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Date: 6th November, 2024

Scrip Code: - 531768

The Manager,
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Department of Corporate Services,
Phirozee Jeejeebhoy Towers,
Dalal Street, Mumbai- 400001.

Scrip Code: - POLYMED

The Manager
National Stock Exchange of India Limited
Exchange Plaza, Plot No. C/1-Block-G
Bandra Kurla Complex, Bandra(E),
Mumbai-400051.

Subject: Submission of Transcript for Q2-FY24 Earning Conference Call under the SEBI (Listing Obligation and Disclosure Requirements), Regulation, 2015

Dear Sir/Madam,

Pursuant to Regulation 30(6) of SEBI (Listing Obligation and Disclosure Requirements) Regulations, 2015, we hereby submit Transcript of the investor Meet/Call held on 29th October 2024, at 04:00 pm on the Un Audited Financial Results of the Company for the quarter and half Year ended 30th September, 2024, on Standalone and Consolidated basis, which were considered and approved by the Board of Directors of the Company, at its meeting held on 28th October, 2024.

This is for your information and record.

Thanking You,

Yours Sincerely

For Poly Medicure Limited



Avinash Chandra
Company Secretary
M. No. A32270

Encl: As above



“Poly Medicure Limited
Q2 FY25 Earnings Conference Call”

October 29, 2024



**MANAGEMENT: MR. HIMANSHU BAID – MANAGING DIRECTOR – POLY
MEDICURE LIMITED
MR. NARESH VIJAYVERGIYA – CHIEF FINANCIAL
OFFICER – POLY MEDICURE LIMITED
MR. AVINASH CHANDRA – COMPANY SECRETARY –
POLY MEDICURE LIMITED**

MODERATOR: MS. NISHA SHETTY – ICICI SECURITIES

Moderator: Ladies and gentlemen, good day, and welcome to Poly Medicure Q2 FY '25 Earnings Conference Call hosted by ICICI Securities. As a reminder, all participant lines will be in 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.

I now hand the conference over to Ms. Nisha Shetty from ICICI Securities Limited. Thank you, and over to you, ma'am.

Nisha Shetty: Thank you, Palak. Good afternoon, everyone. On behalf of ICICI Securities, I would like to welcome you all on Q2 FY '25 Earnings Conference Call of Poly Medicure Limited. Today on this call, we have with us the senior management team of the company represented by Mr. Himanshu Baid, Managing Director; Mr. Naresh Vijayvergiya, CFO and Mr. Avinash Chandra, Company Secretary. I would like to thank the management team of Poly Medicure for giving us this opportunity to host this call. And with this, I will hand over the call to the management. Over to you, sir.

Himanshu Baid: Thank you, Nisha. Thank you for hosting this call. A very good afternoon to everybody who is connected on the call. My pleasure to talk about the company's progress in the previous quarter and also discuss about the H1 results for the current financial year. As you have seen, the company's revenue has grown in line with the in the guidance we had given in the beginning of the year. Guidance was between 22% and 24% for the whole year. So the H1 revenue, if you look at the standalone comparison has grown by around 23%. So it's pretty much in line with what we had mentioned earlier.

Also, all the new plants which were commissioned last year, they have started functioning well. And the additional capacity, which was generated by the new plants, we're able to sell most of these products to customers in India and outside India. And the margin also, we have seen a slight improvement in the margin. This was also as per the guidance given in the beginning of the year of 100 to 150 bps margin improvement during the year. And during the quarter under review, the Q2 we have seen EBITDA operating EBITDA margins almost touching 28% versus last year's Q2 margin of 25.82%.

So we have seen an improvement, a significant improvement in the margin also. Even compared to previous quarter of Q1 of this current financial year, we have also seen some margin improvement from 27.5% to 28.06%. On the PAT side also, there is a significant improvement for the second quarter '23-'24 and this quarter '24-'25, we have seen PAT increase from INR59.21 crores to around INR87.22 crores. So there's a significant increase in the PAT also comparatively as compared to the previous quarter.

And overall, if you look at H1 to H1 comparison, the revenue has increased from INR625 crores to and these are all standalone revenues to INR770 crores. EBITDA has increased operational EBITDA has increased from INR167 crores to INR214 crores. EBITDA including other income has increased from INR193 crores to INR258 crores. And PAT has increased from INR119 crores to INR159 crores.

So in every parameter we have improved from the previous quarter and previous year. And this is mainly because of the new expansion we have done launching of new products over last 12 months to 24 months. All that has actually helped us to improve our revenue as well as the sales in the current financial year. Though there were a lot of headwinds during the current financial year because of the current geopolitical situation in Europe and in Middle East, we had incidents of high freight costs during this quarter.

