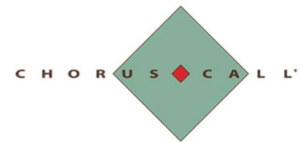




**“Poly Medicure Limited  
Q3 and 9 months FY-24 Earnings Call”**

**February 02, 2024**



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**MODERATOR: MR. KASHISH THAKUR – ICICI SECURITIES**

**Moderator:** Ladies and gentlemen, good day, and welcome to the Poly Medicure Limited Quarterly Earnings Conference Call. 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 any assistance during the conference call, please signal an operator by pressing star and then zero on your touchtone phone. Please note that this conference is being recorded.

I would now like to hand the conference over to Mr. Kashish from ICICI Securities. Thank you, and over to you, sir. Mr. Kashish, you are on the talk mode now. Please move ahead.

**Kashish Thakur:** Yes. Thank you, Shoaib. Good afternoon, everyone. On behalf of ICICI Securities, I would welcome you all to Q3 and 9 months FY-24 Earnings Call of Poly Medicure Limited. Today, we have 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 of Poly Medicure for giving ICICI Securities the opportunity to host this call.

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

**Himanshu Baid:** Thank you, Kashish, and good afternoon to everyone on the call. I will take you through the quarter 3 earnings and also through the 9 months revenue of the company. And so just for information sake, so I will inform you about what we have done in the quarter and also over the 9 months.

So on a stand-alone basis, the company's revenue grew by around 18% from quarter 3 last year to quarter 3 FY 23-24. EBITDA has also increased from INR 66 crores to INR 84 crores, and PAT has increased to INR 47.5 crores to INR 61.46 crores. So EBITDA, there's an increase of 27%. In PAT, there is increase of 29% roughly.

On the consolidated basis, the quarterly revenue has grown from INR 284.83 crores to INR 339.6 crores, increase of around 19%, and EBITDA margin has grown from INR 69 crores to INR 90 crores, around 30% increase. And PAT has grown from INR 50 crores to around INR 65 crores, which is close to 30% increase.

So as per the guidance we have given in the beginning of the year and then we revised the guidance during the second quarter. The company has overall grown in 9 months on stand-alone basis by 22% and on a consolidated basis were around 23.4%. So we have revised the guidance between 22% and 24% for revenue growth, and we are in that range.

And also for EBITDA, we had also given a guidance of around 25%. So our EBITDA in quarter for 9 months stands at around 26%, close to 26%. And on a consolidated basis also the EBITDA for 9 months is around close to 26%. So we are in the range, which we have already given to our shareholders.

On the business front, in 9 months, revenue stand-alone revenue has increased from INR 774 crores to INR 946 crores, an increase of 22.15%. And EBITDA has gone from 9 months EBITDA has gone from INR 187 crores to INR 252 crores, and PAT has increased by from INR

121 crores to INR 181 crores. So a significant increase in EBITDA and PAT in terms of absolute numbers. PAT has almost grown by 50% for 9 months, if we consider from FY 22-23 to FY 23-24.

On a consolidated level, the revenue increase of INR 808 crores to INR 998 crores. And EBITDA has increased from INR 186 crores to INR 261 crores, a 40% increase, and PAT has increased from INR 120 crores to INR 189.9 crores, almost INR 190 crores, a 57% increase in PAT over 9 months.

So the company has performed as per the guidance given in the initial part of the year and also during the mid part of the year. And we are very confident that whatever guidance we have win for the full year, we should be able to hit those numbers. So far, we have seen good 9 months and also January month was a good month. So where we have seen steady increase in revenue. So we will continue with the current guidance.

For FY-25, we feel that we will start with the guidance of 20% plus and see maybe during the end of first quarter, beginning of second quarter, after assessing the real situation, we will be able to give you the right picture. But I think so far, with the current momentum, we see that we should be able to grow 20% over also in the next fiscal year.

In the current 9 months, we have seen that domestic business has grown by around 18%, and export business has grown to close to 24%. For domestic business, I think the growth is slightly lower than what you had anticipated. We hope that we will be able to cover this up. And we are taking some steps to ensure that the domestic business also grows at the same pace as export business. So we will be taking some adequate steps during the next few months and during the next financial year, so that we have a better growth rate in the domestic business also.

