharmacy side, like we are focusing lot on the Retailer Shakti side, but not much on the Flipkart Pharmacy side. So, what's our looking going forward?

Banwari Lal Mittal: No, we are focusing on both the businesses. Both the businesses are same and have a great combinations and great sustainability. So, both the businesses are one, we focus on both the businesses. It is only the time gap when some businesses get a consolidation phase, then obviously, other businesses grow very rapidly. Going forward, we firmly believe that both the business will be equal. So, we see both this Health Buddy supply chain business and Retailer Shakti to be 50-50% going forward.

Jyoti Singh: Sir, there is a lot of competition on the online side. So, how we are tackling with that?

Banwari Lal Mittal: So, the competition is healthy, and there is no business without competition. So, it's the question of not competition. It's the question of the competition efficiency and moat that we call that, but

our own competitive strength. So, we are in the business of distribution, digital distribution where the efficiency is our core strength, and our Health Buddy model is very efficient and unique in itself.

So, as you have seen that our other competitors are not making any profits. We became profitable. And if you see our volume and our competitors' volume, that you can clearly see, can observe that the capital we invested to come to here is very less than our competitors' capital.

So, efficiency is our core strength, and we firmly believe that once our cost is low or ecosystem runs on more efficient, then we can pass on more discount, more genuine medicine to the consumers. So, efficiency and consumer experience are our core strength, and thereby, we drive our competitive strength.

Moderator: Thank you. The next question is from the line of Milind Karmarkar from Dalal and Broacha. Please go ahead.

Milind Karmarkar: I had a couple of questions. One of them was, I have tried ordering on Flipkart Health, and obviously it is, you know, being fulfilled by Health Buddy. Now the question is that when a Health Buddy calls me later on saying that do you need the medicines, obviously, it is using data analytics for that. So, just wanted to understand that whatever the Health Buddy calls me and if I order from them, does it actually go via Flipkart Health or it will go directly to the Health Buddy? That was one of my questions.

Banwari Lal Mittal: No, no, every order which you put into the ecosystem, they would come by Flipkart Health.

Milind Karmarkar: So, it will come via.

Banwari Lal Mittal: Obviously, they are the resellers on Flipkart Health. So, they are the facilitation retail centers, but they are the resellers. Flipkart Health is the platform. So, both work in tandem. The platform provides the communication medium from customer to resellers, and the retailers are obviously the sellers on the platform. So, both coexist with each other.

Milind Karmarkar: My second question was that out of the total sales that we have made, what percentage would now be coming from Flipkart Health?

Banwari Lal Mittal: So, total sales in this quarter is Rs 254.3 cr from Health buddy and Retailer Shakti 75%. What is the percentage, he is asking. So, the presentation gives the total figure. You can kindly calculate the percentage.

Milind Karmarkar: I will do that. And my third question was that how do you see the traction happening over next, say, three, four years? Do you see a sustained rapid growth in this business, or do you see a steady growth in the business? How do you see the business going forward?

