Entero
Healthcare Solutions Limited

Ref: 49/SE/LC/2024-25 **Date:** August 22, 2024

To,

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

Scrip Code: 544122

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

Dear Sir/Madam,

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

In Continuation to our letter dated August 12, 2024, bearing reference no. 40/SE/LC/2024-25, and pursuant to Regulation 30 and Regulation 46(2) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the transcript of the Earnings Call/ Conference Call held on August 16, 2024 at 12:00 pm (IST) to discuss the Company's financial results for the Quarter ended June 30, 2024 is annexed herewith.

This is for your information and records.

Yours faithfully,

For **Entero Healthcare Solutions Limited**

JAYANT PRAKASH
Digitally signed by JAYANT PRAKASH
Date: 2024.08.22 19:24:20 +05'30'

Jayant Prakash
General Counsel, Company Secretary & Compliance Officer
(Mem: F6742)

"Entero Healthcare Solutions Limited Q1 FY '25 Earnings Conference Call"

August 16, 2024

E&OE - This transcript is edited for factual errors. In case of discrepancy, the audio recordings uploaded on the stock exchange on 16th August 2024 will prevail.

MANAGEMENT: **MR. PRABHAT AGARWAL – MANAGING DIRECTOR, CHIEF EXECUTIVE OFFICER AND CO-FOUNDER**
MR. CV RAM – CHIEF FINANCIAL OFFICER

MODERATOR: **MR. AMEY CHALKE – JM FINANCIAL INSTITUTIONAL SECURITIES**

Moderator: Ladies and gentlemen, good day, and welcome to Entero Healthcare Solutions Limited Q1 FY '25 Earnings Conference Call hosted by JM Financial.

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

I now hand the conference over to Mr. Amey Chalke from JM Financial. Thank you, and over to you, sir.

Amey Chalke: Thank you, Ritika. Hi, good afternoon, everyone, and a very warm welcome to Entero Healthcare Solutions Limited Quarter 1 FY '25 Earnings Call hosted by JM Financial Institutional Securities.

On the call today, we have representing Entero Healthcare Solutions, the Management Team comprising of Mr. Prabhat Agarwal – Managing Director and CEO, and Mr. CV Ram – CFO.

I will hand over the call to the Management Team to make the Opening Comments and then we will open the floor for questions. Please go ahead.

Prabhat Agarwal: Thank you, Amey. Good afternoon, everyone, and thank you for joining our Earnings Conference Call to discuss the operational and financial performance for Quarter 1, FY '25.

On this call, I am joined by Ram – Group CFO, and SGA, our Investor Relation Advisors. I hope everyone had an opportunity to go through the financial results and investor presentation, which has been uploaded on the stock exchanges and also on our company's website.

I shall provide a brief overview of the Key Operational Highlights:

After which Ram will take you through the highlights of our Q1 FY '25 Financial Performance. Before I delve into the specifics of our Q1 operational performance, I would like to highlight the strong foundation we have built over the years and the strategic direction we are heading towards.

Entero Healthcare continues to be one of India's largest and fastest growing healthcare product distribution platform. Our vision remains focused on creating an organized pan-India technology driven and integrated healthcare product distribution network that adds value across the entire healthcare ecosystem. Given the fragmentation and unorganized nature of current healthcare distribution in the country, which essentially inhibits unlocking of efficiencies, adoption of technology and benefits of scale, we believe that Entero is on the forefront of driving consolidation and associated benefits in supply chain.

We have once again delivered industry leading growth with consolidated revenues of Rs. 1,097 crores representing a 22% year-on-year increase from Rs. 899 crores in quarter 1 FY '24. This growth is significantly higher than the Indian Pharmaceutical Market growth rate of 9% during the same period. This is driven by continuous expansion in customer base, increase in wallet share, geographic coverage and product portfolio expansion. As we keep expanding our pan-India network, including getting into Tier-2 cities and beyond, our value proposition to both healthcare product manufacturers and customers keeps getting stronger.

Our gross margins increased by 26%, EBITDA by 17% and profit after tax by 219% over the previous year quarter. We are continuing to focus on margin expansion through procurement efficiencies, business mix and operating leverage, which should yield positive results in the rest of the year. This would be further detailed by Ram in his commentary.