On the renal business front, we have grown if you look at quarter-to-quarter growth from last year's to current financial year, we have grown 28%. And then with regulation coming in, we are very hopeful that with standardization coming into BIS, we are very hopeful that the run rate will increase. So we should end this current financial year around INR90 crores of renal business. But in the next financial year, we are very hopeful to grow to around INR140 crores to INR145 crores. So that's the guidance we have with the renal business.

We should grow by over 50% for the next year because we see now the traction. We are already investing in new capacity build up, and that will help us to reach this new revenue number of INR140 crores to INR145 crores for the next fiscal.

Our machines made in India machine. So we have upgraded that machine. And now we have more than 50% local content. We'll be launching the new revised machine within this month. Earlier, the machines are around 35% made in India content. And now the new machines, the next generation of machines are around 50% made of made in India content. And this is a big milestone because this will allow us to now participate as a top-tier supplier and a lot of government contracts because there's a preference for companies, which have 50% local content. So hopefully, this will help us to grow that business. And we have factored that in, and we'll probably be able to sell more machines next year, and that's the plan.

In terms of our overseas subsidiary, Italian subsidiary has done well. And Italian subsidiary has grown the business by around 50%. And also the company has generated approximately a PAT of around INR7 crores over 9 months. In the same period last year, it had a loss of around INR65 lakhs. So I think there's a big turnaround with increase in revenue and also the profitability. And I think we will continue with the same momentum. And next year also, I think we have plans to grow the company by around 35% to 40%.

Going forward, we have launched our critical care division in India. There is a soft launch already done. Also, we'll be doing a soft launch of our cardiology business this month. And we are hopeful that we'll keep on adding more products as time progresses. And I think we are very hopeful that this business will also be doing well. They've already hired around 20 people for critical care and cardiology business combined.

And I think as we speak, we are adding more people in the team, and we will start with North India first, and then we will start covering West and South India. So that's the plan. And I think, hopefully, by end of quarter 2 next year, we should be having a pan-India coverage for both the divisions.

In terms of the capex, we have done close to around INR185 crores of capex for the first 9 months. And key plants are already ready, and they have started functioning, and we'll be in a ramp-up phase now. And the fourth tranche will be ready by early next year, early next year means financial year, maybe in April, May.

Already all the plant and machinery has been ordered, and we are waiting for everything to arrive and then start production. So all new 4 plants will be up and running in the span of almost 24 months since we started and where we are today. And this has given us adequate infrastructure to grow the business for the next 3 to 4 years.

So the plan was to have adequate infrastructure across different verticals. So renal has an adequate infrastructure now. SEZ in Jaipur is again has adequate infrastructure to grow exports business. Also, the new businesses cardiology and critical care also will have adequate infrastructure to grow in coming years. So that's the growth for the new businesses, which we have planned.

Export seems to be growing quite steadily. We have grown again 40% in the quarter 3 in export in Europe business, which is, by far, still the biggest market almost 40% to 42% revenue still comes from Europe for exports. So if you are splitting the revenue again, we still maintain the same split of 1/3 India, 1/3 Europe and 1/3 rest of the world.

Last quarter, we have been granted 19 more additional patent sorry, in the last 9 months, we have been granted 19 additional patents. So, there's a steady increase of patents in the company, staidly our innovation team, R&D team continues to design, develop new products, processes and also improve the functional aspects of our existing products and develop new products. So that's been the DNA for the company, and we continue to do that. And you can see today, the patent portfolio is now over 375 patents, which are active and live over different geographies. So we continue to work in that direction.

In 2024, we plan to launch around 8 to 9 new products. Already the work has been going on for these products, and we are very hopeful that we'll be able to put them in market, some related to infusion therapy, some are related to oncology, some are related to renal business. So, some are related to even our transfusion business.

We are also adding some new capacity in the transfusion business that will help us to meet some additional demand for exports and for the local market, and that capacity should be up and running by May. So that will also help us to increase our share in the domestic market for transfusion as well as in the export markets.

We have also on the U.S. business, we have made some as I told you earlier, we have sent the first shipment, received some feedback, we are working on some new additional improvements. We've also received 2 new products under USFDA and our total number products are 4.

And as the time progress because first shipment was after the FDA approval, we sent the first shipment. And based on the feedback from the clinical side, we are going to make certain small changes in the products. And then we are going to send maybe the new shipment sometime in April and May.