Also, we have seen shortage of containers in key geographical areas. That also was one of the factors which we're constantly monitoring. And also, there was some fluctuation in the raw material prices because a lot of our raw material based on crude oil. So a little bit of fluctuation of that. But in spite of all these challenges, we were still able to do better compared to the previous year and even do a little bit better margin comparatively.

If you look at the current product sales mix in the current quarter again, I think exports are close to 70% and domestic business is close to around 30%. So we are maintaining the same range. And I think for the whole year we'll also maintain a similar range for exports and domestic business. The good news about the domestic business is if you look at the quarter under review, the second quarter, the export the domestic business has grown by around 22%. If you recall, in the previous quarter, we had only increase of 6%.

But as I had mentioned in the last call that we are focusing now more deeply on the domestic business. And because of the efforts we have done, domestic business is has grown actually in Q2 to Q2 comparison around 22%. And this is a big jump for us in terms of the efforts we have put in, in the domestic business. And this trend should continue in the coming quarters also.

So for the full year, we maintain our guidance of 20% plus growth for the domestic business. Export business definitely has grown by around 26% if you compare H1 to H1 numbers, and that continues to do well for the company. In exports also, we have seen that Europe has done very well. We are logging a growth of around 35% in the export business in growth in export business in Europe. And a lot of the key markets are doing well for us, including U.K., France, Italy, Germany, Spain and Nordic countries, they are doing well for us right now. And we are adding new products. We are adding new clients also in this market. So all that is helping us to grow our business there.

When we look at the U.S. business, I think this year we expect to clock anything between USD2 million to USD3 million revenue. This is the first year full year where we have FDA approvals and the business has started rolling out in the U.S. We started getting repeat orders from our customers. So it's very heartening that the business is picking well. And then we may still maintain our guidance of USD15 million to USD20 million over 3 years, 4 years as we have been saying earlier.

So we are building up the business. We are absolutely as per the plan, which we have actually made for the company. And everything is going as per schedule. We don't see any changes in that schedule or plan of implementing revenue in U.S. market. When you look at the renal business. The renal business has done well. We have seen a growth of around 40%, 45% in the first 6 months, and we maintain our guidance of 50% growth for the next 6 months also. So

overall, from INR90 crores number, we should be able to do between INR140 crores to INR150 crores of renal business in the current financial year.

And we are very bullish about the business prospects because with the new Prime Minister Scheme or PMJAY where the reimbursement rates have increased for renal treatments from around INR1,200 to INR1,800, I think more and more patients are now able to take renal treatment. And it has actually become profitable for also for providers, which were actually earlier bleeding.

So with this change which and that's the big change, which has come in, in the payment by the government and a lot of state governments, as you've seen recent Haryana elections, government has announced also free dialysis for patients. So a lot of state governments are now moving to actively promote dialysis in the health care budgets.

And also, we are seeing the use of single-use dialysis is also changing because earlier when we started the business few years ago, there was a high reuse of the products. Almost close to 90% market was reused, and 10% was single use. But now we have seen in last after COVID, the trend is changing.

Almost 30% to 35% market has moved to single-use, and 60% to 65% or maybe 65% to 70% is close to around multiple use. But in next 2, 3 years, as the trends are showing, I think the market will be become 50% single use and 50% multi-use. And that will also further increase the demand for dialysis products because once they are more single-use products, then the consumption will further increase.

And we are making adequate investments in the dialysis business in terms of our footprint in manufacturing, machine servicing, engineering space. So everything we are building up right now is infrastructure, which will help us to grow at a much faster pace in the next 4, 5 years. So after this initial struggles we had with the business, now the business is pretty much on track and on a high growth path.

And I think we don't see any reason that we will not gain more than 30% to 40% market share in the next 4 to 5 years in this business. And there is no competitor in India making these products. So we are the only company, which is manufacturing such products, and we have full technology backup. And we're also developing some new products in this area, which will also further benefit the patients and also help in reducing pain, which dialysis patients have to undergo for a longer treatment. So there's some new technology we are developing and that also products will be launched sometime early next year.

On the QIP front, the company in the previous quarter has raised additional funds around INR1,000 crores, totalling 53,19,148 equity shares were issued at a price of INR1,880. And after the QIP, the institutional shareholding has increased from pre-QIP level of 19.26% to around 23.58% post-QIP. And the split is pretty much even, almost half institutional holders are from India DIIs and half from FIIs.