- Banwari Lal Mittal:** No, no, we firmly believe that maybe next one or two quarters may be a consolidation quarter whereby, you know, the reduced discount the customers are getting habit of that, but if you ask me two, three years, then I clearly say, there will be a repeat growth phase.
- Moderator:** Thank you. The next question is from the line of Rishikesh Oza from RoboCapital. Please go ahead.
- Rishikesh Oza:** So, my first question is the funds that we had received from Flipkart. Till now how have we deployed them? Can you please give a bifurcation?
- Banwari Lal Mittal:** Yes. So, total fund from Flipkart, we received 689 crores as a B2 in Sastasundar Healthbuddy Limited as a secondary sale, and some part went to Flipkart Health directly as a primary investment. So, I am giving you the breakup of 689 crores. Out of that, 110 crores we paid taxes, and then Rs. 191 crore has been deployed in the business, and right now we have around 350 crore liquid investments in FD or other debt investments.
- Rishikesh Oza:** So, out of the 191 crores which is deployed in the business, can you give a broad bifurcation how much have we deployed into warehouses, inventories?
- Banwari Lal Mittal:** Yes. So, Dinkar is telling you like the figures.
- Dinkar Bagaria:** So, out of 191 crores, so there is an increase of inventory. We have invested around 80 crores in inventory, and there is investment in other working capital, and the CAPEX is approximately around 30 crores for the future business growth.
- Rishikesh Oza:** And into warehouses?
- Dinkar Bagaria:** So, into the warehouses, CAPEX, it is 30 crores. In inventory, majorly it has gone to 80 crores, and the balance is for the other part of the working capital, like debtors and payment of creditors, etc.
- Rishikesh Oza:** And the rest of the cash that we have, how are we planning to deploy that?
- Banwari Lal Mittal:** No, right now we don't have any plans to, some plans to deploy. Some part obviously will be invested in our B2B Retailer Shakti and some part will be on the app which we are launching for Genu Labs, General Health app, which will be focused on artificial intelligence in the area of wellness, diagnostic and emergency care, but balance capital we are still firming up the plan. So, I am afraid I am not able to give the utilization, some utilization of the liquidity right now. Post merger and post simplification we can plan it.
- Rishikesh Oza:** So, currently, if I am not wrong, we have seven warehouses, and we are planning to add approximately, I think, 17 or something, if I am not wrong.
- Banwari Lal Mittal:** Right.

- Rishikesh Oza:** 17 warehouses. So, how are we going about that? Till what time we will take to add those other 17 warehouses? Any broad idea that you could give?
- Banwari Lal Mittal:** Broad idea we can say that earlier we had a plan to implement all the 17s in one year, but because of this consolidation phase, which is going on in the digital space in India, we have increased to two years. So, broadly, we can say that from now two-and-a-half years we will be adding those warehouses.
- Rishikesh Oza:** So, in two-and-a-half years, we will be adding other warehouses.
- Banwari Lal Mittal:** Right.
- Rishikesh Oza:** Also, sir, once, you know, currently we have seven warehouses, and as we add on the other warehouses too, and we have this quarter, in Q1, we have also achieved some good EBITDA on our Health Buddy side. So, going ahead, how do we look at our margins and our revenues post, you know, the consolidation phase?
- Banwari Lal Mittal:** So, we expect that after one and two quarters maybe some bit of in Health Buddy supply chain, there may be some consolidation quarter where growth may not be that repeat, but after that we strongly believe that we rapidly grow. Retailer Shakti will continue to grow rapidly in this quarter and next quarter also. So, in totality, we see the next if you say for next three, five years, we see that this business will rapidly grow both in terms of revenue and obviously in terms of EBITDA also because EBITDA now we are in a positive territory, and we firmly believe that it will remain in the positive territory at least in Health Buddy supply chain. Retailer Shakti and Genu Path Labs we may take a position to invest money depending upon the growth in the new area, and so yes, we see a very great future both in terms of revenue and profitability.
- Moderator:** Thank you. The next question is from the line of Atul Borse from JM Financial. Please go ahead.
- Atul Borse:** My question was like what is the split between the contribution margin along the lines of Health Buddy and our platform?
- Banwari Lal Mittal:** Health Buddy, can you repeat the question?
- Atul Borse:** Like how much contribution profits, the split between your platform and the Health Buddy?
- Banwari Lal Mittal:** That we have given in the presentation, the breakup of profitability. So, in this quarter, we made EBITDA from operation 8 crores from Health Buddy supply chain. The Retailer Shakti we made a loss of 2 crores, and Genu Path we lost 1.7 crores. So, breakup is the crores, 5.1 crores positive in Health Buddy supply chain, 2 crores negative in Retailer Shakti, and 1.7 crores negative in Genu Path Labs.
- Moderator:** Thank you. The next question is from the line of Mayan Kak from TCS. Please go ahead.