So it's on track as part of the plan, which we had laid down. So it's pretty much on schedule. And hopefully, by end of this year, which I told earlier that we'll have 8 to 10 products, and this will help us to grow the business, too, as we have planned and talked about it earlier, \$15 million to \$20 million in the next 3 to 4 years.

So we are in line with that. And I think manufacturing continues to be on our forte, though we see some disruptions in supply chain due to this Red Sea crises but it's not impacting us too much because we typically maintain 2 months of raw material stock inventory. And I think even with these delays, what we have seen through Red Sea some imports were delayed, but I think we should be able to manage this with our safety stock, which we carry.

On the customer front, yes, there are some delays. We are trying to mitigate them by sending additional products to customers, maybe some through airfreight and some additional shipments so that they don't run out of inventory. But I think we'll have to be watching out this issue because there will be also some increase in freight rate. But mostly, the freight is paid by the customers, it's not going to impact us directly or indirectly in terms of our P&L. But again, the point of concern is that shipments are getting delayed and that may also impact some of the customers in terms of getting the products in time.

This is all from my side as an update and now back to ICICI team to moderate the call.

**Moderator:**

The first question is from the line of Jaiveer Shekhawat from AMBIT Capital. Please go ahead.

**Jaiveer Shekhawat:**

Mr. Baid and team, congratulations on another great quarter. Sir it was very nice to see your team at Arab Health recently, driving the fairness of Poly Med brand. Could you highlight some of the initiatives you are taking apart from, say, persuading these exhibitions to promote acceptance of Poly Med brand across more regions in Europe and outside that as well?

**Himanshu Baid:** You have a great question, and thank you for visiting our stand at Arab Health. So I think as you've seen at the stand, we were trying to push concepts. And we were not talking about products there. We were talking about that, okay, if you are looking at infusion therapy, this is the concept we offer for infusion therapy or for renal or for blood banking. And I think you have seen that across or of oncology or for diagnostics.

So the idea was to sell concept to customer that we are a total solution provider under this category of products. And that's why you should lean on our company. So that was the message we were trying to give. We also launched our cardiology products. You must have seen that. There was a display for cardiology also. So as we are speaking, we have done that. I think the response was good. And I think the idea is to stand out from what other people are doing. And that is helping us to perform better and better, and I think that was all idea at Arab Health.

**Jaiveer Shekhawat:** Sure. And sir, you highlighted in your opening remarks that your domestic business growth has been lower than anticipated. So one, could you explain why was that the case? And then also, what is it that you're doing to sort of address growth going forward?

**Himanshu Baid:** So see, the growth was only 18.5% as compared to 21%, 22% we were targeting. So I think that drop in growth is probably due to seasonal issues or maybe because normally, winter season is a healthy season. So we have seen a little drop in demand in domestic market, which is very marginal. But I think also we are going to put more people on the ground.

And as new divisions are lining up basically. So, we should be, and we have started small sales from the new division already and it is in our buildup sale. So hopefully, once this new division on track in the next few months, we and again, the plan for next year is and renal is also going to grow a lot faster because renal this year has grown only by 21%, 22% overall. So, which was supposed to be around 30%, 35% because of the regulation and the Chinese imports.

But now we see a good traction going forward. We've already seen some changes in the market. So next year projection for renal is already 50% growth. So from 20%, 22%, if we are going to 50%, so everything will pull up. And these 2 new divisions will also contribute. So overall, I think next year, the target is to grow by around between 22%, 23% in domestic business.

**Jaiveer Shekhawat:** Sure. And sir, given the high amount of cash on your balance sheet, I'm assuming must be over INR150 crores plus also a lot of operating cash flows that are being generated, so any sense in terms of how you're thinking about deployment of these over the next 3 or 4 years? Because your capex needs, I'm assuming will not be much. And also, if you can highlight about, say, operationalizing of the new facilities. You said you are yet to receive some of the molds and plant and machinery. If you can just highlight that.

**Himanshu Baid:** Yes. So on the cash front, we basically we're still on a high capex cycle. As I mentioned, in first 9 months, we have spent around INR185 crores in capex. And then the plan was to spend close to around INR 200 crores, INR 220 crores for the year, but we may exceed that plan. And maybe spend around INR 230 crores, INR 240 crores. And also next year, because as these new plants are new, we'll be adding more equipment machines. So maybe next year also, we'll probably have a capex of INR 100 crores, INR 150 crores, and we are setting our own gamma sterilization

facility. So that will also go live in maybe end of sometime end of next financial year. Just to mitigate our risk for our dependence on outside vendors.