Our growth strategy remains centered around both organic expansion and strategic acquisitions. On the acquisition front, we have made significant progress in the current fiscal year. Till date in calendar year 2024, we have announced 10 acquisitions contributing Rs. 830 crores in revenue, of which 5 acquisitions generating Rs. 315 crores in revenue have already been closed. The remaining acquisition of 4 entities contributing Rs. 433 crores in revenue are expected to close in quarter 2 FY '25, while the closing of one acquisition with revenue of Rs. 82 crores might spill over to Q3.

So far, the 10 acquisitions announced strategically cater to three objectives, consolidation in existing geographies, which is representing 31% of revenue acquisition, adoption of new or addition of new geographies, which is 32% and new product portfolio, which is 37%. Most of these entities enjoy leadership position in their business segments and territory and significantly enhance our network value proposition.

With the acquisition of Peerless Biotech, we have also expanded our product portfolio into synergistic product segments like medical devices and diagnostic equipments and consumables. These acquisitions are margin-accretive with a blended EBITDA margin in the range of 6% to 8%, which would further enhance our profitability, while at the same time, we have remained extremely disciplined and financially prudent in our acquisition approach. The impact of these acquisitions on our revenues, EBITDA margins and ROCE have been highlighted in our investor presentation and would be detailed out by Ram in his remarks.

We are confident in our ability to achieve our FY '25 revenue growth guidance of 35% plus driven by both organic growth and our acquisition strategy. This growth would be accompanied by expansion in operating profitability margins over last year supported by procurement efficiencies, improved business mix and operating leverage that comes with our growing scale.

I would like to thank our team for their relentless efforts and our shareholders for their continued support. With this, I will now request Ram to summarize the company's financial performance for Quarter 1 FY '25.

CV Ram: Thank you, Prabhat. Good afternoon, everyone.

Coming to Q1 FY '25 Consolidated Financial Highlights:

Revenue for Q1 is at 1,097 crores with a growth of 22% on year-on-year basis.

We recorded a gross profit of 9.1% in Q1 FY '25 vis-à-vis 8.8% last year, an improvement of 27 basis points. As Prabhat mentioned, this is primarily driven by gross margin expansion, driven by procurement efficiencies and an optimized product mix.

EBITDA for the quarter stood at 30 crores with a growth of 17% on year-on-year basis. EBITDA margin stood at 2.8%. We have initiated and undertaken several acquisitions in Q1 FY '25.

However, these acquisitions come with associated costs, particularly few one-time expenses, including due diligence expenses. We are also actively investing in human resources to support the integration and scaling of these new acquisitions, which while incurring upfront costs, is essential for driving long-term growth. As such, these acquisition-related costs had a moderating effect on our Q1 FY '25 operating margins.

As mentioned by Prabhat, till date, we have announced 10 acquisitions with a combined revenue of Rs. 830 crores per annum. The blended EBITDA margin from these acquisitions is expected to be in the range of 6% to 8%, which will improve our consolidated margins and ROCE.

Coming to profit after tax for the quarter is at Rs. 21 crores, registering a growth of 219% on a year-on-year basis. This spurt is on account of higher EBITDA and optimized net finance costs.

On the working capital front, our working capital days as on 30th June stood at 71 days, compared to 67 days as of 30th June 2023. One of the reasons for slightly higher NWC is revenue from new acquisitions is partly recognized, while the NWC is fully recorded in the books on completion of acquisitions.

The substantial impact of our inorganic growth strategy, particularly from the announced acquisitions, will start to be reflecting in our financial performance beginning Q3 FY '25, even though partial impact will be reflected from Q2 onwards.

The integration of these acquisitions into the Entero ecosystem will unlock operating leverage through scale and further optimize our business mix. With the contributions from recent acquisitions on pro forma basis, EBITDA margin to improve from 2.8% to 3.5% and ROCE to improve from 9.2% to 14%.

This is indicative of the margin accretive nature of our recent acquisitions. This is besides the synergy benefits on revenue margins that we expect to realize once we integrate these businesses fully into Entero's businesses.

Please note that these impacts are purely on account of acquisitions, excluding any positive impact from the growth and various margin improvement initiatives in progress in organic business.

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

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Gautam Gosar from Monarch AIF. Please go ahead, sir.

Gautam Gosar: Sir, my question is on acquisitions. So, sir, you provided data for only couple of acquisitions where we could figure out the valuation that what valuation basically the acquisitions were done. So, for example, if I am a distributor, you have acquired 70% for 77 crores, which takes the company valuation to 110 crores and the FY '24 sales were 220 crores. So, it was done at around 0.5 times sales.

