concall

Entero Healthcare Solutions Ltd

Q2 FY27 Earnings

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CALL PARTICIPANTS

Operator — Operator

Nitin Agarwal — DAM Capital Advisors

Prabhat Agarwal — MD and CEO

Bhargav Buddhadev — Ambit Asset Management

Pinku Moni — SMIA Investments

Alok Dalal — Jefferies India Private Limited

Nitin — BOI Mutual Fund

Govindarajan Chellappa — CSIM

Abdulkadir Puranwala — ICICI Securities

Avnish Burman — Akaria

Simran Thakkar — BEE Capital

Sanoshal — Financial Information Systems

Operator (Operator)

Ladies and gentlemen, good day and welcome to the Q2 FY27 earnings conference call of Entero Healthcare Solutions Limited, hosted by Dam Capital Advisors Limited. As a reminder, all participant lines will be in a 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 Please note that this conference is being recorded. Please note this conference call may contain forward-looking statements about the company which are based on the beliefs, opinions, and expectations of the company as on date of this call. These statements are not the guarantees of future performance and involve risks and uncertainties that are difficult to predict.

I now hand the conference over to Mr. Nitin Agarwal from DAM Capital Advisors Limited Thank you, and over to you, sir.

Nitin Agarwal (DAM Capital Advisors)

Hi, thank you. Good afternoon everyone, and a very warm welcome to Entero Healthcare Solutions Limited Q2 FY27 earnings call hosted by DAM Capital Advisors. On the call today, we have, representing Entero Healthcare Solutions, the management team comprising of Mr. Prabhat Agarwal, Managing Director and CEO, Mr. Balakrishnan Kaushik, Group CFO, and Ms. Akanksha Gupta, Head Investor Relations. I'll hand over the call to the management team to make the opening comments, and we'll open the floor for questions.

Please go ahead, sir.

Prabhat Agarwal (MD and CEO)

Thank you, thank you, Nitin. Good afternoon everyone, and thank you for joining our earnings conference call to discuss the performance for Q2 FY27 and first half of the year. I am joined by Mr. Balakrishnan Kaushik, Group CFO, Ms. Akanksha Gupta, Head Investor Relations, and SGA, our Investor Relations Advisors, on the call.

I hope everyone had an opportunity to go through the financial results and investor presentation which are uploaded on the stock exchanges as well as on our company's website.

I am pleased to share strong and well-rounded performance in the first half, building on the momentum from the first quarter. We continue to gain market share, outpacing industry growth. We continue to build sustainable business model led by high growth, better margin mix, along with working capital discipline.

I'll now brief on the performance during the quarter. Consolidated revenues grew by 32.9% to INR 2,087 crores. On a like-for-like basis, adjusting for the impact of revenue recognized on a net margin basis, and the divestment of a subsidiary in the base period, growth was 34.7%. Organic growth was strong at 18.2% and 20% on a like-for-like basis.

Calendarization of the acquisitions completed in the previous year contributed to inorganic growth of 14.7%.

There were no acquisitions done in first half of this year. Gross margin expanded 126 basis points year-on-year to 11.5%, and EBITDA margin expanded 135 basis points to 5.3%, and EBITDA grew by 78% year-on-year. Margin expansion was driven by 3 levers: scale-led procurement economies, a growing share of revenue

from medtech business, and the deliberate exit from certain low-margin accounts. Profit after tax for the year—for the quarter, sorry, was INR 61 crores, up 66% year on year, with a PAT margin of 2.9%. Profit after tax attributable to owners was INR 46 crores, up 44% year on year, Non-controlling interest stood at around INR 15 crores for the quarter, approximately 25% of profit before minority interest.

Net working capital days were at 64 days due to timing in trade receivable on certain government contracts. This was on account of funds being reallocated due to drought situation in Maharashtra. I would like to mention that collection has been received in November, and adjusting for that Adjusting for that, NWC days would have been 61 days, which is similar to previous quarter. Our return ratios continue to show improvement in the quarter. ROC and ROE were 22.0% and 22.4% respectively.

Next, I will cover our performance during first half. Our revenue growth was 35% year-on-year to ₹4,028 crores. Gross profit was ₹461 crores with margin at 11.5%. EBITDA margin in first half of the year was 5.2%. NWC days improved to 66 compared to 68 in the comparable period last year.

Operating cash flow was ₹46.5 crores negative. As I mentioned before, NWC days and consequently OCF were impacted on account of reallocation of funds by government due to drought situation in Maharashtra. Had this money been received on the due date, our H1 operating cash flow would have been positive. Lastly, ROCE and ROE were 21.8% and 21.3% respectively. Our performance during first half of this year has been ahead of internal expectations.