As of September 2024, the institutional shareholding post-QIP now has increased to around 24.21%. And major new investors which were part of the QIP were Lighthouse Fund, SBI

Mutual Fund, Aberdeen, Nomura, White Oak, ICICI Life, Quant, Morgan Stanley. So a lot of new investors have actually joined and a lot of insurance companies, Kotak Life, Max Life, Tata AI have also been allotted shares under the new QIP.

The QIP proceeds will be used over the next 2 years. And it's mainly the new capex for new plants. So the company is setting up 3 new facilities, additional facilities, one in Haryana, Rajasthan, and Uttarakhand. And all these facilities will come live in sometimes middle to end of 2026. And we are focusing on three core business areas. One would be, of course, renal dialysis business. Second would be cardiology, and third one will be critical care.

So under all these 3 therapeutic areas, we will be expanding capacity and capability to cater to domestic as well as international demand. Out of the QIP proceeds, INR500 crores is for new capex. INR200 crores INR250 crores will be for general corporate purposes to fund the working capital requirements in the next few years, and acquisitions, we have earmarked INR250 crores for that. And also, the company has around INR250 crores of cash surplus, which would be also deployed in these three areas.

Also, current in the current 6 months, company has done a capex of already INR150 crores. For the whole year, we have planned around INR250 crores capex. But as it looks like, we were able to speed this up. And all this capex has been done from internal accruals. So no QIP money has been used so far for this. All this capex has come from internal accruals. And with in for the balance 6 months, we also will spend another INR100 crores to INR125 crores more for the current in the current plants where you will be adding more machines and more capacity in the current plants.

So with this new capex, and I think with this new all three big plants, which we are going to set up in the next 2 years, we will have sufficient capability and capacity to look at new opportunities in the medical device industry. Already, we see some tailwinds coming to India because of now some changes in the U.S. tariffs against Chinese products. And I think in the next 1 or 2 years, we also see good opportunities in the CDMO sector, where contract design manufacturing will be a good opportunity to work with large companies.

So I think the infrastructure we are creating will be also help us to create for such kind of opportunities, which should be coming to us in the next 1 to 2 years. So all these new tariffs are going to come in next I think starting from October, they will be implemented in a phased manner in 1 year. So I think we are also seeing some traction from U.S. where companies are interested to develop some additional products with us. So hopefully, in next 1 to 2 years, we will see also some new products being developed to cater to U.S. markets.

And also with global geopolitical situation changing, we also will see some more traction coming from Europe where more companies in Europe would be interested to look at India as a manufacturing option. So this is some update on the international business. On the other hand, we have seen that next 6 months, again, we will stick to our guidance what we have given. So we should be able to hit that growth rate of 22% to 24%, which we have already given as a guidance. I think we are pretty much on track for that.

We have, in terms of salespeople, we have in the first 6 months, we have added 60-plus new sales associates in the company, which is absolutely in line with our plan to have 100-plus people in the current financial year.

And out of these 60 people, 40 people have been hired in new verticals, critical care and cardiology. So these verticals have just started. So we are on the verge of launching a lot of new products in these new 2 verticals. Some products have been launched already. Some are in the pipeline. So a lot of work has been done right now.

We are also going to work very closely with certain clinical research organizations to help us do clinical evaluation of our high-end Class III devices. So that is another area we'll focus on in the next 6 months to 1 year. So that we will have enough data to fast track our regulatory approvals in developed markets. So we are already working on that.

On the PLI scheme, of course, the first PLI for new products as we were 1 year late. So we were not able to get the traction because 1 year, we missed the cycle, and because of that, we are not able to get any incentives of that. But on the PLI 2, the company will receive around INR1.4 crores of incentive in quarter 3, which has not been which has recently come in October to us. So that is for the previous year, which has been coming to us in this current quarter.

And so we are hopeful that under PLI 2, we'll continue to get some incentives from the government. PLI 1, we may not get any incentive though we have requested the government to extend the scheme by another 1 to 2 years because of COVID. During COVID time it was very hard to set up plants and scale up capacities. So we're not sure about it. But anyway for us, it's more important that to build a traction in the business. And renal business continues to do well. So probably with or without PLI, it doesn't matter for us right now.

And we are very hopeful that, that 50% growth in next few years will continue to come for renal business. And this is mainly for domestic market. So and maybe by FY '26, we will also start exploring the global export markets for renal products. So that will further help us to strengthen our position in this category. So these are some of the updates from my side and I'm happy to answer more questions whoever is on the call, please feel free to ask questions about the company. And Nisha, over to you again.

Moderator: Thank you very much. The first question is from the line of Karan Khanna from AMBIT Capital. Please go ahead.

