



“Poly Medicure Ltd Q1FY24 Earnings Conference
Call”

August 08, 2023



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

MODERATOR: **MR. ROHAN JOHN – ICICI SECURITIES**

Moderator: Ladies and gentlemen, good day and welcome to Poly Medicure Limited Q1 FY24 Earnings Call hosted by ICICI Securities.

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. Rohan John from ICICI Securities. Thank you and over to you sir.

Rohan John: Thank you, Yousuf. Good evening, everyone. On behalf of ICICI Securities, I welcome you all to the First Quarter FY24 Earnings Conference Call of Poly Medicure Limited.

Today, we have the senior management of the company with us represented by Mr. Himanshu Baid -- Managing Director; Mr. Naresh Vijayvargiya -- CFO and Mr. Avinash Chandra -- Company Secretary. I thank the management for giving ICICI Securities the opportunity to host this call.

With this, I hand over the call to the management for opening remarks. Over to you, sir.

Himanshu Baid: Thank you, Rohan. Good afternoon, everyone again.

I'll first take you through the Q1 Earnings. I think if we compare Q1 to Q1 of previous financial year and current financial year, the standalone revenue has increased from Rs.239 crores to Rs.305.6 crores, there's increase of 28%. EBITDA margins have also increased from Rs.57.48 crores to Rs.85.1 crores, there's increase of around 48%. And PAT has increased from 28.8 crores to 60.52 crores, there's increase on 110%. So, there's a big improvement in the performance of the company and I'll also tell you the reason why is that.

So, first of all, when we look at first quarter of previous year, I think the raw materials were very volatile, the shipping freight rate was almost at peak level, and because of that the margin kind of dropped, and also there were certain losses due to some investments in mutual funds, so because of that, the profit was low. But now because of improved performance, increased revenue and focus on high-end export markets that we were able to improve the performance of the company, and in absolute terms the EBITDA has increased significantly. And also, if you look at percentage, we almost maintained similar or higher percentages compared to Q4, which is above 50%.

Consolidated Revenue also saw an increase of 29% from Rs.248.85 crores to Rs.320.83 crores. EBITDA margins also increased from Rs.55.75 crores to Rs.87.19 crores, 56% increase, and PAT margin increased from 26.96 crores to Rs.62.70 crores, an increase of 133%.

If you look at quarter-on-quarter, the revenue increased from Rs.306.85 crores in Q4 to Rs.320.83 crores in Q1, an increase of 5%.

So, for us it was very important that we maintain the same momentum. In spite of headwinds in the markets most of the global economy is going through a very tough phase. But we have been very resilient and we focus on our business and because of that, I think we are seeing quarter-on-quarter growth and also sharp increase when we compare Q1 to Q1 previous year to this year.

Exports in the current quarter has increased from Rs.154 crores to Rs.205 crores, an increase of 25%. And India business has increased from Rs.75 crores to Rs.101 crores, that's on standalone basis which is around 34%.

So, margins are steady with stabilization of raw material pricing and normalization of these freight rates. So, in the Q1 we also had steady raw material pricing and freight rate, so that has helped us to be steady. I think we expect to maintain EBITDA margin in the range of 25% to 27% for the rest of the year. So that is our guidance for rest of the year.

Guidance for revenue continues to be 20%-plus for FY24. We have seen a robust growth of 28% in the first quarter. So, we expect that we will maintain a good momentum in the coming quarters also, and we have about pipeline of orders right now from export customers and also in India we're seeing a good growth.

EU business has grown by over 35% in the first quarter. Though there has been some slowdown in export, but those are not our main markets. EU being one of the core markets, because 1/3 of the revenue of the company comes from EU, and that has a 35% growth and India, which is also one of the core markets for revenue contributors, has also grown by around 35%. So, most of the most important markets have grown by around 35%, which is a very good healthy sign for the company.

I've told you in the past we go live within this year, first plant in Faridabad started for operation in Q1, second plant which will be operational in Q2, third plant is IMT Faridabad will start operations in Q4 and fourth plant in Jaipur SEZ will start operations in Q3. So, all the four plants will go live within this financial year. So, our new capacity will give us bandwidth to expand faster with ready infrastructure in place, we're almost adding A-class square feet of new infrastructure in these four plants and for FY24 will be close to around Rs.110 crores. And from FY25 onwards, we will see CAPEX to be able to bring down to 100-125 crores level which will be mainly maintenance and then augmenting more capacity or investing in new products and new technology.