We remain confident of sustaining the momentum in second half of the financial year and are in comfortable position to deliver better than our stated FY27 guidance, which is consolidated revenue growth of approximately 23%, excluding any contribution from new acquisitions, alongside an EBITDA margin of 5% and EBITDA to operating cash flow conversion of 50%.

We are very excited with the evolution of our differentiated business model where we continue to gain traction from both our customers and principal companies that we serve. In H1, we served over 92,200 retail customers and more than 2,900 hospital customers spread in approximately 500 districts in more than 20 states and union territories and distributed over 90,400 SKUs sourced from more than 3,200 healthcare product manufacturers. This scale and the 2-way network effect it creates between our suppliers and between our supplier base and our customer base remains, in our view, the core and extremely difficult to replicate moat that anchors this business. The Indian healthcare product market remains largely fragmented and is expected to continue growing at a healthy double-digit pace. We believe these characteristics create a compelling opportunity for organized, scaled distribution platforms like Entero to consistently gain market share through a combination of organic expansion and industry consolidation.

Our ambition, however, extends beyond strengthening our position in pharmaceutical distribution. We are progressively expanding our addressable market by building capabilities across the broader healthcare products ecosystem, particularly in medical technology. The medtech distribution market shares many of the structural characteristics of pharmaceutical distribution, including fragmentation, the importance of manufacturer relationships, and the need for efficient market access and distribution infrastructure. At the same time, It offers opportunity for portfolio expansion, value-added services, and an improved margin profile. We are encouraged by the progress of this business and its increasing contribution to our overall growth and profitability.

More importantly, we see significant opportunities to grow this vertical organically through the addition of new product categories, deeper penetration of existing markets, and stronger partnerships with leading medical technology manufacturers. We believe the combination of pharmaceutical distribution and medtech will allow us to leverage our existing customer relationships and infrastructure while progressively expanding the range of products and services we offer to our customers. Our performance in the first half reinforces our conviction that Entero has the right business model scale, and execution capabilities to capitalize on the significant opportunities ahead. Our long-term ambition is to establish Entero as India's leading integrated healthcare product distribution company, creating sustainable value for our customers, principal companies, employees, and shareholders. With this, I conclude my opening remarks and would be happy to take your questions.

Thank you.

Operator (Operator)

Thank you so much. We will now begin the question and answer session. Anyone who wishes to ask questions may press star and 1 on the touchtone telephone. If you wish to remove yourself from question queue, you may press star and 2. Participants are requested to use handsets while asking a question.

Ladies and gentlemen, we'll wait for a moment while the question queue assembles.

The first question is from the line of Bhargav Buddhadev from Ambit Asset Management. Please go ahead.

Bhargav Buddhadev (Ambit Asset Management)

Yeah, good afternoon team and congratulations on a good set of numbers. So my first question is that if you look at your revenue growth in the first half, it is already more than 30%.

On a YOY basis. So did I hear correctly that you said that, the guidance of 23% revenue growth, can be easily achievable? Are you upgrading your guidance?

Prabhat Agarwal (MD and CEO)

Yeah, so, thank you, Bhagav. So what I said in my note, you know, that we are in a very, very comfortable position to, you know, better than the guidance that we have provided, right? I'm not specifically giving a new guidance right now on the call. But I can, I can very confidently say that we will do better than what we have guided.

Bhargav Buddhadev (Ambit Asset Management)

Okay, understood. Secondly, sir, there were these some concerns around hospital margins being regulated or sort of hospital MRP to sort of curtail down. As of now, there obviously is a lot of uncertainty around that, but in the event anything fructifies, is there any risk to our margins as well in In your opinion?

Prabhat Agarwal (MD and CEO)

So this is a question I, I am sure would be crossing the minds of many of us all, right? So maybe I'll try to answer this more comprehensively. You know, whatever MRP revisions happen, you know, or whatever new products are being brought into the trade margin cap, okay, it is not likely to impact our margin profile as such. The reason being we were not making those kind of extra margins, right. So the gap between the MRP and the selling price from manufacturers, the large part of that gap was being enjoyed by the final customers which would be hospitals.

So as a distributor we were not enjoying those margins, you would have seen it in our results also, our overall gross margin itself is 11.5%, that includes everything. So any margin, any MRP reduction is not likely to have any impact on our overall margin structure.

Bhargav Buddhadev (Ambit Asset Management)

Understood, understood. So our minority interest, is as of now around 25%. Assuming that there are no acquisitions which we do maybe for next 2 years, and obviously that may be a wrong assumption, but if you just assume that we don't do any acquisitions, then what would be this minority percentage maybe 2 years down the line?