And similarly, if you calculate Peerless Biotech, it was done at more than one-time sales versus our guidance of around 0.25 to 0.3 times sales. So, what is leading to this higher valuation which we are giving to the companies is my first question.

Prabhat Agarwal: This is Prabhat here. So, as we said in the presentation also, that we have maintained our acquisition multiples in line with the historical numbers, right? We are valuing any company based on the EBITDA multiple and not on revenue multiple, okay? So, on the EBITDA multiples, the multiples that we have paid are in line with single-digit numbers that we have paid historically.

Gautam Gosar: Any broad range, sir, which you would give us? And sir, also one request. If you could give this in the notification which you give it better for the investment community to analyze your company better.

Prabhat Agarwal: So, we are making the necessary disclosures in line with the regulations, Gautam. If you have to take a number, as we told you, that in mid-to-high single-digit is what we are paying. So, you can take it between 5 to 8 times of EBITDA multiples.

Gautam Gosar: And secondly, sir, on margin, since you have mentioned that these companies which you have acquired are doing EBITDA margin in the range of around 6% to 8%. Sir, any margin guidance which you would like to give for this year since your target is reaching around 4.5% to 5% in a couple of years? How are we moving in that trajectory? And what is our guidance for this year?

Prabhat Agarwal: See, as you would note, Gautam, that we have given you a pro forma numbers after baking in all the acquisitions, right? And that itself is taking us to 3.5% in the presentation you would see. And that excludes any synergy benefits and any improvement on the organic business. So, we are inching closer towards that 4% kind of number. And once these things are baked in, which is going to happen in next one quarter, and improvement in organic business, we should be inching towards that.

Gautam Gosar: Sir, lastly, on working capital. So, since you also told us in your opening remarks, like why it has increased, sir, over the year, we should assume that this should normalize to what the number was previous year?

CV Ram: Historically, I think we have been reducing this from a 74 to we have come to 67 over two years, if you look at FY '24. So, we would like to have similar kind of a reduction over the next two years as well.

Gautam Gosar: So, this number should be below 67 days is what you are trying to say, right?

CV Ram: Definitely. I think it will be around that. It will be over the next two years, there will be at least five to seven days reduction. And by March, definitely, you will see that. Most of it.

Moderator: Thank you very much. The next question is from the line of Chetan Shah, Jeet Capital. Please go ahead.

Chetan Shah: Sir, two quick questions, just continuation on the acquisition side. If you can, and my sincere apology because I am like interacting with the management for the first time. So, it may sound a very novice question. Sir, in terms of your acquisition strategy, will that be more focused on a vertical of a distribution network or more focused on a geographical side spread, if you can give some sense on that? One is that.

Second, when you mentioned in your opening remark that most of these acquisitions are earning accretive because they are small in size when you are acquiring and come in our system, our distribution system, a synergy of operation helps and expands the margin. So, if you can throw some little more lighter on that, that will be helpful.

And my last question is on a working capital. What you think is the most optimum level of working capital which we can achieve once we achieve some size and scale from the current level of top line? These are the three basic questions I have.

Prabhat Agarwal: Let me take the first question first. You talked about to give a little more color on the acquisition. So, acquisitions, as you see in our targeted or stated objective even in the prospectus that we are targeting three kinds of acquisition. One is where we are adding new geographies through those acquisition entering new markets basically, and some of these acquisitions is towards that.

For example, we have acquired an entity in Khammam. We have acquired an entity in Bijapur. We have acquired an entity in Trivandrum, right? These are the markets where we were not present, right? So, this opened up new markets for us.

Second category is on expanding the product portfolio where, traditionally, those kind of products we were not working on before, right? For example, Peerless Biotech is a great example of that. It gives us entry into medical devices and diagnostic equipment and consumables, that we were not doing before, right. So, it is the same set of customers we can sell more products now.

And third is strengthening our positioning in the existing market. For example, Sai Pharma, as somebody mentioned, helps us to double our market share in Hyderabad, right. So, these are broadly the three categories of acquisitions we are making, which is in line with what we also disclose in our prospectus and we have given a breakup also for these three categories in our investor presentation. What was your second and third one?