The new critical care business will be launched in Q3. Currently, clinical trials and new permissions are being awaited. This is also a very new development in the company, because this will give us an ability to serve hospitals much deeper, especially consumption of product is much higher and the value also is higher. Import substitution is our key focus in this critical care space.

Domestic business, as I said, did show good momentum with the 34%, 35% growth in Q1. Our presence across segments like corporate hospitals and multinational companies will increase. We are seeing the sector has been growing steadily in last one year. So, I think we are getting advantage of that. So, it will be growing around 10% to 12% or even maybe a little higher. But we have shown a growth around 34%, 35%. So, we are taking more market share from multinational companies now and we hope to maintain some momentum during the year. The renal segment has grown by around 22% in Q1 and we expect to end the year of approximately 25% to 30% growth rate.

Manufactured dialyzer machine is already launched, has shown good acceptance by users. We still have some advantage in the segment because imports coming from China and products in our country. Lower import duty and more duty structure is also hampering our targeted growth. Currently IGST on finished product is just 5% whereas on all raw materials we pay 18% GST, which results in inverted duty structure and additional cost. We do not expect any PLI benefit coming to us in the current financial '24. for dialysis, renal segment and those numbers are not high, almost 60% to 70% year-on-year growth. So, the number currently which you see without any PLI benefits and we don't see any PLI benefits for the whole year because we've been requesting the government to reduce the target and the PLI because it's kind of unattainable 60% to 70% year-on-year growth. And to my knowledge of 20 companies who've got PLI on medical devices, only three or four companies have met the target for the first year. So, the scheme is still not very workable. We have suggested many changes in the scheme to suit domestic manufacturers. So, this is the status and we will wait for government to look into our suggestions and then see what happens next. But we expect that we will have some headwinds in the sector but still grow between 25% and 30%, it is still a decent goal.

US market we received the US FDA approvals for two products two weeks ago. We expect sales on these two products in next three months. Already received our first orders from the customers. We plan to apply for more products for US FDA approval in the coming months. And we are seeing more momentum our way and we are more confident now to get more products under FDA approval. For US business, we are maintaining a guidance of \$15 to \$20 million revenue for next three to four years.

Italy or a joint venture in Egypt, or in China, all are profit making and performing well and we see good growth opportunity in India going forward. Our Italian subsidiary has almost doubled the revenue in the first quarter itself. They are doing very well, the momentum is very good, and we're adding new customers to subsidiaries. Egypt JV also has a better profitability compared to last year. Last year in Q1, there was a loss of 1.8 crores across the subsidiaries but this quarter we have almost made a profit of 2.25 or 2.3 crores, so there has been a good turnaround in all the subsidiaries.

In R&D side, the company continues to develop new products and will launch 10 to 12 new products in the critical care segment and that's your segment this year. We also got new products for two to three years.

The company currently owns 370 patents and 70-plus application pending for approvals in various geographies.

We continue to invest in new product development at a rapid pace. For us I think the company, the major thrust has been launching more products every year and that has kept up the momentum. So, we will continue to invest in new product areas, continue to invest in new R&D and new design. So, this is really helping us to improve our margins also, address more customers within the same segment. And also, once we are in the hospital, it becomes easier to introduce products in the same channel in the same pipeline.

China plus one has been a key focus of many countries and company also benefits by adding new customers of EU and USA in the next few years. We already are seeing good traction building up and new infrastructure which we are building will definitely help us to add new products much faster.

We also welcome you all to visit our facilities in Faridabad and a request can be sent to the Company Secretary.

We are also focusing on new technologies, and for that to explore inorganic opportunities in the med tech sector. And we feel that technology is one key area in medical that will keep on progressing at a very rapid pace and to keep up with the rapid pace, I think we have to bridge this gap because currently develop a new product right from beginning to the end, it takes around four to five years from scratch to the product development in the market because there's a few years of developments either in clinical trials and there's a few years of regulatory approvals. So, we are thinking to shorten this cycle, to look into, companies which have technology, which have products, and then maybe, look at inorganic opportunities to grow faster in new technology areas, and then if we see something we'll definitely let our investors and stakeholders know about it.