Prabhat Agarwal (MD and CEO)

So, you know, from whatever operating cash flow that we're going to generate, we have multiple options to invest that operating cash flow. It could be new acquisition opportunity, it could be buying up the minority interest, right? Sure. Or it could be, you know, deployed for more aggressive organic growth, right? So depending on which path we choose, which mix and which combination we choose the minority interest percentage would go down.

But it's difficult to give a specific number right now on this call because we don't know where, you know, which opportunities we would deploy the capital on. As I have guided before, we have the call option on minority interest.

Bhargav Buddhadev (Ambit Asset Management)

And lastly, sir, is it possible to share what is the medtech revenue and EBITDA in the first half of this financial year?

Prabhat Agarwal (MD and CEO)

So MedTech, as we have, you know, guided before, that, you know, it's in a range of 15% plus of our total revenues.

Bhargav Buddhadev (Ambit Asset Management)

And what would be the margin, sir, on that

Prabhat Agarwal (MD and CEO)

Margin specifically? We have not given any number because there are a lot of cost allocations and all that we'd have to do in different segments.

Bhargav Buddhadev (Ambit Asset Management)

Okay, but would be better than the blended margin. Right, of the company?

Prabhat Agarwal (MD and CEO)

Yeah, see, again, I, I think one of the previous calls also I mentioned the margin profile does not really only depend on the product, only on the product. It depends on what value you are adding. So a certain part of that tech business could be a plain vanilla distribution like we are doing in pharma, and certain part where we are adding more value like demand generation, there we are enjoying more margins.

But that is the case for pharma also. There are certain parts of our pharma business that most of you would know where we are doing demand generation as well. So there also we are enjoying more margin. So the margin is more dependent on value-add that you have provided rather than by the specific product that you're selling.

Bhargav Buddhadev (Ambit Asset Management)

Great, sir. Thank you very much and all the very best.

Prabhat Agarwal (MD and CEO)

Thank you.

Operator (Operator)

Thank you. The next question is from the line of Varun Pinto from Negen Capital.

Please go ahead.

Nitin Agarwal (DAM Capital Advisors)

Hello. Hi sir, am I audible?

Prabhat Agarwal (MD and CEO)

Yes.

Nitin Agarwal (DAM Capital Advisors)

Hi sir, congratulations on a good set of results.

So my first question was, do we have any sort of guidance for FY27, cash flow, CFO?

Prabhat Agarwal (MD and CEO)

Yes, we had given guidance that 50% of our EBITDA would get converted to operating cash flow.

Nitin Agarwal (DAM Capital Advisors)

Understood, sir. And sir, could you also sort of give a guidance on, you know, what is going to be the minority interest buyout in, you know, like FY28 and FY29, right? What can we expect the owner SPAC contribution to be in like FY29?

Prabhat Agarwal (MD and CEO)

So just your previous, you know, person asked me this question specifically, you know, and I replied the same thing, right, that, you know, we have multiple opportunities to invest from our operating cash flow, right? So if we decide to buy more minority interest, then the minority interest would go down. If we decide to do a combination of new acquisition opportunities versus minority interest buyout, then the number could be different. So it's very difficult to give me specific numbers. Once you know that, you know, the company will continue to grow and, you know, will continue to deliver operating cash flow, that Operating cash flow has multiple opportunities to be deployed, you know, depending on where the money will go, the minority interest percentage would change.

Nitin Agarwal (DAM Capital Advisors)

Understood, understood. Thank you so much, sir.

Operator (Operator)

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

Nitin Agarwal (DAM Capital Advisors)

At first I had a clarification. I was, I was saying that you had some ₹12 crores of provisions on the subsidiary that happened during the quarter. So is it right to understand that if that had not been there, our margins would have been higher?

Prabhat Agarwal (MD and CEO)

Yes, the margin would have been higher if we had not, provided the amount in, in quarter, in quarter 2.

Pinku Moni (SMIA Investments)

Okay, okay. And so my question is also on the interest cost. So when should we see that interest cost coming down from ₹20-25 crores a quarter?

Prabhat Agarwal (MD and CEO)

So, Akshat, this is Bala here.

Pinku Moni (SMIA Investments)

Yeah,

Prabhat Agarwal (MD and CEO)

So currently we have, we have taken a debt for the acquisition, for one of the acquisitions last year. So the repayments will commence, from Q3.

So as and when we commence the repayment and, we, we complete, we, we reduce the debt over a period of time, you will see the interest cost coming down. So the repayment installments start from

Pinku Moni (SMIA Investments)

Q3. Okay.