Karan Khanna: Thanks for the opportunity and congratulations, Mr. Baid on another strong quarter. Himanshu, my first question is on the exports business in particular, Europe, which continues to grow at about 25% plus for the company. What's driving that? And how do you see exports' growth over the next few years? And then what's the kind of visibility that you have from your distributors and customers in that market? And similarly, on the U.S. business, are there any updates on further FDA approvals? And how is the feedback for the shipment that you completed via GPOs? And how do you see the distribution evolving here?

Himanshu Baid: So I'll first answer, Karan, with Europe. So Europe, I think we have a great traction in Europe market. And I think we have a long-term visibility because most of the businesses we contract

in Europe, they are long term basically over spread over 3 to 5 years. So and a lot of these businesses are new businesses, which we have got into in the last few years. So we have a great visibility in Europe. So Europe will continue to outperform the growth general growth of the company. So we expect Europe to grow in the range of 30% to 35% in the next coming couple of years also.

On the U.S. business side, I think we have already as I mentioned on the call, we have already got our second, third orders from the U.S. So I think the feedback is great, and I think we are moving ahead with that. All the products we have launched in the U.S. market, we have given a guidance for USD2 million to USD3 million for the first year where we'll be selling at least four to five products in the U.S.

And we are still waiting for FDA approvals to come. And hopefully, early next year, we should have we should get a few more approvals. That's what we're expecting in first quarter of the next calendar year. And once we have the approval, we will start building businesses for those products also. On the...

Karan Khanna: Sure. My second question is on your expansion plans to set up 4 new plants. What are the timelines for commissioning these and likely capex for the same? And what kind of peak revenue potential do you anticipate once these plants are online?

Himanshu Baid: So we have put an outlay of INR500 crores for these three new facilities, which is part of the QIP fundraise. And this facility should be live by live from mid to end of 2026. And land has been acquired for all the 3 facilities, Haridwar, Jaipur and Faridabad. So these are in the existing areas we currently operate. So these are adjacent facilities, some are nearby, some are adjacent. So this helps us to leverage our current infrastructure and expand quickly with new products.

Karan Khanna: Sure. And lastly, on your new divisions such as cardiology and critical care, what kind of further investments do you anticipate? And similarly on scale, what kind of scale do you anticipate for both these divisions over the next 3 years to 5 years?

Himanshu Baid: So I think the cardiology is a big business going forward in intervention cardiology. So there are too many players in the market but what we have seen is mostly import-driven, especially on the consumable side. We're not talking about stents here and mainly on the consumable side. And I think that is the area we are targeting right now and Poly Med because of its manufacturing expertise. So we are able to bring some new products in the market, which are locally manufactured, Make In India products, and that will actually drive that market.

So I think in the next 3 to 5 years, I think maybe in, let's say, by 2030, we should be able to look at INR300 crores to INR400 crores revenue also from cardiology business.

Karan Khanna: Great. Thank you, Himanshu and Happy Diwali to the entire team.

Himanshu Baid: Thank you so much Karan. I appreciate.

Moderator: Thank you sir. The next question is from the line of Girish Jain from KJMC Finserv Group. Please go ahead.

- Girish Jain:** Congratulations on a very good set of numbers, Himanshuji.
- Himanshu Baid:** Thank you, Girishji. Thank you.
- Girish Jain:** My question was relating to the capex, which we had done earlier. I think 4 plants were to be operational. Am I is it correct to assume that all the 4 plants are now operational? And can you give a guidance of what kind of capacity utilization we are running at, the new ones?
- Himanshu Baid:** So all the new 4 plants are operational, and most of the plants probably should be working around 50% capacity. We are still doing a lot of capex in this plant. As you see the first INR150 crores, which we have spent in the first 6 months, all that capex has catered to existing plants only, the new plants and the existing plants. So a lot of automation is being added. And some of you have already visited plants, have seen that how much amount we have spent on automation.
- And automation becomes very critical to our business because quality is the most important part in our products and we can only achieve through automation. And that is already happening. And I think when we look at the revenue side, I think as you are already aware that if you spend rupee in capex, we see a revenue of around INR1.2 to INR1.3. And that's been actually the guidance for by us. And also that's more or less the industry standard also.
- Girish Jain:** Okay. So with this new capex now, which is being planned with the QIP money which we have raised, and you mentioned that it might be operational by end of financial year '26. So what will be the increase in the capacity like in terms of percentages?
- Himanshu Baid:** See, basically, what we are doing is we are going to expand capacity in three core business areas. One is renal dialysis, where we will double our capacity from our current level where we operate. And what we have in pipeline right now, a lot of capacity also comes during this year. So from where we end this year, we'll almost double our capacity in the next 2 years because as we are growing at 50% in this business.
- And similarly, we will be also expanding some new products in cardiology. So there also we will because the market we have just started selling some products. The division has just been launched. And if you see renal is a 5-year-old division and almost we'll be ending around INR150 crores.
- So now we see a big ramp-up happening. So initial part is the regulatory part is slightly slower. But as we move on, we will see the ramp-up happening faster. So a lot of new products will be added in the cardiology and critical care. And critical care is more driven towards oncology segment, cancer care. So we have a lot of products which we are making in Italy today. A lot of these products will be shifted to India and also scaled up in future. So we are already looking at expanding that area of business where still India is around 80%, 90% import dependent.
- Girish Jain:** Okay. And last question. Going forward, let's say, in the next 3 to 4 years, do you see any change in the product mix between infusion, cardio, renal and critical care?
- Himanshu Baid:** See, I think we have not extrapolated that data, Girishji. But I think the infusion still will remain our core business. So that is where we have a global excellence on that product category. So that