These were some of the highlights of Q1. Are there any questions, I'm happy to take them. Thank you again for your time and patiently listening to me. Thank you again very much.

Moderator: We will now begin the question-and-answer session. First question was from the line of Jaiveer Shekhawat from Ambit Capital. Please go ahead.

Jaiveer Shekhawat: Mr. Baid Congratulations for another strong quarter. Sir, my first question is in relation to your international business. So, one, want to understand what's really driving your 25 percentage plus growth in your Europe business. And also, if you can share light on the other markets likes of Europe, and what factors can help you sustain this high growth rate that you're seeing in the export market over the next 2-3 years?

Himanshu Baid: So first of all, when you look at the Europe market, so we have been in Europe for now more than 10 years. But in last 4-5 years since we started our office, we have a full time CEO who manages the business from Europe and we have a sales and marketing team on the ground. So,

this really helps also connect with the customers much faster and that is the key reason for success. And our acquisition in 2019 also improved the image of the company because that was in critical care business of oncology and combining two businesses together has really given us that momentum. And when we're looking at this China plus one, as I mentioned, so there is an opportunity right now for Indian companies, if we can make good products at and high technology and good quality, I think we have a good potential. And I think with the pipeline of projects we have today and the arrangements we have with the current customers, so in the current year we will see Europe growing at least around 30% to 35%. which we achieved in the first quarter, we'll see and we are seeing the same momentum in the coming quarters. And looking at the other markets, so 1/3 revenue comes from exports to Europe, 1/3 is India and 1/3 is the rest of the world. And rest of the world contributions are from Latin America, from Asia, from Africa, from Middle East. So, all these markets contribute the 1/3 of the revenue. Of course, there are some headwinds in Africa and some Asian countries because of the current crisis. But, overall, there is a good momentum, geographies have also by grown around 15% to 20%. So, we're pretty hopeful that during the year we will get a growth rate of around north of 20% in exports also.

Jaiveer Shekhawat:

Secondly, sir, given that you are continuously evaluating inorganic opportunities, given that you have even earlier partnered with, say, the likes of Covidien and Conwell, are you also evaluating any joint ventures which can again give you that access to technology and help you crack certain markets like US?

Himanshu Baid:

So, I think that's a very good question. Of course, I don't have a concrete answer here, but definitely we will be exploring this possibility because when we look at the opportunity in front of us because China has been the global factory of the world and gradually the momentum is shifting outside. China. Of course, Vietnam, Mexico, all these countries had the first advantage. But I think India is also now on the radar of the large companies. And with the ready infrastructure which we have today, I think we'll be really going forward to the new opportunities very fast because now it will be just plug-and-play. Facilities, we can add up any new product or capability very quickly.

Jaiveer Shekhawat:

And sir lastly, just want to understand your critical care business in more detail. Now apart from needing more clinical specialists, what other investment would you be required to really scale up that piece? And what's your expectation in terms of overall revenue potential possibly two or three years down the line, and how should we see the benefit from that segment in terms of margins as well?

Himanshu Baid:

So, I think critical care segment definitely has a better margin because these are products made specifically for ICU, applications, specialized categories and specialized guidelines, all these are very specialized. So, business has a better margin definitely compared to current business we do. Though the revenue initially will be small, but I think in three or four years... I'm just making a guess today, I can't give you a real estimate, but we should be looking at around 75-100 crores of revenue in this particular segment. This is a new segment. The investments were all being done as part of the current CAPEX plan.