Chetan Shah: Sir, my second question was, I was just trying to understand, you actually partly answered that question, but I was trying to understand that when you acquire this business in vertical or geography wise, how does the margin improvement both at gross and at EBITDA level changes? Is it because of the consolidation of the player or is it also because of the mix of the product what you offer to the consumer? Because in your PPT, you mentioned about the SKUs what we cover and also the states and the district what we have expanded to. So, once again apology, because I am just trying to ask too basic question, but I am seeing your company for the first time.

Prabhat Agarwal: When you acquire an entity and when it gets integrated to Entero ecosystem, they greatly benefit from consolidation into Entero. Number one, there is a lot of synergy on the top line of the acquired entities. We expand their product portfolio.

Suppose we acquire a distributor which is offering only X category of products, but in Entero we have far bigger product portfolio which we can offload in that market through that entity, right? So, it expands their product range.

We also deploy our technology to give better customer buying experience, which enhances their wallet share, and we also enhance the geographic coverage. So, on the top line side, there are many synergies available between Entero and acquired entity, and through that we expand our operating leverage. The company grows far more than what they had been historically growing, right? That's number one.

Number two, on the procurement side also, we get lot of synergies, which helps to improve the margins, because they get the advantage of Entero buying scale, right. Because Entero is a network of many entities spread across India. So, our buying power is far more than the buying power of that particular entity. So, there also they gain quite a bit. So, these are some of the ways where we expand both the top line as well as the bottom line of the acquired entities.

Chetan Shah: And sir, last question was on a working capital cycle. Ram sir was explaining that 67 will go down a little bit, but what be your like most comfortable level of working cycle which you will be looking at, if you can just help me with that?

Prabhat Agarwal: I think somewhere around between 60, you know, 60 is a is a good number if you can touch in terms of working capital cycle given the business mix that we have today, because the working capital cycle is different for trade entities or retail business which is supplying to the retailers and is a little bit different when you are supplying to the hospital. So, depending on the mix of the business that you have, I would suggest that 60 to 65 is a good range for a very short-term target for us.

Chetan Shah: Other than us, who will be the like nearest competitor, if I want to look at, KEIMED or like who will be the guys, one should be KEIMED or Apollo's Network both retail and medical hospital medicine?

Prabhat Agarwal: So, there are no listed peers for us in distribution business. So, the people who are actually playing at a national pan India level is KEIMED as you mentioned and also Ascent which is part of API Holdings.

Moderator: Thank you very much. The next question is from the line of Shivkumar Prajapati, Ambit Investment Advisors. Please go ahead, sir.

Shivkumar Prajapati: First of all, congratulations on such a outstanding quarterly results. My question is, there is around 240 crores IPO proceed available for acquisition purposes, but let's say, after 3 to 5 years down the line, once it get exhausted, how we are planning to acquire as businesses mostly depends on inorganic growth? Will this be done through QIP or say debt? But I believe debt might be difficult as this might hit the margins. So, could you please guide on this?

Prabhat Agarwal: So, we have raised 1,000 crores through IPO, right. That is sufficient for us for next 2, 3 years acquisition targets, right? Beyond that the company will start generating enough internal accruals to do marginal acquisitions, right? Because the acquisition intensity would also decrease after a point in time and with the reduced acquisition intensity and internal accrual generation, we don't see any reason to hit the capital markets again in next 2, 3 years' time frame.

Moderator: Thank you. The next question is from Nitin Agarwal. Please go ahead, sir.

Nitin Agarwal: Prabhat, just sort of going back to your Slide 7 in the presentation, when you mention that 350 crores is the net investment value, 305 crores, this is the payout that you have done for acquiring this 830 crores of revenues. Is that a way to understand that?

Prabhat Agarwal: Yes, this is including what we have paid and what we will paying.

CV Ram: Yes, upon closing.

Prabhat Agarwal: Upon closing, yes.

Nitin Agarwal: And this gives us 77% of the revenue ownership of the 830 crores that you bought.

CV Ram: That's correct.

Prabhat Agarwal: Revenue ownership will be 100%. The equity ownership will be 77%.

Nitin Agarwal: And typically, Prabhat, how does it work? In how many years do you typically buy out the balance or does it never really happen at a point in time?

Prabhat Agarwal: No, so for all the remaining stake, we always have a call option. So, it is up to us. We have a time frame to exercise the call option. Sometimes it is for part of the stake it is after one year, part of the stake it is after 3 years, right. So, we have an option to acquire balance stake at the predetermined valuation.