will continue to be our core business. But as new businesses pick up, for example, renal by, let's say, next 5 years, will constitute around roughly, let's say, around 10% to 15% of our business. Today, it may be only 5% to 6%.

Girish Jain:

Okay.

Himanshu Baid:

So similarly, cardiology, which is probably only maybe I mean there are no numbers for cardiology right now. But maybe in the next 5 years, we will see it growing to around 5% to 7%. So all this will keep on evolving basically.

Girish Jain:

Okay. Thank you so much and all the best.

Himanshu Baid:

Thank you, Girish and Happy Diwali to you, sir.

Moderator:

Thank you. The next question is from the line of Zain Hussain from Dolat Capital. Please go ahead.

Zain Hussain:

Congratulations for a great set of numbers. I have few questions. It's regarding domestic business guidance, you have given for only 20%, 22%, and but we're in H1, we are already running at 11% as an average. So do you tend to change the India guidance, domestic guidance or you wish to maintain that?

Himanshu Baid:

No, we will I've already said in initial part of the call that we will do around 20%. And then that because currently we have done an H1 to H1 growth of 13%. In the first quarter, it was only 6%. So in fact, we are not growing faster now already. And as you know, the private market is growing faster for us, and government business is kind of where we are exiting part of the government business. So that's the reason first quarter numbers were a little skewed. But overall, if you see a private market trajectory we are growing 75%, 25% in that category. It's only a government business where we saw, but for the whole year definitely we are maintaining our guidance of 20% plus.

Zain Hussain:

Okay, sir. And sir renal care sales in Q2 as well as in H1 was?

Himanshu Baid:

Say again?

Zain Hussain:

If you can share that number, renal sales?

Himanshu Baid:

So we have not shared any numbers. What we have shared is that we have seen a growth of around 40%, 45% in renal care business in the first 6 months.

Zain Hussain:

Okay, sir. And we are told that 500 dialysis machines to be installed by the end of this year. So it is maintained around 500?

Himanshu Baid:

Yes. So total installation base will go over 500 machines by end of this year. And particularly this year, we should be able to sell between 350 to 400 machines in this particular, 350 machines. So the earlier base of 150, plus 350 this year, we will be able to cross our installation base of 500 machines.

- Zain Hussain:** Okay, sir. And sir, infusion category contribution in domestic as well as in export?
- Himanshu Baid:** Absolutely. So it is close to around 65%.
- Zain Hussain:** Okay. And domestic?
- Himanshu Baid:** Same, same, same contribution.
- Zain Hussain:** Okay. And sir, export has also grown very well. So what are factors driving this export business?
- Himanshu Baid:** Could you repeat that question, sir, again?
- Zain Hussain:** The export business, growth factors, it is driven by?
- Himanshu Baid:** It's driven by infusion business because that is where we have global excellence on that product category. And then we have a lot of products, which are innovative. We have patented products and that is driving that growth in that segment.
- Zain Hussain:** Okay, sir. And sir, guidance for EBITDA margin, do we maintain our margin guidance?
- Himanshu Baid:** Yes. So if you see in the beginning of the year, we gave a guidance of around 100 to 150 bps improvement in the margin. And I think you already have seen the results, and I think that's being reflected in the results also.
- Zain Hussain:** Okay, sir. And sir, last question, working capital days is?
- Himanshu Baid:** That is around close to 100 days right now.
- Zain Hussain:** Okay sir. Thank you.
- Moderator:** Thank you. The next question is from the line of Yash from Stallion Asset. Please go ahead.
- Yash:** Hi, thank you for the opportunity. So I just wanted to understand that since you've kept INR250 crores out of the QIP money for acquisitions, what are the new products or new sort of areas that you can pivot to with this amount of money?
- Himanshu Baid:** See, basically INR250 crores is just an amount on the QIP part. But the company also has internal cash and internal cash generation. And we are not limiting ourselves to INR250 crores. So we are looking at opportunity adjacent to current product area. For example, anything in cardiology or anything in oncology space or anything in critical care. So any new product areas. There are thousands of products in this space. We do only a few, maybe 20, 30 products.
- So what other areas. So we are looking at adjacent areas in these therapeutic areas. And then whatever and we are looking at technology basically. Because currently, what we need is a technology and regulatory clearance so that we can fast track those projects. And otherwise, once we do it on an organic basis, that is going to take a long time because typically, time frame is 3 to 5 years. So that is one of the reasons that we are looking at some acquisition opportunity. And as and when we have something, we'll definitely announce that.