- Jaiveer Shekhawat:** Also, in terms of your product capabilities, how different are these products versus your existing line of products?
- Himanshu Baid:** They are very adjacent to what we do today. So, we are currently in vascular care and we have more in general products but now same surgery product, OT. So now we're moving from OT and let's say vascular care to basically critical care. So, basically when a patient is in a bed, either he goes to OT or from OT he goes to either to ICU or to a normal room. So, we were currently serving OT and the normal room for a patient, now we are moving to ICU basically also, we're covering that area which we're missing in the hospital.
- Moderator:** Next question is from the line of Rashmi S from Dolat Capital. Please go ahead.
- Rashmi S:** Just a follow up from earlier participant –
- Himanshu Baid:** Can you repeat the question again please?
- Rashmi S:** So, I was saying the critical care segment which you mentioned is this a part of our infusion therapy and vascular care segment only?
- Himanshu Baid:** Yes. There will be new products, new customers. So yes, we basically intensive care units.
- Rashmi S:** You mentioned that export growth will be somewhere between 20% and 25% which will be given by the Europe, however domestic market you mentioned in your initial comment that you are growing in Europe to make the income, why you are going to make it, why you are not going -?
- Himanshu Baid:** I explained in detail in my opening comments, but I'll repeat again. So, we have grown in domestic business in first quarter, 35%. That also includes the renal business. That is part of the domestic business. In the past because we have PLI on renal, that's the reason we mentioned separate growth for this segment. So, in domestic, renal is one of the parts of the business and in this part, we are growing around 20%, 22%, but still overall growth in domestic business is say 35% in Q1. And today, we are not basing our business in PLI or any incentive or growing the business, we are growing the business on its own merit. And that is more important for us and the current PLI is based on the current what we are doing today. So, whenever we get the PLI, it will be addition to the bottom line.
- Rashmi S:** Any specific guidance you want to give on domestic business and how much was the renal contribution to the overall domestic business?
- Himanshu Baid:** Renal contribution in domestic business is close to around 20% roughly, the guidance for the whole year is 20%, so domestic business should grow faster, maybe the guidance is between 25% and 30% overall.

- Rashmi S:** Lastly, on infusion therapies, is it a still bigger pie when it comes to the export market and domestic market and how much contribution in the export business?
- Himanshu Baid:** Overall contribution is 70% of infusion business.
- Rashmi S:** Exports still in the range of 85% to 90%?
- Himanshu Baid:** It will be slightly higher, but yes, that's our core business, we have a lot of expertise in that area, so it could be slightly higher, but overall contribution is 70%.
- Rashmi S:** And the last question with the new launches in the US business and we're going to feel good momentum when the capacity expansion is also taking place. Do you think that EBITDA margin for FY25 we could see a margin expansion, is this something that is possible?
- Himanshu Baid:** See, we have not given any guidance for FY25, but of course whatever we are trying to do should help us in getting better margins because we are addressing new segments, new markets, but initially there will be a cost to launch these products and to stabilize these markets. So, we'll see, but I think our guidance is very firm and I think we will maintain the several momentum going forward.
- Moderator:** Next question is from the line of Harsh Mulchandani from Kriis PMS. Please go ahead.
- Harsh Mulchandani:** Wanted to get one clarification on the revenue potential from the US business 15 to 20 million USD. In next two to three years is it the cumulative or at the end of third year we would have a 20 million run rate which you would be able to maintain?
- Himanshu Baid:** In three to four years the run rate would be around 15 to 20 million, not cumulative.
- Harsh Mulchandani:** Just wanted to understand how fast do we see these capacities, which will go like this year like you mentioned that it would be a plug-and-play for whatever clients you're trying to tap, but would that would we see significant chunk of capacity is getting utilized in FY25 or the ramp up would take few years depending on your -
- Himanshu Baid:** No, ramp up always will take few years because every product you need a separate approval... in med tech industry, every product needs a separate approval. So even if your plant which is ready, but if you want to bring a new product to market or a new launch, you still have to go through the clinical trial cycle and also go through the whole regulatory process for India and for each country, globally I don't export the product. But the time to build the infrastructure which is now zero today, infrastructure is ready, otherwise earlier we were taking even additional one, one and a half years, two years to build the infrastructure before we could even think about these things. So that's how it is.
- Harsh Mulchandani:** And just a last question on the renal segment. So, I think the dialyzer, etc., which are the consumables, there we can see a stable revenue coming in subsequently and what I could

understand is the sale of the machine is slower than what we had anticipated earlier. Is this understanding correct or -?

Himanshu Baid: No, this year we have already given a guidance that we'll be selling over 200 machines. So, this is still on track. We are already four months in this year and this is still on track. Because machine is a one-time sale which is then would do three to four treatments per day per machine. But consumables, of course, they are used more often. So, the percentage of consumables versus machine will be 90% and 10% machine.