Nitin Agarwal (DAM Capital Advisors)

And, and sir, my, so talking about Q3, sir, I was just going to, ask you that how should we kind of look at growth in H2 as a whole, right? Will, will there be a slower growth than what H1 has been because calendarization impact will come down now?

How should we look at that?

Prabhat Agarwal (MD and CEO)

Yeah, certainly the calendarization impact will definitely go down because, you know, until and unless we announce new acquisitions, because, you know, it's going to taper off partly in Q3 and more so in Q4, you know. But we are working on multiple opportunities, so, you know, as and when it happens and crystallizes, you know, I'll— of course we will, you know, share it with you through the stock exchange release.

Alok Dalal (Jefferies India Private Limited)

Are we looking at new acquisitions later at the end of the year or somewhere later?

Prabhat Agarwal (MD and CEO)

Yes, we are looking at multiple opportunities even today.

Alok Dalal (Jefferies India Private Limited)

Okay, no problem. Thank you, sir.

Operator (Operator)

Thank you. A reminder to all the participants, you may press star and 1 to ask questions. The next question is from the line of Chintan Seth from Girik Capital. Please go ahead.

Nitin Agarwal (DAM Capital Advisors)

Yeah, hi, am I audible?

Prabhat Agarwal (MD and CEO)

Yes, hello.

Nitin Agarwal (DAM Capital Advisors)

Yeah, hi, hi, thank you, thank you for the opportunity and great, numbers for the quarter. I, I understand we are not, calling out, specific number for the year in terms of, growth and margins, but you mentioned that Margins will— or the performance is likely to be for the year. So, we are not

Prabhat Agarwal (MD and CEO)

Able to hear you clearly.

Can you please repeat your question?

I think whatever I could hear partially is something that somebody asked me before also, you know, in— because everyone has this question in their mind. I believe that Based on, you know, H1 performance and, you know, and based on the guidance that I had given at the beginning of the year, that's 2 numbers everyone is more excited to know about, right? Yeah. What I told before is that, you know, we are very confident that, you know, we would be able to do better than what we had guided before, right? And what I'm not doing right now is not giving a specific revised number for H2.

Q2 or revised number for full year. But you can be rest assured that, you know, it would be better than what we had guided before, both on the growth and on the margin.

Nitin Agarwal (DAM Capital Advisors)

Got it. And second, on the, the previous participant asked on the acquisitions, I guess, you are still looking at a few of the opportunities, but anything, which you can call out likely to close by the end of this year, or largely everything will fall, You know, spill over to FY28?

Prabhat Agarwal (MD and CEO)

No, we are evaluating something, some opportunity that can be closed in this year itself.

Nitin Agarwal (DAM Capital Advisors)

Okay, okay. And it can be large or it's based on— sorry,

Operator (Operator)

Sir, your voice is not audible properly. Can you just reconnect again?

Hello, Chintan sir?

Nitin Agarwal (DAM Capital Advisors)

Okay, I'll join back. Thank

Operator (Operator)

You. Yeah, thank you.

The next question is from the line of Nitin from BOI Mutual Fund. Please go ahead.

Nitin (BOI Mutual Fund)

Hello, sir. Hi, congratulations on good set of numbers, and season's greetings in advance. Wanted to understand, since we are still— we continue to evaluate M&A activities Right now, what would be your top priority if one were to understand from next 12-month point of view the kind of acquisitions that you could be evaluating?

Which are the columns where it can fit in? Would it be more like Bolton acquisition? Would it be more like white space which you think now is the time for you to enter there? If you can give a broad gist of that.

Prabhat Agarwal (MD and CEO)

So most of the opportunities that we are evaluating are in the space either, you know, which leads to a portfolio expansion for us, or, you know, in product categories that we are not dealing in today, or related to new geography that we don't have much presence today.

So these are the 2 broad level of, you know, segments that we are evaluating opportunities in.

Nitin (BOI Mutual Fund)

Got it. And, Any hint if you can, provide in terms of which side you are gravitating more right now? Is it more of geography expansion or more of—

Prabhat Agarwal (MD and CEO)

Yeah, we generally, we are more excited by product expansion. I can just say you that.

Nitin (BOI Mutual Fund)

Got it, got it. And, one, further bit on this, size-wise, would it be very different from what you have been doing in past, on the higher side or something, if

Prabhat Agarwal (MD and CEO)

So, you know, it will be difficult for you to say if it's in line with historical, because historically we have done ₹20 crore acquisition also and ₹400 crore acquisition also, right? So, you know, but I can tell you that we are not looking at small acquisitions, you know. Now our scale and, you know, is so much that there is no point in evaluating very small acquisitions.