- Mayan Kak:** Sir, my first question is, you know, with the investment of Flipkart, Rohto, and Mitsubishi, and with the current restructuring, could you share the shareholding pattern now, what it would look like and who has the controlling stake?
- Banwari Lal Mittal:** So, the shareholding pattern has been detailed into the presentation which has been uploaded into the website. So, you can continue, please refer to that. That will give you the exact numbers, and post simplification also, the current promoters will continue to hold the majority stake.
- Moderator:** The second is, when it comes to our competitors, what is our market share in Kolkata and maybe other parts of the country, if you have those figures with you?
- Banwari Lal Mittal:** No, actually those data are not available about the market share. So, I may not be able to give you.
- Moderator:** The next question is from the line of Sunny Shah, an individual investor. Please go ahead.
- Sunny Shah:** Just wanted to understand, first of all, great set of numbers specifically looking at the gross profit margin where we are going into double digits in this quarter where I don't see any of this reaching in the previous quarter and turning into EBITDA positive. And I think pretty much in detail, you have talked about the operation. My question is with respect to, if you see the breakup of the PBT on page number 22 which is 19 crores.
- So, obviously, you have spoken at length about how the Health Buddy chains have turned into green and the other two sectors which is Retailer Shakti and Genu Path Labs are going to turn into positive which will take some time. But if you see a breakup of 19, that 19 crores includes the 17 crores of financial services.
- So, while I understand that we are in a nascent and a growth stage in the operations, but if you see the other income, which is 80 crore, which represents the financial service income vis-à-vis the same figure was 26.5 crore for the whole year of financial year 2023.
- So, what exactly is this particular figure which has occurred? Is it a one time? Is it non-operational related? What does it represent? And what happened in this quarter? So, if you could, because I understand earlier this was a financial services company in the name of Microsec Financial Services.
- Banwari Lal Mittal:** So, the breakup maybe, you know, financial services some income because in early as '97 we had one PMS license. They are now bifurcated. So, some part of that liquidity is invested in the stock market. So, I think, April, May, June quarter may represent some gain out of that appreciation in the stock.
- Sunny Shah:** So, follow-up to this is, when you are saying financial services income, is it purely the investment related income which we are looking at and not the interest income which is generally the financial services income may include?

- Banwari Lal Mittal:** No, it includes the interest income also, and it may include some income out of appreciation in the stock into financial services division.
- Sunny Shah:** So, I am assuming as of now that this is not an operation or a recurring income which we are considering at the moment while analysis, right?
- Banwari Lal Mittal:** No, no, I am putting in other income only.
- Sunny Shah:** And sir, second question is, I can see from your consolidated balance sheet is, one is, the good point is we are not having too much of borrowings, and we are pretty much light in that aspect, and we are having roughly some 190, 195 crores in terms of cash and cash equivalents or other bank balances. One is, how do we intend to use it? I mean, is it going to be used towards, you know, maybe some in some sort of cash money in terms of discounts, in terms of reviving or making that those other three sectors to revive them? Because in the initial stage, in the nascent stage, you need to do that so that you get the market share, and you get the habit of the customers. Is that how we are looking at or what are we looking at in terms of those, using those cash and cash equivalents?
- Banwari Lal Mittal:** No, we don't intend to burn in operations of that liquidity. But in diagnostic space, like I just said, there is no firm plans, but we may acquire some diagnostic comprehensive part of the continuance, we get a clear-cut traction in our existing diagnostic investments. So, I mean, this we don't have any firm plans, but we are in the process to make the plan. By the year end we may be able to tell you the more clarity on this, but there is enough liquidity into the company, and we don't intend to burn into the operation.
- Sunny Shah:** And one last question for my side. What I can see in the investments is around 513 crores of investments which we have. So, if I am not wrong, this is the holding company, and we have all the operations which we are having are invested in these individual companies which are they are at different sectors. Is that what 513 crore mainly represents or do we have other investments like, you know, the individual investments that you make like in the stock market or something like that?
- Banwari Lal Mittal:** So, this is the consolidated balance sheet. If you see that investment part, so largely this represents the money we received as a liquidity from the deal with Flipkart. So, because the internal investments are closed off under consolidation.
- Sunny Shah:** Agreed. So, this represents, so since we have made the investment into the, basically, it is, I think, 25% the holding is what we have in the Flipkart Health.
- Banwari Lal Mittal:** Right.
- Sunny Shah:** Is the whole figure representing that same figure?
- Banwari Lal Mittal:** No, so some part is that investment and the balance part is the liquidity investment.