- Yash:** Right. And sir, I just wanted to understand that apart from Europe, what could be potentially more fast-growing sort of regions for you? Would it be like Middle East or Southeast Asia? Or have you sort of explored some of the countries there where you can potentially have the same kind of growth that you're seeing in Europe?
- Himanshu Baid:** No, I think if you look at the global landscape, around 35% global market in U.S. in terms of value and then followed by around 25% in Europe. So and then I think India is only 2%, 3% today. But again, being our presence in India and we have been present for a long time now, we have a bigger market share in India compared to other global markets. So I think for us these three geographies will continue to be the key market for us as we go along in the next 3 years to 5 years.
- Yash:** Got it. Thank you.
- Moderator:** Thank you. The next question is from the line of Zain Hussain from Dolat Capital. Please go ahead.
- Zain Hussain:** Thank you for the follow up question. Sir, guidance for gross margin, if you can give?
- Himanshu Baid:** See, gross margin, we normally give guidance to EBITDA margin. I don't have those numbers. But typically, we operate between 60% to 65% gross margin.
- Zain Hussain:** Okay, sir. And the capex guidance of INR100 crores to INR120 crores in the next 6 months will be from internal accrual or QIP?
- Himanshu Baid:** Internal accrual these are mainly capex happening in the existing plants. Some, of course, will also capex will be directed towards the new facility as we start building them up. But the majority will come from internal accruals and some of the QIP money will be also partially on the INR500 crores. But the major QIP utilization will start sometime early next year.
- Zain Hussain:** Okay. Thank you.
- Moderator:** Thank you. The next question is from the line of Vihang Subramanian from Zaaba Capital. Please go ahead.
- Vihang Subramanian:** Congratulations on a good quarter. Just one question from my side. In some of your remarks initially, you mentioned that you're seeing a lot of traction from U.S. customers due to potential tariffs, right? So could you talk about what are the tariffs currently on our products as well as similar Chinese products in U.S. and Europe? And if we see an increase in tariffs after the U.S. election, do you expect to get more competitive versus China?
- Himanshu Baid:** So it's a great question, Vihang. So let's first talk about the tariff, what are the current tariffs. So current tariffs are 0 from India right now. So when you export to Europe, there's 0 tariffs, and Europe is not going to change any tariffs. And Europe is our major market. Today, it is more one-third revenue comes from Europe or one-third. One-third is India and one-third is rest of the world. So U.S. is also not very significant. You know the numbers already. And currently, the U.S. tariff is 0.

But even if U.S. puts a reciprocal tariff, which we are hearing from Mr. Trump's speeches, I don't know who's going to come, but let's assume that he's going to come. So India has a tariff of around 10% on medical devices. So the reciprocal tariff can be only 10% in my view, number one. Number two, current tariffs on Chinese products range from 25% to 50%. So there will still be a big gap.

And I think the most important thing is the global supply chain with this current uncertainty and what is environment, I think it's going to shift a little bit to India and I think in Medtech space also. And I think that change should come in next, let's say, 2 years to 5 years. So and we are building. Most of the tariffs become effective now till January 2026. So in this period, I think if we can catch hold of some good companies and products, I think that is the target we are trying to set up for ourselves.

Vihang Subramanian: Understood. And just in regards to the acquisition that the potential acquisition that you may look at, are there any particular products or any particular kind of therapies that you are trying or at this point, it's more open.

Himanshu Baid: No, this is not very clear so we are very clear that we want to stay adjacent to what we are doing. So we'll only do something, which we are currently operating, whether it's cardiology or critical care or oncology or in renal space. Anything around adjacent to these therapies we're going to do. So we're not going to go out of our therapeutic competence.