Moderator: Next question is from the line of Girish Jain from KJMC Capital. Please go ahead.

Girish Jain: My question was relating to the CAPEX and the operationalization of the new plant. There was some disturbance in your opening remarks, so I couldn't really follow. If you could just elaborate on the schedule of the plants which are getting started?

Himanshu Baid: What I mentioned was that we have four new plants which are going live this year, and the first plant in Faridabad started operation in Q1, second plant which is the extension of EOU, a new plant, will start operation in Q2, third plant in Faridabad, which is an IMT Faridabad, will start operations in Q4 and the fourth plant in SEZ, Jaipur will start operations in Q3. So, all the four plants will go live in this current financial year. The CAPEX plan for FY24 will be close to Rs.210 crores, but from FY25 we'll see tapering down because most of the infrastructure CAPEX and initial machinery everything is already set up in these plants, and then it will be more like a you know maintenance CAPEX or a new technology CAPEX where we'll be adding new products or new technologies. So that is where we're spending money going forward. And yes, it will take around two to three years to fully operationalize, running at maximum capacity in all these plants.

Girish Jain: If I recollect correctly from your previous conversation calls, the Faridabad plant, the new one which has already started, that is for diagnostic, am I right?

Himanshu Baid: Yes, absolutely correct.

Girish Jain: And the EoU which is expected in Q2, that would be for?

Himanshu Baid: EoU again is an extension for US business and also some new products, we are doing for export markets, SEZ is mainly for European business and IMT will be for domestic.

Girish Jain: Would it be fair to assume that in the next three years, let's say assuming an asset turn of 1.5x, the capacity would more or less double?

Himanshu Baid: Sure. Absolutely.

Girish Jain: That would be FY27?

Himanshu Baid: Yes, by FY27 we should be able to double our capacity, absolutely.

- Girish Jain:** Any guidance on the cash balance and the debt situation of the company?
- Himanshu Baid:** So currently we have a debt of Rs.125 crores, of which Rs.100 crores is working capital and around Rs.25 crores is long term debt which is ECB we have taken a few years ago. The cash position is close to around Rs.295 crores. So net cash in the company will be around Rs.170 crores.
- Girish Jain:** Obviously, we are adding cash every year now?
- Himanshu Baid:** I hope so, and also would be spending.
- Girish Jain:** Last question on the US business. Are we also planning to file some more approvals?
- Himanshu Baid:** Yes, exactly, that's what I informed. So, as we got the approval, now we are applying for more products. So maybe within the next 12 to 18 months, we should have around five to seven products more and that is what our plan.
- Girish Jain:** So, the guidance of \$15 million run rate is including the new approvals which are expected?
- Himanshu Baid:** Yes, because it takes 12 to 18 months to get approval. So, it will take time and it is a cumbersome process. As you know US FDA is not easily available, so it takes time. So, in three to four years, some products will go live, some will go next year, some will go the following year. So, once we move into the third or fourth year, we'll see revenue touching \$15 to \$20 million.
- Moderator:** Next question is from the line of Sumit Gupta from Motilal Oswal. Please go ahead.
- Sumit Gupta:** I joined the call a bit late. So just wanted to know the guidance regarding the revenue as well as the EBITDA for the next 12 to 15 months?
- Himanshu Baid:** The line is not very clear. So, could you repeat the question please?
- Sumit Gupta:** I would like to know the guidance regarding the revenue growth. So, you guide around 20% plus growth for the next one or two years. And regarding the margin, so this quarter was really good, so how do you expect it to go going forward in FY24 and FY25?
- Himanshu Baid:** We have only given guidance for FY24 right now which is a firm guidance and FY25 we have not given any guidance to the investors and maybe in next three months or so we will be able to have more clarity on how things are. But for FY24 we have very firm guidance that we should go over to 20% plus and also the EBITDA margin will stay in the range of 27%.
- Sumit Gupta:** So, this quarter like it was 9%. So, going forward you expected to decline going forward to because -?
- Himanshu Baid:** I'm not saying it's going to decline or it's not going to increase, but we are saying that is the guidance.