- Moderator:** Thank you. The next question is from the line of Amarnath Bhakat from Ministry of Finance of Oman. Please go ahead.
- Amarnath Bhakat:** So, just two more questions here. First of all, now you expanding your warehouses, these new warehouses, will it be in the same location in the same state, or will it be now spreading the wing in other states as well?
- Banwari Lal Mittal:** No, definitely it will not be in the same state because one warehouse can service to one, to more than one state or nearby state also. So, this will be in new states.
- Amarnath Bhakat:** One warehouse is enough for one state. I am just trying to understand the model.
- Banwari Lal Mittal:** Yes, one warehouse is enough for one state. Maybe one warehouse is enough for two states. Right now, seven warehouses are servicing to pan-India all the states. So, as we increase the volume, we may put some two warehouse in a large state like UP, where you have the clear bifurcation of the Western UP and Northern UP, like that way.
- Amarnath Bhakat:** See, if I give an order by your app, this medicine is exactly supplying from where?
- Banwari Lal Mittal:** It is supplied from the reseller. So, if you order in the Flipkart Health, there are resellers called Health Buddy. They will supply you. So, they supply from the source from a wholesale wing. One of the wholesalers is Sastasundar Healthbuddy Limited.
- Amarnath Bhakat:** Then which warehouse exactly is using for what? Sorry for I am just trying to understand a little bit.
- Banwari Lal Mittal:** No, warehouse is using for one for procurement. We procure the materials from pharma supply chain, and then we supply to the resellers on the Flipkart Health. So, there are, one is platform company, which is called Flipkart Health, and then there are retailers who are doing business as reseller into Flipkart Health, and then the retailers procure from a wholesale wing. So, these warehouses are wholesale wing which is Sastasundar Healthbuddy Limited.
- Amarnath Bhakat:** So, the margin you make between your purchase cost and all those supply chain related cost and it is compared with the revenue and that is the margin you make and that is you are talking about this gross margin 10%, right?
- Banwari Lal Mittal:** Right.
- Amarnath Bhakat:** And do you think now 10% probably one of the highest I am seeing so far whatever the data is available, do you believe that this particular percentage is going to be sustainable in nature and there is a probability of going up on this or how do I look at the little further, as you say, that maybe two, another two quarters you are in consolidation and business might not have that big growth? I am trying to gauge an idea that how scalable it could be in terms of your revenue growth, if you can give some percentage ballpark even and whether this 10% is something we can expect or it can go up or go down?

Banwari Lal Mittal: So, if we talk about next three years, then it will go up and go up in a good range, and revenue for next two, three years both the business, Sastasundar Health Buddy Business and Retailer Shakti will rapidly grow. That much I can tell.

Amarnath Bhakat: Any idea what do you mean by that growth?

Banwari Lal Mittal: No, actually, as you are aware, this is an area where we are into digital space. The growth may be very much rapidly, a growth may pass through some consolidation phases. It is evolving business. So, I may not be able to give you the exact guidance about the percentage of the growth, but this is, if you see, you can take a guidance from the past five years and can project next five years.

Amarnath Bhakat: Why I am asking, let me a little bit more specific in my question. Because since your base is so small and this particular business itself is in a very immature stage, generally, when this business scale up little bit at the beginning, the growth not come in percentage. The growth generally comes in time.

Banwari Lal Mittal: Right.

Amarnath Bhakat: And if, generally, as we have seen in other online cases as well, when the online cosmetic comes or when the online food delivery came, at the initial years, the growth was in multiple times. Of course, they were all cash burning at the beginning, but luckily, in your case, it is not a cash burning at the moment, but I am just trying to understand. Shall we consider this business something similar in terms of the growth projections that probably the growth will be in a hyper stage at the beginning?