Nitin (BOI Mutual Fund)

Got it. And last question on the OCF bit. Keeping in mind right now we had certain challenges for collection which was more temporary in nature, but for the full year we continue to stay positive on OCF. Yes,

Prabhat Agarwal (MD and CEO)

Yes,

Nitin (BOI Mutual Fund)

That should be the prime assumption.

Prabhat Agarwal (MD and CEO)

Yes, yes, 100%.

Nitin (BOI Mutual Fund)

So

Prabhat Agarwal (MD and CEO)

I'm saying that, you know, whatever guidance I did for 50%, we are sticking with that.

Nitin (BOI Mutual Fund)

Irrespective of whichever category we move in, like maybe hospitals slightly, heavy on working capital, but irrespective

Prabhat Agarwal (MD and CEO)

Of— yes, yes, because I mean nothing much has changed, you know, from the time we gave the guidance to today, right?

Nitin (BOI Mutual Fund)

Perfect. Thank you and all the best. Thank you.

Operator (Operator)

Thank you. The next question is from the line of Govindarajan Chellappa from CSIM. Please go ahead.

Govindarajan Chellappa (CSIM)

Yeah, hi, I had a few questions on this write-off that you've taken. Now can you just explain what happened, what is— has all the write-off been taken in this quarter, which line item it appears in, and 12 crores is 60 basis points of your sales which is very significant compared to the margins that you normally make.

Prabhat Agarwal (MD and CEO)

So basically the issue is about a customer default from one of our subsidiaries. Know, a customer of one of our subsidiaries, you know, and, we have the all the legal rights to go, go for recovery. We even have, you know, postdated checks and security from them. But since because of the materiality amount, you know, we chose to, you know, kind of disclose it to the stock exchange, right? Entire amount, as we said in that note, has been provided in, regarding that receivable in our books.

I don't know which line it was in. Other expenses line.

Govindarajan Chellappa (CSIM)

Okay, so, so if this hadn't occurred, you're saying your margin would have been 5.9%? Is that right? Not

Prabhat Agarwal (MD and CEO)

All of it, not, not all of it, you know, a partial part of it, because part of it was already, you know, provided before.

So it's part of our opening provision balance. But yeah, a significant part of it was provided in this quarter itself.

Govindarajan Chellappa (CSIM)

Okay, the subsidiary annual report as of March 26th suggests that they had a total receivable of 25-26 crores, so half the receivables is gone. Is that the right reading?

Prabhat Agarwal (MD and CEO)

I don't have exact number of their receivable right now, but, you know, the amount that we have said is the number that we gave, right, 11.6

Govindarajan Chellappa (CSIM)

₹7.87 crores.

Prabhat Agarwal (MD and CEO)

It was a big customer and big receivable. That's the reason we chose to disclose it.

Govindarajan Chellappa (CSIM)

And, and, and, and this customer is, is— I'm guessing it's a pharmacy.

Prabhat Agarwal (MD and CEO)

Yeah. Yes.

Govindarajan Chellappa (CSIM)

Okay. Okay.

Operator (Operator)

Thanks. Thank you. The next question is from the line of Abdulkadir Puranwala from ICICI Securities. Please go ahead.

Abdulkadir Puranwala (ICICI Securities)

Hi sir, thank you for the opportunity and congrats on good set of numbers. So my first question is with regards to your organic growth of the 17-18%. So could you help us understand, as to, you know, what is driving this growth? I understand that the pharma market growth itself has been little higher But apart from the broader market growth rate, anything else to read into it?

Prabhat Agarwal (MD and CEO)

It's an all-round growth. It, you know, it includes expansion in customer base, it includes improvement in wallet share from the customers, it includes new product categories, growth coming from new product categories. So it's like it's a combination of all 3.

Abdulkadir Puranwala (ICICI Securities)

Okay, okay. And, and so I wanted to understand your thoughts on debt repayment. So while you talked about M&A and minority interest purchase being one of the priority. Is debt repayment something what you're also evaluating when you're talking about a 50% conversion of your EBITDA to cash flow?

Prabhat Agarwal (MD and CEO)

So, so, you know, as of now we are on a very high growth phase, so our first, you know, option would be to deploy that cash to chase more opportunities rather than to repay back debt. Okay, because we believe significant higher ROC businesses can be created compared to the cost of debt. And, you know, so, so we are basically, you know, looking for such kind of opportunities, to deploy the capital on, right. The board, you know, internally we have this mandate that we will not exceed, 2 times net debt to EBITDA ratio. So within that constraint, we will, you know, keep evaluating opportunities, and if we see that, you know, those investments will deliver much higher return on capital compared to the cost of the debt, then we will deploy there.