Vihang Subramanian: Understood. And just last one on the margin side. I think it seems like we have been trending a bit ahead of our guidance. So would you look to revise this at some point? Because it seems like our export revenue salience is driving margins higher. So any thoughts on that?

Himanshu Baid: No, I think we are more important is it is good that we are trending higher but I think we will like to stay in the range. And I think whether on the top of the range or on the bottom of the range, but at least we want to be in the range. And I think see, we don't know what's going to happen in the next 6 months in the global geopolitical situation. So it's good to be prudent and stay prudent. So if we have done well, I think we should compliment ourselves but we don't know about the future.

But I think if we can have the company has the capacity to absorb any future shocks even though this the first 6 months, very difficult in terms of global supply chain because freight rates started increasing, the shipment transit times kept on increasing. So in spite of all these challenges, we are able to still make some small improvement in our margins. So I think let's continue with that. I think maybe another quarter, we'll see what is going to happen.

Vihang Subramanian: Understood sir. That makes a lot of sense. That's it from my side. Good luck and wish you and the team a very Happy Diwali.

Moderator: Thank you. The next question is from the line of Naman Bagrecha from IIFL Securities. Please go ahead.

Naman Bagrecha: Sir, just some clarification on the India business part. You highlighted that the first half of this year, we've grown at around 13%, right? So that means that to achieve, let's say, a 20% kind of

growth on a full year basis, we will be growing at around 30% at least for the next 2 quarters Y-o-Y or, let's say, first half growing at around 30% second half growing at around 30%. Is my understanding correct? I mean and...

Himanshu Baid: You're absolutely correct. And I think these are the numbers we have with us. So we are pretty certain because we have the buildup. The capacities have gone up. And then, let's say, in quarter 2, we were able to see a 22% growth compared to quarter 1, which was only 6% basically. So we are seeing these changes already in the customer profile in the demand side. And renal business is already growing at 50%, which would be almost INR150 crores, and this will become almost close to around 25% to 28% of our total business, so in India, at least. So we are pretty confident on getting those numbers.

Naman Bagrecha: Okay. And as you said on the renal business, so renal business, I mean, if I back calculate, we actually have grown at around 50%, 51% in second quarter. And the asking rate would be closer to around 60-plus percent if you look at INR145 crores of business.

Himanshu Baid: Yes. So the reason we are able to do it because we have added a lot of new capacity in renal business. And most of that capacity is coming live between October and November.

Naman Bagrecha: Okay. So basically, this one time...

Himanshu Baid: So currently, we are short of products right now. We can't supply enough.

Naman Bagrecha: Okay. And lastly on the export business, if we exclude your these subsidiaries, I mean, you have seen a fantastic growth of, let's say, around what, 28%, 30%? Is my understanding correct?

Himanshu Baid: That's correct. Around 27%, 28%. You're right. Absolutely.

Naman Bagrecha: 27, 28%. So for the full year, would you want to revise the guidance or this would not be achievable? I mean let's say you guided for around, let's say, 25%, right, for the full year?

Himanshu Baid: We have guided for the full year total overall growth of around 22% to 24% and with India doing around close to 20% with a weighted average of 30% on India business. And then export business, around 70%, weighted average of around 25% to 27%. So I think typically, we have to also look into fact that what is going to happen in the next 6 months. So it is good to give a muted guidance. And if you do better, it's always good. So we would not like to revise margin, let's say, guidance at the end of second quarter. I think after the end of third quarter, we'll be more prudent to revise guidance.

Naman Bagrecha: Okay. And one more on if I may. The earlier participant also highlighted that the because of higher export business, we've seen that 50 bps quarter-on-quarter improvement in margins. So given that our export business will be, let's say, growing faster than the domestic business. We expect the margins to be slightly better, I mean probably achieving, let's say, 28% on 4Q exit?

Himanshu Baid: Well, the target was to improve by 100, 150 bps, and it also depends on the product mix every quarter. But I think we are pretty much online but again, it's a lot of very uncertain situations. In the geopolitical world, we don't know where oil is going to hit. Is it going to impact raw material

prices or what is going to happen to supply chain in the current situation. So it's good that we have done better in one quarter. So even if we do bad in other quarter, we'll be able to normalize it. But that is not the case right now.