Nitin Agarwal: And secondly on the operational highlight slide, which is five, you mentioned that currently we reaching out about 60,000 odd customer retailers. Where would you this number want you to settle at over the next say, two or three years? What is the aspirational number or number that you would want to be at a point where you don't really need to acquire, you probably go a little easy on in terms of adding geographically expanding the business?

Prabhat Agarwal: I would say anywhere between 150,000 to 200,000.

Nitin Agarwal: And how much time do you think it will take you for you to get there?

Prabhat Agarwal: Three years.

Nitin Agarwal: So, in terms of the incremental acquisitions that you will do, a lot of our acquisitions incrementally should be more targeted towards getting to newer geographies, or again, the split that you have given one-third each or thereabouts, how do you see that objective playing out in a future transaction?

Prabhat Agarwal: Yes, so the customer acquisition is happening through only inorganic. Organically also we are adding a lot of customers. So, when I said that 150,000 to 200,000, not all of it will come from inorganic and entering into new geography. Even with existing, you know, we have 85 warehouses in the country which is very fairly well spread out. So, from those warehouses, we can target even more customers than what we are targeting now.

Nitin Agarwal: And lastly, Ram, what was our organic growth for the quarter versus for this year, I mean in Q1?

CV Ram: 16%.

Nitin Agarwal: This is not taking to impact the recent acquisitions on a like-to-like basis?

CV Ram: That's correct.

Nitin Agarwal: And how do we see this organic growth on a going forward basis?

Prabhat Agarwal: See, we have always maintained this kind of a guidance that we are targeting to grow 2x of the industry growth rate, right. So, this quarter, the industry grew by 9%, right. And we grew by 16%. Aspiration of our team and the focus and efforts of our team is trying to deliver a growth which is close to 2x of industry growth rate.

Nitin Agarwal: And lastly, Prabhat, the new acquisition that you have done where you mentioned 6% to 8% EBITDA margin, so is this EBITDA margin on average is skewed towards by one of these couple of transactions or this is the kind of average number which is there across all the transactions that you have done?

CV Ram: This is the blended average.

Moderator: Thank you very much. The next question is from the line of Alok Dalal from Jefferies India Private Limited. Please go ahead, sir.

Alok Dalal: Hi, Prabhat. Just one question. So, with one of your bigger competitors, I am referring to KEIMED here, it is also looking for acquisitions. Your size is also growing. So, are there meaningful assets available for acquisition, say, distributors with 100 crore plus revenues in the market for you guys to consolidate further?

Prabhat Agarwal: No, these 100 crore plus acquisition targets are dwindling by the day, right. So, we have picked up many 100 crore targets in the 10 acquisition that we have disclosed, right. So, going forward, after one or two years, not many targets will be available, which will have a revenue of more than 100 crores.

Alok Dalal: So, then after 2 - 3 years, like you also mentioned the acquisition intensity will slow down, and focus will then shift to organic growth?

Prabhat Agarwal: Yes, because beyond the point, and then by that time we would be present in all the major geographies, right. So, those 100 crore plus targets are mostly available in those geographies which are like Metro cities or large cities. So, once everyone is present there, then if you go to Tier-2, tier 3 cities, for example, like we went to Khammam or Ujjain or Bijapur, you won't find 100 crore entities there. The market size there itself is like 250, 300 crores.

Alok Dalal: But Prabhat, quite a few areas you are still not present. For example, if you see East India or if you consider some parts of North and even West, the company does not have very big presence. It's more south heavy. So, even in those markets if you want to make entry, would you find such targets?

Prabhat Agarwal: Yes, for example, East, you can find targets in Kolkata for those kind of numbers. You can find certain targets in Orissa for those kind of numbers, right. So, in the East specifically. Even in North India, there are targets available in those 100 crore plus revenue range.

Alok Dalal: And Prabhat, in the past you mentioned some markets the organized players collectively have more than 50% share, whereas in other markets, the share is still quite small. So, in those markets where the share is still quite small, why is that been the case? Where is the evolution still to happen? How do you see your positioning in those markets?

Prabhat Agarwal: So, many markets where all three are present, there the collective shares are pretty high, but there are many markets where all three of us are not even present. Either one of them are present or two of them or none of them are present. So, those markets, our stated goal is to enter into all the large markets. So, we are going after it. As of now what I understand, Ascent API have not been that acquisitive in last one year, right. KEIMED, we will see how they after their recent fund infusion, what will be their strategy to enter new markets and drive consolidation.