If we don't find opportunities, then we will repay the debt.

Abdulkadir Puranwala (ICICI Securities)

Okay. And, and so with regards to, your guidance on, I know, achieving, say, ₹1,000 crores of revenue from medtech, so if I heard you correctly on the call, your medtech revenue would be almost 500 crores or around that number?

Prabhat Agarwal (MD and CEO)

Not 500 crores. 500 crores would mean 20%, right? Sorry, 25%. We haven't reached that level.

Abdulkadir Puranwala (ICICI Securities)

Okay.

Prabhat Agarwal (MD and CEO)

I said 15%, right? It's, it's,

Abdulkadir Puranwala (ICICI Securities)

Yeah, 15%. And I think first half you did close to— okay, so it is— I mean, it's not evenly across first half. Understood. All right.

Yeah, thank you.

Operator (Operator)

Thank you. A reminder to all the participants, you may press star and 1 to ask questions.

The next question is from the line of Avnish Burman from Akaria. Please go ahead.

Avnish Burman (Akaria)

Yeah, hi, hi, congrats on a great set of numbers. Prabhat, just one question going back on the trade margin thing. I just wanted to check that we saw a similar kind of ruling by the authorities in 2019 on oncology, products. Just your experience on how things panned out, at that time. And a related question would be that given that for the end consumer the prices are coming down, do you also expect some price elasticity So do you expect for these products to, for the volumes to go up, even though your margins are not affected?

Prabhat Agarwal (MD and CEO)

Right. So, you know, regarding this trade margin, cap issue that has been being, being discussed for last 1 month under Supreme Court and, you know, and, you know, the regulatory action that has been taken, so it, it can impact company in 2 ways, right? A distribution company like us in ways. One is it impacts your top-line revenue if, you know, the prices substantially reduce and the price, also is reduced by the company itself. So company sells at a lower price to distributor and, you know, distributor also then further sells it at a lower price.

In that scenario, you know, like what happens when the product comes under DPCO, you know, generally, you know, the whole— the overall prices come down and then it comes down both for the company, for the distributor, for retailer, everyone. So that impacts in absolute value on your top line. And the second is the margin. So let's say a distributor is supposed to make 10% margins, whether that margin percentage changes. Now coming to the second one, the margin percentage did not change.

It didn't change in 2019. It, it has not changed ever, you know, from, from whenever, you know, the DPCO or any, you know, MRP reduction happened. Okay. The second part is, you know, whether the absolute price for it, you know, selling price of a distributor would change or not. That would depend on if the company takes the impact.

So if the company reduces the prices of the product to the customer. In that case, you know, they will sell at a lower price to the distributor and of course distributor will add 10% of its margin and sell at a lower price and that can have an impact on the distributor overall sales. But when I look at my sales, you know, these 137 molecules that has been as of now notified under— in the— by NPPA, that those molecules' total sales in our portfolio is only 2% as of now. Okay, so, you know, I don't see any material impact that can come on this because most of the MRP reduction would be recovered from the higher margins enjoyed by the hospitals rather than by the companies. But, you know, I don't know if some of it will be passed back to the company and they reduce the pricing later on.

But as of now, I don't see much of an impact coming from that.

Avnish Burman (Akaria)

Understood, thanks. Your first half revenues are close to ₹4,000 crores, and I mean, I think this is carrying on with the question earlier that if you take 15%, that's close to about ₹600 crores. So was the medtech revenue close to about ₹600 crores in the first half?

Prabhat Agarwal (MD and CEO)

Yeah, yes.

Avnish Burman (Akaria)

Okay, so I mean, this ₹600, you are still guiding for ₹1,000 only for the full year, right?

Prabhat Agarwal (MD and CEO)

No, no, of course not. I mean, that ₹1,000 crores we said when, when we acquired certain companies. So, you know, of course we will be more than ₹1,000 crores in this year.

Avnish Burman (Akaria)

Understood. Thank you so much.

Operator (Operator)

Thank you. A reminder to all the participants, you may press star and 1 to ask questions. The next question is from the line of Yash Mehta from Duro Capital. Please go ahead.

Prabhat Agarwal (MD and CEO)

Okay, hi, thank you for the opportunity.

Just one question. Yeah, you know, earlier you commented that, you know, you're not evaluating any small acquisitions anymore. Just wanted to know, are there any meaningfully large acquisitions still left out there? If you can give us some color on that. Yeah, there are, there are, you know, large acquisitions still available in the market, both in pharma and medtech space.