Banwari Lal Mittal: I may not agree with the hyper stage growth because India we are into pharmaceutical supply chain whereby it takes time to build a supply chain, and it takes time to bring the customers on the digital space, but they may not be hyper growth, but it will be rapidly growth. I would agree with that, and that growth maybe the growth charter in the last five years may be the same growth rate may apply for next five years. So, this will be rapidly growth business, and yes, this business will be profitable, and we will have a good time.

But as you rightly said, this is an evolving business. So, projecting any right kind of growth rate and then growth rate may depend upon both the business differently. One is the Retailer Shakti and one is the Health Buddy supply chain, and profit margin may also vary differently in both two verticals, because both have some sort of different position on ground, and this Genu is an AI base which is itself is an innovation. There also we can increase the rapid growth. So, I think next one year will be very interesting, and at the end of the year I may be able to give you some projections.

Amarnath Bhakat: My last question, sir. Do you feel that there could be a regulatory risk to your business from the government? Because, you know, sometimes government comes and they put some restrictions relating to this e-pharmaceutical related matter that this can be sold, this cannot be sold. From

the past experience and also the things which is going on at the moment, do you feel any kind of a risk from that government regulation point of view?

Banwari Lal Mittal:

So, as a business per se, I don't find any substantial regulatory risk, but this is a highly regulated business. So, the one part, there is the digital health policy of the government of India is very much favorable, and they have seen that in COVID also and post-COVID transition also, that I have seen that it is largely beneficial for the population. The government is favoring the digital health transitions. This is documented in the policy of the government. Yes, it is good that they will regulate it.

They have already issued the draft guidelines on e-pharmacy, and new laws is making a provision to regulate the e-pharmacy. So, they will issue the centralized license to e-pharmacy and that will be good. So, yes, it is a regulated. It is connected with general mass health. So, it will be regulated definitely, and there will be regulation, but the regulation will be good for and will be a competitive advantage of a company like us who are very much competent and very much regulated process so that the compliance can be ensured.

Amarnath Bhakat:

Sir, if I may squeeze one more? How would you look at the competitive landscape means, at the moment, how many players are there in that? And exactly, who is your real competitor? And where do you stand in between?

Banwari Lal Mittal:

See, the India is a very, very large market. So, if you see right now, then in the distribution space alone, there is 50,000 distributors, but if you see the developed countries, the distributor is only 10. So, there will be large part of consolidation in distribution space both in B2B and B2C. So, this if you see the normal pharmacy supply chains, those are very small, only they are present in 20% of the area. So, I believe that these 50,000 distributors will be placed into 10. And India is a very large country having 1.4 billion population. So, there will be 10 players definitely, which will be winners, and we will be one of them for sure.

Amarnath Bhakat:

And how this consolidation in the distributors is going to help you really? I was trying to understand this. Even if say, for example, as you given some examples in the developed market, there are very few numbers of distributors are there. Say, for example, in India, of course, you may not go into that level of three or four from the 50,000 what we have, but if that consolidation profits starts, and of course, it will be gradual, how exactly is going to help you that?

Banwari Lal Mittal:

No, that will help you from the shifting of the market from unorganized to organized. So, I mean, like right now also, we are looking for that now the warehouse quality matters for pharmaceutical companies for the customer. Customers want to see what kind of warehouse, whether those are ISO certified warehouses, those are temperature-controlled warehouses. Now customer and both pharmaceutical company was that whether insulin is transmitted into air conditioned atmosphere.

So, warehouse quality going forward will be very, very important and the transportation quality will be very important. The process to supply the genuine medicine will be very, very important

and genuine medicine is in a good condition. So, it is not only about manufacturing practices, but because it is health care, so your distribution should be very genuine. Your distribution should be very authentic, and your distribution should follow the compliance. So, there we get an edge that our practices are modern.

We are already attached with companies like Mitsubishi, Rohto Pharmaceutical from Japan, now Flipkart. That ensures that the compliance is maintained at everywhere. So, these things matter going forward, and already the pharmaceutical company has understood and appreciating the policies.