- Moderator:** Next question is from the line of Gagan Thareja from ASK Investment Managers. Please go ahead.
- Gagan Thareja:** Regarding the sales split that you gave for Q1, if you could possibly repeat it again, growth in domestic sales for the renal and the balance segment and Europe growth and RoW growth?
- Himanshu Baid:** Absolutely. Absolutely. So, exports overall have grown by around 25%, because 2/3 of our revenue comes from exports and 1/3 is from India, so India has grown by around 34%, and that's the reason you see an overall growth of around 28%, 29% blended growth. And when you look at Europe, Europe has grown over by 35% in the first quarter, and the rest of the world probably has grown by around 15% or so. So, 1/3 revenue of the company is from Europe, 1/3 is India, and 1/3 is rest of the world. And India growth has been around 34% in the first quarter and renal business has grown by around 22% in the first quarter, renal is part of the India business.
- Gagan Thareja:** So, the renal part if the India business is grown by 22% and if I understood it correctly, renal itself is around 20% of India sales?
- Himanshu Baid:** That's correct.
- Gagan Thareja:** So, the balance part of the India sales would have actually grown at much more than 34%?
- Himanshu Baid:** Yes, absolutely correct.
- Gagan Thareja:** So, what was the reason for that very strong domestic growth, if you could elaborate a little more there?
- Himanshu Baid:** So, I think our penetration is increasing now more in corporate hospitals. Today, you will see Polymed products everywhere. I think that is very important. Just taken us time to build the brand, build the structure, networks and win the trust of these large corporate hospitals. No. 2, we have increased our penetration in Tier-2 and Tier-3 cities also. So that is also helping us to gain momentum across different product segments, especially our vascular access is a core segment and that's growing at a very fast rate and there's a lot of room to grow further also.
- Gagan Thareja:** Is it possible to understand excluding renal in India, how much would have been contributed from vascular and from the diagnostics?
- Himanshu Baid:** Vascular is 70% of our total business.
- Gagan Thareja:** Specifically for India, how much would it be?
- Himanshu Baid:** 70% for India.
- Gagan Thareja:** The new medical devices policy which you indicated has come through, you are expecting certain contours and -

- Himanshu Baid:** There is still no clarity on this till now. Government announces policies, but the fine prints we are awaiting. The policy is very vague right now, and hopefully there is a meeting now in Gandhinagar called by the Ministry of Health, so they are going to make some more announcements regarding this policy and see what incentives will be available to the industry. So, I'm seeing maybe incentives on R&D side, that's another area government is focusing, so there could be something on R&D. And the new medical devices you're already hearing that they're talking of in the parliament, the Cosmetic Act, which was made in 1940, is getting changed to a bill, which is a medical device drugs and cosmetic bill. So that's a big change that will also make Indian regulation harmonize with the rest of the world. The policy is basically at a very high level. Now, it's for the industry to see what policy Government of India is going to push in this sector. And with policy coming in, I think we are very sure that the purchasing from the government side and government investments in this sector will also increase... and government investments I mean putting more labs, more medical device parks, more common facilities. So, all that will follow through this policy.
- Gagan Thareja:** So specifically pertaining to the policy, I think there was a clause around single window clearance, there was supposed to be a clause -
- Himanshu Baid:** There are a lot of things around the policy, but as I told you, everything is work-in-progress by the government. A new export promotion council now specifically set for medical device exports, part of Pharmxl. So, lot of initiatives are there, but I think it will take a few years before we can see really the impact of these policies and the policy becomes and you won't see an impact on day one.
- Gagan Thareja:** I am just trying to understand it's a matter of time and not any more a question of whether or not the policy -
- Himanshu Baid:** What I can say is first time when there is a policy of this sector. Nobody knew this sector before COVID.
- Gagan Thareja:** So, the India growth in any case that you are currently seeing is largely driven by your own efforts and has no support from the policy which will come on later?
- Himanshu Baid:** Absolutely, absolutely. The policy was just around last month in June or so.
- Gagan Thareja:** So, the current momentum that you're seeing in India ex of renal, I understand renal will grow organically at its own pace as and when you are able to scale that market up. But the other piece you feel that the current growth rates that you're seeing, are they sustainable for you or you can say -?
- Himanshu Baid:** Again, when we look at India, 70% is more dependent, right? And there is a lot of now import substitution products we are making in India now in the last few years. When we started working with them after COVID, we started working deeper with the corporate hospitals. And I think when we can offer a good quality product in India at a good price to the hospitals, I think why

one would not buy. So, I think that is the momentum is. So, there is a change in approach by a lot of these corporate hospitals.