And do you want to plan to close one of them maybe this year? Is, is that what you're trying to say? We are evaluating, we are evaluating opportunities there. We, you know, it's not that, you know, we are not engaging with anyone or we are not looking at it. We are evaluating and I'm hopeful something will happen this year.

Got it, got it. And in terms of the meaningfully large acquisitions, what would be like a top-line sort of number if you can give us that you're aiming to get? Something that you would target to acquire, basically? We are not looking at something which is lower than 100 crores. Oh, okay, okay.

Thank you.

Operator (Operator)

Thank you. The next question is from the line of Simran Thakkar from BEE Capital. Please go ahead.

Simran Thakkar (BEE Capital)

Thank you for taking my question. I see ₹166 crore of acquisition consideration is paid in H1.

Again, considering the fact that there are no new— there were no new acquisitions in H1, so how should we take this? Is it a deferred consideration for FY2026 deals that we have made? And also adding to it, at March we could see ₹309 crore of deferred consideration balance. So how much of it remains, and when is it due ahead, the balance one? And does it relate to it, how much is it related to put options?

Thank you.

Prabhat Agarwal (MD and CEO)

So Simran Bala here.

Simran Thakkar (BEE Capital)

Yeah,

Prabhat Agarwal (MD and CEO)

So the defer— the, the, the consideration payouts that you are seeing, you are right, these are deferred considerations. So, you know, our agreements have various time periods in which the deferred consideration will get paid. So what is paid is out of the, the amount of deferred consideration, that you saw in the March balance sheet.

That is one. This is not related to call and put. This is pure deferred considerations that have been paid.

Simran Thakkar (BEE Capital)

Okay, thank you.

Operator (Operator)

Thank you. Reminder to all the participants, you may press star and 1 to ask questions. The next question is from the line of Gautam Malhotra from Financial Information Systems. Please go ahead.

Sanoshal (Financial Information Systems)

Hi, that's Sanoshal actually. So congratulations on a good set of numbers. So I may— I'm a new investor, I may have missed if you've said this earlier, but I had a question related to why have so many subsidiaries and why not roll them up and merge them. Is there some licensing issue or something? So just wanted to understand that because that leads to related party transactions.

Prabhat Agarwal (MD and CEO)

You know, these subsidiaries enjoy local goodwill in the market, local name in the market, you know. So we have retain that. At some point in future, you know, we can evaluate, you know, merging them into the parent entity.

Sanoshal (Financial Information Systems)

Yeah, merger and brand name can be still 2 different things, right?

Prabhat Agarwal (MD and CEO)

I mean, brand name in the sense that the customers know them by that name, you know, they have been operating for 30-40 years on that. We don't want to bring unnecessary disruption at this point in time. The benefits is not, you know, kind of outweighing the cost that might happen.

Operator (Operator)

Thank you. Thank you. Next question is from the line of Pinku Moni from SMIA Investments. Please go ahead.

Pinku Moni (SMIA Investments)

Yeah, hi sir, am I audible?

Yes. So my question is that you mentioned wanting to improve cash flow this year. And since customer payments are taking a little longer to come in, what is your plan to get paid faster? And are the delays coming from the hospitals or the local medical retail shops?

Prabhat Agarwal (MD and CEO)

So this quarter we said that only case was related to certain government contracts, right, which got specifically delayed because of, you know, the DOT situation in Maharashtra where funds were reallocated to some other projects, and that led to some delay. If we just— and we should take that as one-off, and if we account for that, then, you know, the, the NWC days or working capital days would have been the same as the previous quarter.

Sanoshal (Financial Information Systems)

Yeah. And how you are going to improve this?

Prabhat Agarwal (MD and CEO)

I mean, of course, this is our day-to-day job, right, to keep following up on receivable, try to negotiate better payment days with the companies as well as, you know, negotiate better receivable days from the customers.

Pinku Moni (SMIA Investments)

Okay, thank you, sir.

Operator (Operator)

Thank you. The last question is from the line of Kumar Saurabh from Scientific Investing. Please go ahead.

Pinku Moni (SMIA Investments)

Hello, sir. Congrats on great set of numbers. My question is around the recent oncology medicine pricing, you know, which has been proposed.

From an ecosystem perspective, how do you see it impacting you as well as, you know, all the other stakeholders in the supply chain including the manufacturers and hospitals?