So currently, we are having some heavy cycle, we'll go to a moderate cycle. And hopefully, by the end of next year, the capex deployment should kind of taper down. And we hopefully would look at inorganic opportunities. I think that's the one we should look at. And what's your second question? Sorry, I forgot.

**Jaiveer Shekhawat:** No, actually, it was around deployment itself and then the facility is getting operational as you've highlighted...

**Himanshu Baid:** I think facilities are getting operational already. So, we are getting more machines because we have started already. So initially initial 1 or 2 years, we started 30%, 40% utilization, and then scales up to around 50%, 60%, 70% as time progresses. So that is where we are. And I think this will continue to rise only, the capacity utilization.

**Moderator:** The next question is from the line of Harsh Mulchandani from Kriis PMS. Please go ahead.

**Harsh Mulchandani:** Congratulations on great set of numbers. Just wanted to understand that like you mentioned in the opening remarks also that we are awaiting contracts over \$15 million, \$20 million. Can you help us understand what kind of discussions are going on and what has moved in the last 6 months pertaining to these discussions?

**Himanshu Baid:** So, this is what regarding the U.S. business. We already have the contracts in place. And this is all about now starting so we have started selling the products to the U.S. market. And we have received our first clinical feedback from the customers because you can't sell anything without getting the U.S. FDA approval.

So we have sent the first products. We have some got the feedback, and we are now working on some improvements on the product based on the feedback we have received. And hopefully, in the next 1 or 2 months, we'll start sending shipments out of the U.S. and bigger shipments. And this is a buildup so the \$15 million to \$20 million is a buildup over the next 3, 4 years. So end of, let's say, FY-28, our U.S. revenue would be close to \$15 million to \$20 million year-on-year basis.

**Harsh Mulchandani:** Got it. Got it. And one other question was any reason to give a guidance of 20% next year when we are seeing a good ramp up possible in terms of the new business and...

**Himanshu Baid:** I think we start at a moderate number and then we can revise as I said, after end of Q1 or early Q2, we'll definitely make a revision and then start with a moderate number with the current situation vision. And I think we should be able to do better only. So let's start with the number, which we think is really achievable. And then we'll even for this year, we did the same thing. We were at 20% in the beginning. And then during the end of first quarter, early second quarter, revise the guidance of 22% to 24%.

**Moderator:** The next question is from the line of Zain from Dolat Capital. Please go ahead.

**Zain:** I'm audible?

**Himanshu Baid:** Yes, please.

**Zain:** Congratulations on a great set of number. I just want to know that what will be our tax rate for this 9 months?

**Himanshu Baid:** Nareshji, can you answer that point?

**Naresh Vijayvargiya:** Our tax rate is 25%.

**Zain:** Okay. And sir, what about the renal business, if you can share the quarter 4 number or 9-month number for this year?

**Himanshu Baid:** Yes. So the renal business will do almost INR90 crores this financial year. And out of that INR90 crores, probably we have done close to around INR62 crores, INR63 crores for the first 9 months.

**Zain:** And 9 months of last year?

**Himanshu Baid:** So we have totally 22% growth, roughly on this business.

**Zain:** Okay. And one question, sir. Sir, U.S. contribution, if you can tell me that how much of the U.S. sales are currently if you had begun U.S. sales?

**Himanshu Baid:** No, it's a very small number right now. As we have just started the business. Yes. So it's not worth mentioning right now on the call.

**Zain:** And sir, dialysis machine, you said you'll add 200 dialysis machines by FY-24. So currently, how much has been added and if you can give numbers?

**Himanshu Baid:** So we don't give numbers like this. So in the middle of the year because that's a very sensitive information from a competitive point of view. So we are in line to deliver 200, 250 machines for the current fiscal. And next year, as our made in India machine with local board local content gets launched, so we'll be able to ramp up these numbers more faster.

**Zain:** And Europe growth in contribution, if you can share?

**Himanshu Baid:** Europe, sorry, which contribution?

**Zain:** Europe sales contribution.

**Himanshu Baid:** Europe is 40% plus revenue order of exports revenue.

**Moderator:** The next question is from the line of Vishal Manchanda from Systematix Shares. Please go ahead.

**Vishal Manchanda:** Sir, with respect to the domestic markets, would you be able to share a number as to how many hospitals are you currently supplying to actively?