Moderator: Thank you very much. The next question is from the line of Chetan Shah from Jeet Capital. Please go ahead, sir.

Chetan Shah: Just one question. Between the retailer and hospital customer, how is the gross margin difference over there, if it is possible to share?

Prabhat Agarwal: The gross margins are not significantly different, I would say.

Chetan Shah: It's more or less same or there is like 5% delta between the two.

Prabhat Agarwal: It depends on customer to customer. On a segment level, it's not much different.

Chetan Shah: Sir, do we manage any hospital OPDs like or we don't?

Prabhat Agarwal: We have just recently started doing one.

Moderator: Thank you very much. The next question is from Amey Chalke. Please go ahead, sir.

Amey Chalke: Prabhat, I have one question on the acquisition front. I am sure since we are doing acquisition for the growth purpose and at present it's the main focus. So, what has been the challenges so far in the acquisitions we have done in the past, and if you can explain how those challenges we have overcome?

Prabhat Agarwal: One thing I just wanted to clarify for the benefit of everyone that acquisition is a strategy. It's not an end outcome. End outcome is to create a pan-India network where we can service customers all across the India and provide lot of value to healthcare product manufacturers, and you can reach there either organically or inorganically, right. And we are using a mix of both organic and inorganic strategy to expand our country network.

Now coming back to your question on what has been the challenges in past acquisitions, see, I think the most important challenge one faces in integrating the existing team with the acquired team, right.

Other than that, the value proposition post-acquisition is significantly enhanced for the target because for the reasons that I mentioned in the earlier part of the call that we can provide lot bigger platform to these guys to grow and that's the reason some of the very marquee names in pharma industry pharma distribution, people who have been market leaders in their territory for years, for decades have chosen to join hands with us because they believe in this potential.

They believe in this potential that they can do far better if they join hands with Entero, right. And some of these acquisition that we have announced recently also, you would see that some of these guys were like leaders in that market, very strong goodwill of theirs in that relevant market, right. And the reason why they are joining hands is they know that together we can do much better.

Challenges, as I mentioned, is mainly the integration, aligning them to our way of working, the way we report number, the way we conduct business, and which we have handled effectively well, I would say, because we have now experience of doing close to 40 integrations in the company. So, it's the playbook is pretty clear. People are more aligned. They know what to expect from each other. So, this process has been refined quite well over last five years, I would say.

Amey Chalke: And when we do these acquisitions, generally, the value which we pay, how much would be the intangible and how much would be the tangible proportion? And I assume that what we acquire is basically the relationship, existing relationship with those of those distributors. Also there would be some physical assets, right? along with the working capital. Is there anything else which we get when we acquire?

Prabhat Agarwal: No, so, as you said, when we disclose the acquisition value, it includes both the intangible part and also the tangible assets that we get at the time of closing, right. So, the percentage between, division between intangible and tangible depends on how efficiently they have been managing business, but I think it's what, 35%?

CV Ram: Yes, 35% to 50% depending on because we pay the EBITDA multiple. It's the profit multiple we pay usually ranges between 35% to 50%.

Amey Chalke: So, 35% would be tangible basically and remaining would be intangible.

CV Ram: The other way.

Amey Chalke: Other way, okay. And so far how much SKU we have covered across India and how much retailers we have covered? And assuming over the next two years the acquisition targets we have in mind, how much we will be able to increase our market share?

Prabhat Agarwal: See, now we are doing almost 65,000 SKUs. In India, more than 150,000 SKUs are available in pharma alone, right. And this SKU range is evolving every day because there are lot of new small regional local level pharma companies coming up. You would see that, as I mentioned before in my call also, that the barrier to entry is very low in the pharma side.

So, a lot of companies which operate at a regional level, local level, they don't have a pan-India national presence, but they are delivering good numbers at local levels. So, this SKU range keeps on evolving. Every day there is a new pharma company coming up and they are launching the products in a different trademark.

On the customer side, I highlighted before, on an annual basis, if you look at last year, we had around 86,000 plus retail customers. That's almost 10% of India's customer base. So, on a customer account basis, we had already reached almost 10% of India's retail customer base.

Amey Chalke: And there is one more part of direct deals with some of the manufacturers or some products. Is it possible to highlight how that piece is moving, and going ahead, any attractive deals which are there in the pipe, which you want to highlight? Like the one we do it with Abbott selling that device product, so is there any such deals which we should be aware of basically, which will going ahead drive the sales well?