Prabhat Agarwal (MD and CEO)

So basically, you know, in this product category there are 3 people who are involved. One is the manufacturer, the second is the distributor, and third is the hospital because these products are not sold so much off the counter at retail level. So these are the 3 major players who are involved. Now with MRP reduction we expect the majority of that would come to the hospitals, partly to hospital, partly to manufacturer depending on the competitive intensity and negotiations between the manufacturer and the hospital. But we don't see any major or any impact coming to a distributor because distributor anyway was not making a lot of margins in this.

The bigger margins was being made by the hospital and then manufacturer.

Pinku Moni (SMIA Investments)

Got it. And sir, even in Q2, the IPM data has been very, very healthy, in fact at 15% highest. Right now, like based on last one, the first Q3, how do you see this trend shaping up? Are we going to have the similar kind of IPM?

Prabhat Agarwal (MD and CEO)

See, to be honest, you know, I, I couldn't figure out much what's the root cause of, you know, this, increase in growth rate. Because, you know, for last, you know, except for last 3-4 quarters, you know, historical trend was like, you know, any growth rate between 7 to to 10%, right? And now it has gone as high as 15%, right? So I really don't know. I'm— most of this growth has come from volume growth rather than pricing or new product introduction.

So how long is this sustainable, those kind of growth rates? I don't have any particular view on that. I'm sure, you know, a lot of pharmaceutical companies would have given, shared much better view on that.

Pinku Moni (SMIA Investments)

Got it. And sir, the 50% of EBITDA to CF conversion guidance, I hope we are still sticking for the coming financial year.

Prabhat Agarwal (MD and CEO)

I mean, for this financial year, yes.

Pinku Moni (SMIA Investments)

Okay, okay, okay. Wish you all the best, sir. Thanks a lot.

Operator (Operator)

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

Alok Dalal (Jefferies India Private Limited)

Yes, hi, good afternoon. Prabhat, one question.

This government business, when did this start and what is the contribution of this today?

Prabhat Agarwal (MD and CEO)

I think the total government business would be probably 2-3% of our total, 3% of our total.

Alok Dalal (Jefferies India Private Limited)

And, and, when did you start this? Is it a new initiative?

Prabhat Agarwal (MD and CEO)

No, it has been there before, you know, like, a lot of our, you know, we supply to a lot of, you know, government agencies, PSUs, procurement agencies of the government from beginning. It's not like a new initiative or something.

Alok Dalal (Jefferies India Private Limited)

Okay, and, second question, Prabhat. In your opening remarks, you mentioned about, one of the growth levers being new product categories. Can you elaborate on which new areas are you targeting?

Prabhat Agarwal (MD and CEO)

So medtech, we still have a lot of other categories left, you know. Pharma, more or less, we have covered quite a bit, you know.

But in medtech, we still have other product categories still which we are not doing today.

Alok Dalal (Jefferies India Private Limited)

All right, and last question, without any inorganic contribution for FY28, are you still well placed to grow around 20% in revenues with, improvement in profitability?

Prabhat Agarwal (MD and CEO)

So let's look next year's numbers. I'll, you know, come back in the 4th quarter of this year, you know, I'll, I'll Because there are a lot of opportunities that we are working on right now. So whatever number I tell you will be without, you know, having a clear visibility on how we are closing on those opportunities in this year. So I think this discussion we can have it in, in the 4th quarter.

Alok Dalal (Jefferies India Private Limited)

Sure. But suppose there is no acquisition, suppose you're not able to close one of these, then still the company can achieve high teens, 20% plus kind of, growth organically?

Prabhat Agarwal (MD and CEO)

Yes, that— yes, that will be our endeavor for sure. You know, organically also there are many opportunities. Not that all the opportunities lie in only the inorganic realm, right?

Even in organic side, we are working on many opportunities.

Alok Dalal (Jefferies India Private Limited)

Sure. Okay. Thank you, Prabhat.

Prabhat Agarwal (MD and CEO)

Thank you.

Operator (Operator)

Thank you. The next follow-up question is from the line of Gautam Malhotra from Financial Information Systems. Please go ahead.

Sanoshal (Financial Information Systems)

Yeah, hi, I may have missed this. What was the amount which was deferred by the government of Maharashtra which came in November?

Prabhat Agarwal (MD and CEO)

I think it was 55 crores, around 55 crores.

Sanoshal (Financial Information Systems)

All right, thank you.

Operator (Operator)

Thank you, ladies and gentlemen. That was the last question for today. I would now hand the conference over to the management for closing comments. Over to you, sir.

Prabhat Agarwal (MD and CEO)

Well, thank you again for joining this call, and thank you for your confidence and faith in the company, you know.

And wish you all a very happy Diwali in advance. Thank you, thank you all.

Operator (Operator)

Thank you, sir. On behalf of Dam Capital Advisors Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines. Thank you.