**Himanshu Baid:** Well, this is a very different number, Vishal, to share because it's a very widely held. So number would be 3,000 plus or even more, actually, or even 5,000 because we don't track end-to-end because a lot of distributors are selling products directly into the market and through the trade channels. So end-to-end, we don't drive, but actively, we track close to around 300 to 400 top hospitals in the country.

**Vishal Manchanda:** So that is where you would be directly reaching through your own sales force.

**Himanshu Baid:** We will be reaching through our own sales force, but the supply chain is managed by the distribution partners.

**Vishal Manchanda:** Understood. And again, on this on the domestic business, like if you could share as to what which one would be your top 3 portfolio products and what would be their contribution?

**Himanshu Baid:** We don't share that, Vishal, individually. Sorry, I can't do that.

**Vishal Manchanda:** Okay. And if you could share what percentage of the market are you currently addressing with your portfolio? And what is the scope of kind of building up there in terms of the addressable market on that...

**Himanshu Baid:** Overall, we probably have a 5% to 6% market share on the products we do. And I think the scope is to increase it to around maybe 10% in the next 3 to 4 years. That's what we are trying to address right now.

**Vishal Manchanda:** So, in the covered market, you have 5% to 6% share.

**Himanshu Baid:** Yes, that's correct.

**Vishal Manchanda:** Sir, can you expand the covered market? So would you be addressing 50% of the addressable market.

**Himanshu Baid:** I think the idea is to that's how we will take more market share. So it's basically a total market share, not covered market share, total market share. So once we increase our coverage, then we'll be probably addressing about close to 10% of the market. So that's the plan for next 3 to 4 years.

**Moderator:** The next question is from the line of Purva Jhaveri from Girik Capital. Please go ahead.

**Purva Jhaveri:** Yes. Am I audible?

**Himanshu Baid:** Yes, please, please go ahead.

**Purva Jhaveri:** I just wanted to ask for the capex, what was the guidance about the capex which you gave?

**Himanshu Baid:** Yes, the guidance for the capex was close to INR 200-plus crores. We have done close to INR 185 crores already in 9 months and because there's an expedited capex we are doing. And we'll be spending maybe another INR 40 crores, INR 45 crores for the current quarter also.

**Purva Jhaveri:** And can you just tell about those 4 plants which you mentioned initially?

**Himanshu Baid:** Say again, I'm sorry, you are very strained. I can't hear you very well. Maybe you are you are on a speaker phone.

**Purva Jhaveri:** Yes. Can you just tell about those 4 plants, which you'll be running like, which you've mentioned.

**Himanshu Baid:** Yes. The 4 glass, we are in Faridabad, 2 are already up and running. And 1 plant is in Jaipur SEZ and the fourth plant is under construction and at the final stages, will be also have in Faridabad.

**Moderator:** At this moment, there are no further questions. We have a question from Mr. Vishal Manchanda. Please go ahead.

**Vishal Manchanda:** Am I audible, sir?

**Himanshu Baid:** Yes, Vishal, I can hear you. Very well.

**Vishal Manchanda:** So on the renal segment, as you mentioned, you would be scaling up faster next year. Sir, would that qualify you for the PLI incentives next year because there's a critical number that you need.

**Himanshu Baid:** Vishal, I think we are not basing our business on PLI. I think we have to base it on merit. And I think that is more important. So we want to gain our market share based on the merit of the product. So PLI, we are not sure. I think we'll have to do more because PLI is almost INR 60 crores year-on-year revenue for the business. And that's the reason only a few companies have taken PLI in medical device sector. Out of, I think, 20 or 30, they have allotted only 4 or 5 have taken the incentive, especially companies making large equipment's. I think otherwise, I think PLI is actually with a non-starter.

**Vishal Manchanda:** Okay. So, you said 60 the companies need to companies would need to cross INR 60 crores.

**Himanshu Baid:** Yes, INR 60 crores year-on-year revenue growth.

**Vishal Manchanda:** Okay. Okay. And there are only specific products in the renal segment, not the entire renal segment?