But the important thing is that continuous improvement is required, and we are doing it actually in terms of margins. And as the product mix keeps on changing, as we go more in deeper in, let's say, critical care, more deeper in cardiology, definitely we'll be able to have better margins in these products also in India also going forward as time progresses. Because currently, we are also in a lot of initial investment phase in these businesses. So like for example, we hired 40 new people. So 10% of the workforce is completely new for new businesses, which are not contributing at the same run rate as the original businesses where other 370, 380 people are working.

So gradually, we'll see a ramp time. So definitely, once the businesses get more and more, let's say, deeper, we will definitely see margin improvement. Renal business, it's still not a great margin contributor but as we increase the volumes substantially and definitely, margins will keep on changing because the contribution margin will keep on increasing.

Naman Bagrecha:

Got it.

Himanshu Baid:

And I think the idea in this business, I think it's all about technology and volume and what you can do in terms of how you position yourself in the market. If you position in the lower spectrum, then you get lower pricing. But if you start competing with large multinationals, then definitely, you can improve your price points. And that is what we are trying to achieve right now. We are trying to replace the multinationals on the market in India, not replacing Indian companies in the market.

Naman Bagrecha:

Got it. And just on the sales and marketing addition, the associates, just wanted to understand how does, let's say, their productivity play out? I mean today, let's say, we are in FY '24, we were at around, I mean if I look at...

Himanshu Baid:

INR200 crores.

Naman Bagrecha:

Sales per month for a rep close to around INR8.5 lakh.

Himanshu Baid:

INR1 crores a year basically, typically INR1 crores.

Naman Bagrecha:

INR1 crores a year. Yes, right. So the addition that you have done, so generally, how much time do they take to achieve, let's say, this kind of productivity?

Himanshu Baid:

It's a very hard question to answer because it depends on business to business, depends on approval process on each hospital. And some businesses may take longer, some may take faster. So again, it's something we have we continuously juggle with in terms of balancing the people versus the revenue. And but when you have new businesses to set up, let's say, 2 new businesses, then sometimes you have to compromise on that area and say, okay, I need people first so that they can go to hospitals and push their products.

So I think in that case, we are very careful in heading the headcount versus but again, when we see end of this year, we'll have 500 people but we'll also see revenue almost touching INR500 crores in domestic business. So this is where somewhere we are in that zone. So we always keep that INR1 crores number in mind.

Naman Bagrecha:

Okay.

Himanshu Baid:

So new versus old, we're keeps on getting blended basically.

Naman Bagrecha:

Okay. So on a blended basis, you will say that INR1 crores would be the...

Himanshu Baid:

Yes, from that business what we are targeting on this. It's on a blended basis because always we have new people coming in, going out, that is always the case.

Naman Bagrecha:

So sorry, sorry, I didn't understand. So on a blended basis, you will target INR1 crores or to achieve...

Himanshu Baid:

On a blended basis, but between this and all together, yes.

Naman Bagrecha:

Okay. And what were I mean you highlighted that total 100 associates will be added in FY '25. Any other trends, let's say, for FY '26 or on a steady state, you would like to add 50, 100...

Himanshu Baid:

So we'll continue to add that many people because the business is growing, we need to reach out to more hospitals. Today, we reach out to 8,000, 9,000 hospitals. We need to reach out to almost 20,000 hospitals in the country, so in the next 3 to 5 years. So we'll have to almost double the headcount in, let's say, in the next 3 to 4 years.

Naman Bagrecha:

Okay.

Himanshu Baid:

Even if we continue with the 20% growth rate, the business will anyways double in the next 4 years.

Naman Bagrecha:

Yes..

Himanshu Baid:

We'll have to continue to increase the headcount to reach more and more customers, and customer means hospitals.

Naman Bagrecha:

And just one last one. What would be, let's say, the blended capacity utilization? You said 50% or...

Himanshu Baid:

For the new plants and for the existing plants is already around 75% to 80%.

Naman Bagrecha:

What would be the blended number, sir?

Himanshu Baid:

Blended would be close to around 60%, 65%.

Naman Bagrecha:

Okay. Thanks a lot. I will join back in the queue.



Moderator: Thank you sir. As there are no further questions from the participants, I would now like to hand the conference over to management for closing comments.

Himanshu Baid: Thank you, everyone for great questions. And I really appreciate the kind of deep study you have done for the business and for the company. Please continue to ask these probing questions. This will help us to do better every year, every quarter. And we hope we also assure you that whatever guidances we gave you in the beginning of the year, we will try to hit those revenue numbers and profit numbers to ensure that the company is on track with the right performance parameters. Thank you again very much, all the participants, ICICI team for hosting this call. Thank you again.

Moderator: Thank you, sir. On behalf of ICICI Securities, that concludes this conference. Thank you for joining us and now you may disconnect your lines.