So, going forward, the market will shift from unorganized to organized, where the Warehouse quality will be good. The data will be a great thing because we can tell where the inventory is lying. So, if you see the expiry return, that is minimum for Sastasundar, because we can tell where what inventory is selling, and which inventory is not selling. So, the entire things is properly digital and data drives the less wastage and more efficient.

Amarnath Bhakat: For this B2B platform, sir, this Retailer Shakti, now here you are going to supply to the retailer or maybe the distributors, right?

Banwari Lal Mittal: Right.

Amarnath Bhakat: Means you buy from the maybe the main Pharma producers like Cipla, Dr. Reddy or Sun Pharma, and then you supply that to the retailer or the distributor. Is that the business model, right?

Banwari Lal Mittal: Yes, right.

Amarnath Bhakat: Now in that case, I am trying to understand why they will not buy directly from the company and they go through you or you get the volume, and once you get the volume, you get some price Advantage due to economies of scale and some part you keep it and some part you pass on to the retailers and the distributors, and that's how the business model will work in B2B?

Banwari Lal Mittal: Right. So, it's a volume game. The most important is availability. So, because the medicine you cannot take from anybody, there are particular medicine, and there is a factory and pharmaceutical company which makes it. So, in a particular area, whether those medicines are available at that point of time makes lot of difference. So, retailer shakti ensures that every customer gets next day the guaranteed delivery and that makes the difference. And second part is the price discovery where this is a priority.....

Amarnath Bhakat: Here the customer means you are talking about your B2B customer, not the retail customer.

Banwari Lal Mittal: No, no, I am talking about B2B customers. So, suppose I am running a pharmacy store, and if I ordered to a distributor, and my supply time is 15 days, then my inventory I have to return for 50 days, but where my supply time is next day, then I can manage my inventory in 10 days only. And we have mentioned these points in our presentation. You may kindly refer to that also.

Amarnath Bhakat: Yes, I referred. Something was not clear. Now it is clear. Now regarding this Genu Path Lab, this laboratory side of the business, I am sure it has not been started so far. Now, how the model you are going to work? Because this is the particular area, which is super competitive at the moment, you know, every small corner of the street having some kind of a laboratory shop here and there and as you know, it's highly unorganized as well, and of course, there are some big players as well. Now, how you are trying to position yourself inside that so competitive environment and still you wanted to have cash positive in this particular area? Because I know this is a super competitive area at the moment in India.

Banwari Lal Mittal: No, definitely it is a super competitive. I fully agree with that, but we are not going into the red ocean of that super competition of a conventional diagnostic shop. We are basically building the front end. So, front end as I said that the Genu Health app we will be launching very soon. That will focus on artificial intelligence and then that will start from the wellness and then preventive care and then diagnostic and then emergency care. So, the diagnostic is, and we already have a pharmaceutical supply chain Flipkart Health, and this app will be linked to the Flipkart Health also. So, the medicines are available there. The diagnostic is available at both the places.

So, A) we have a large pool of the Health Buddy network already. So, the customer transitions is possible. B) is that we will be focusing on the front end more where, you know, the large part of the revenue will come from the wellness and emergency services, and the diagnostic part is very important because anything which you run, the rest will be spine, and that's why we are building our own diagnostic to make sure that the customer has the great experience of authentic accurate information, authentic accurate diagnostic, and this we are not competing with other diagnostic centers. Rather we are making partnership with other diagnostic center because that will also be enrolled at the service center in our app.

Moderator: Thank you. In the interest of time, we will consider that as the last question. I would now like to hand the conference over to Mr. Banwari Lal Mittal for closing comments. Over to you, sir.

Banwari Lal Mittal: So, thank you very much, my dear brothers and sisters, and I wish all of you a good health and good day, and I can assure you the company will continue to seek to play its strength. We are optimistic of growing effectively and profitability, enhancing value for all the stakeholders. I hope we have been able to answer all your queries. In case you require any further details, you may please contact us or Orient Capital, our Investing Relations Partner. Thank you so much.

Moderator: Thank you. On behalf of Sastasundar Ventures Limited, that concludes this conference. Thank you for joining us. You may now disconnect your lines.