Prabhat Agarwal: So, we don't disclose anticipated deals. Once it happens, we will definitely make a disclosure.

Amey Chalke: So, at present, how much the contribution coming in from such targets?

Prabhat Agarwal: You are saying contribution from where we have marketing rights?

Amey Chalke: Yes.

Prabhat Agarwal: Around 5%, I would say.

Amey Chalke: But here our margins would be on the higher side, right, compared to the...

Prabhat Agarwal: Yes.

Amey Chalke: So, going ahead you expect this 5% to move up sharply or you expect it will remain in the single digit?

Prabhat Agarwal: No, it will become even more challenging no, because you are acquiring lot of entities on the distribution side, which is increasing your base. So, for example, we have announced 830 crores of acquisitions. When it gets fully reflected in financial, just to maintain 5%, you will have to add 40 crores on this. So, I think it's a decent number 5% and our efforts is to get as many contracts as possible on the marketing side.

Moderator: Thank you very much. The next question is from Ashok Midhun, individual investor. Please go ahead, sir.

Ashok Midhun: So, I have a couple of questions. The first one is on the acquisition related. So, in the recent communications with the stock exchanges, actually, there are some delays with respect to two or three acquisitions we are supposed to complete by July 31st. Now the expected date of completion would be around September 30th. So, could you please throw some light on the reasons behind it and the portion of revenues which could be anticipated from those delayed acquisitions?

Prabhat Agarwal: So, those three, to be honest, one of the acquisition we already have 85% stake. We were supposed to buy the balance 15%, okay. And the seller travelled abroad so we couldn't complete it. I mean, the entire revenue and all is already there in our books even today, because we own 85% of the company and only 15% we were supposed to acquire. That got delayed, right?

Another acquisition which was very small, I think it was somewhere in the range of very small numbers, that the person travelled abroad for a month. He is going to be back before the end of this month and we will close that out in the next 30 days, I would say.

Ashok Midhun: One more question. When do you expect our cash flow from operations turning positive? Maybe like 2 to 3 years down the line you would expect that to happen, or will it take more time?

CV Ram: Yes, definitely, I think by next year, organics should start delivering positive cash flows, organic division from FY '26 onwards.

Ashok Midhun: One last question, sir. So, I hope the acquisition targets as on date we are going ahead with our estimated timelines of completing all the 1,000 crore acquisition targets by September 30th. So, would you like to keep the revenue guidance of 35% to 40% on the top line and the margin improvement of 100 bps as mentioned in the previous earnings call or how is that happening?

Prabhat Agarwal: Yes, no change in the guidance.

Moderator: Thank you very much. The next question is from the line of Akshay Jain, Poem Capital. Please go ahead.

Akshay Jain: My specific query is with respect to employee expense, right. Last quarter it was around 37 crore. Now it is 43 crores. Any specific reason for increase or is it increment, or it is because of the new acquisition specifically?

CV Ram: Yes, it includes inorganic acquisitions and also if you are comparing with last year, sorry, previous quarter, then there is, in the first quarter, there will be salary cost increments also in the Q1. Does that answer your question?

Akshay Jain: Yes.

Moderator: Thank you very much. The next question is from Raj, RJ Partners. Please go ahead.

Raj: For FY '25 full year, are we expecting a sales of around 5,300 crore range, somewhere around that, if we take 35% to 40% growth?

Prabhat Agarwal: If you dial in 35% over last year, yes.

Raj: It would be including the acquisitions, right?

CV Ram: Yes, that's correct.

Raj: And how much of EBITDA are we expecting? I skip the part on the EBITDA, sorry. Full year EBITDA range will be around 4% to 5%, am I right?

Prabhat Agarwal: No, we have not given any such guidance that it will be 4% or 5%, right?

Raj: And sir, for FY '26?

Prabhat Agarwal: FY '26, we have not given any guidance for FY '26. We will release, when once we release, they will give you.

Raj: So sir, overall in FY '25, are we expecting an improvement in our EBITDA percentage?

Prabhat Agarwal: Yes, we are definitely expecting improvement in EBITDA margins over last year.

Moderator: Thank you very much. Ladies and gentlemen, as there are no further question from the participant, I now hand the conference over to the management for closing comments.

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

Moderator: Thank you. On behalf of JM Financial, that concludes this conference Thank you for joining us, and you can now disconnect your lines.