Gagan Thareja: Is it also possible to broadly understand the total sort of market size addressable for you in the domestic market and what's -?

Himanshu Baid: Very hard to say, very fragmented, it's a very long question, maybe we will have to talk separately about it.

Gagan Thareja: But suffice to say that your efforts are sort of bearing fruit and this momentum will continue going ahead as well?

Himanshu Baid: Yes, we have just crashed above the iceberg, that's all I can say.

Gagan Thareja: Just a clarification, these four plants will double your capacity is what you said?

Himanshu Baid: Yes, the infrastructure will almost double our capability and capacity not with current products, we are adding a lot of new product line and that is where we will see. It is not doubly existing capacity of existing products, also a lot of new products are going to be made under in these new plants.

Gagan Thareja: Can you maybe give us a little more sort of elaborate flavor of what's in the pipeline in terms of new products and -?

Himanshu Baid: I can't disclose this on a call, sir. I'm sorry, a lot of information is confidential.

Gagan Thareja: This capacity addition you said partially will be used for the existing products and partially for -

Himanshu Baid: Yes, partially for existing products and partially for a lot of new products which we are going to launch in now till three years.

Gagan Thareja: How much of this will be for existing products, is it possible to give us some idea on that?

Himanshu Baid: So, we can say for existing products will be around 40% and 60% for new products.

Gagan Thareja: This 60% would include renal as well?

Himanshu Baid: Yes, yes, yes, of course.

Gagan Thareja: You indicated renal has been a little underwhelming for you compared to your initial anticipation. Could you sort of also help us understand because you were saying you're well on target to achieve your 200 machines -?

- Himanshu Baid:** The machines are only 10% of the total business compared to the whole renal business. So, of these 200 machines, each machine is 5 or 6.5, so it is 11 crores, so nothing is compared to the consumables. So yes, the traction is basically on consumables side right now where there will be a lot of resistance and cheap Chinese imports coming in and dumping.
- Gagan Thareja:** On dialyzer use, I think you the industry was trying to advocate single use which is currently -
- Himanshu Baid:** You're aware of the industry. So yes, we are trying it because currently there's a reuse of 7 to 8 times and the single use market is only 20%, 25%, around 70%, 75% is multi use, it is 6 to 8 times and minimum is 6 to 8. So that's the reason the industry is not growing at that pace what we have anticipated. So, we are also trying to get a better outcome for every dialysis patient because it's designed for single use. Because dialysis is seen as a charitable business, most of the dialysis centers in Mumbai, Maharashtra or any part of the country you will see are running by charitable trusts. So, they want to do it cheap and maybe almost free for patients, and that is where we compromise quality of the care by reusing the product.
- Gagan Thareja:** But what's the global practice, is it largely -?
- Himanshu Baid:** Most of the world is single use.
- Gagan Thareja:** Because I think NephroPlus was indicating that they have enough evidence to show that, six times use is very, very safely possible and -
- Himanshu Baid:** They are bidding for contracts which are very low priced in states. So, they will have to make that statement because they are using the products. So, somebody will justify by using these products. And that's the reason in India dialysis patients don't survive as their survival is not more than three to five years, globally the survival rate is between 10 to 15 years. Clotting of the fibers, the efficiency of filtration reduces. So, all these things happen.
- Moderator:** As there are no further questions from the participants, I would now like to hand the conference over to the management for the closing comments.
- Himanshu Baid:** So, thank you once again for support and encouragement and I think we'll continue to work towards the guidance we provided to all our stakeholders and we're very hopeful that with healthcare industry kind of on a new momentum in the country, the same momentum we'll be able to maintain through volume and I think next you know few years look very good for healthcare industry as well as the med tech industry in the country. With the government attention to this sector, I think we will see a lot of, indigenous traction coming up in the country and as well as growth in the market share of the domestic companies. So, we hope we are in the right direction. Thank you very much.
- Moderator:** On behalf of ICICI Securities, that concludes this conference. Thank you all for joining us and you may now disconnect your lines.