**Himanshu Baid:** No, no, no. They are not you can't increase the range, you can't cross segment or this is all fixed.

**Vishal Manchanda:** Okay. Okay. So basically, it would only be so you won't get those incentives, but you would continue to gain build that business larger?

**Himanshu Baid:** No, no. We are building business was not set on PLI the business was set much before PLI came in.

**Vishal Manchanda:** Got it.

**Himanshu Baid:** PLI was just an enabler I would say, but maybe has not worked.

**Moderator:** The next question is from the line of Gagan Thareja from ASK Investment Managers. Please go ahead.

- Gagan Thareja:** Sir, the first question is around the acquisition you made in Italy. I think it was a product or the oncology specific product. Can you give us some idea of how that has ramped up? And are you able to cross-pollinate that in multiple geographies?
- Himanshu Baid:** Yes. I think the whole idea was to see what about the synergies between the 2 companies. And because Poly Med has a deep manufacturing infrastructure, so we were able to leverage that on our Italian factory. And also because Poly Med exports its products over 100 countries. So we are able to get access to those customers directly for our Italian business. And because this is a Class III device, it takes sometimes 2 to 3 years to register in each country. So these are implantable devices.
- So I think over a in the last 2, 3 years, we have leveraged that already, the company has grown reasonably well. And I think in next 4, 5 years also, we will see new registrations, which are going to come through in some very important geographies, and that will also help us to ramp up the business. So I think the companies have good track now deliver started delivering profits. So I think that the whole transformation, which we did over the last 2, 3 years has actually worked well.
- Gagan Thareja:** I mean, is it material enough.
- Himanshu Baid:** It will be material because in next 2, 3 years, it will become quite important for Poly Med. Because strategically, also, that places are much above. So there are also cost benefits to Poly Med because as a company, when we go to customer vis-a-vis also are making products in Europe. So then there is a huge stress in the whole organization.
- Gagan Thareja:** Okay. All right. And for your EU sales, I'm sorry, I was a little late on the joining the call.
- Himanshu Baid:** Never mind.
- Gagan Thareja:** So EU sales year-to-date would have grown by how much? And what portion of your sales should be constitute for year-to-date?
- Himanshu Baid:** So, Europe sales around 40% plus sales of the total export revenue. Export revenues around 65%, 70% 66% 67% of total revenue of the company. So out of that 40% revenue.
- Gagan Thareja:** And it's grown by?
- Himanshu Baid:** It has grown by around 35% to 40%.
- Gagan Thareja:** Okay. So this year has been very strong. Has it come because of addition of new geographies.
- Himanshu Baid:** No, no, the geographies are the same. It is all, I think, we were able to launch a lot of new devices in the European market last few years. And I think that's the result of that.
- Gagan Thareja:** Okay. So you're saying that you started with I.V. Cannula, but now you've added to your product.
- Himanshu Baid:** I didn't say that.

**Gagan Thareja:** Okay.

**Himanshu Baid:** I didn't say that.

**Gagan Thareja:** Can you give some more color on I mean, in terms of product basket?

**Himanshu Baid:** No, we can't give you that detail. I'm sorry.

**Gagan Thareja:** Okay. Okay.

**Himanshu Baid:** it's confidential to the company values.

**Gagan Thareja:** Okay. And on overall sales, is it possible to give some idea of how much is I.V. Cannula today?

**Himanshu Baid:** We don't give these numbers out.

**Gagan Thareja:** All right. All right. Yes. And the 4 plants that you are commissioning, 2 are already running, you indicated. In terms of utilization next year, where do you see being able to reach at what utilization.

**Himanshu Baid:** We're around 30% to 40%, that's what I mentioned in the call earlier.

**Gagan Thareja:** Okay. And full utilization could be to?

**Himanshu Baid:** Would be probably end of year.

**Gagan Thareja:** End of year. And this could disbalance to your capacity, if I recall it correctly.

**Himanshu Baid:** Exactly. Absolutely. It will double our capacity in terms of manufacturing later. So, the ramp-up would take time, nothing starts like it's not like a machine and start producing numbers. And with every country we need registration, every market we need to penetrate by getting products approved by hospital doctors. So it's a process.

**Gagan Thareja:** Right. Right, sir. In terms of margin, initially, when new plants come in, they tend to have fixed costs, which are not efficiently or fully utilized. So do you see over a period of 3, 4 years, the operating leverage that gets created from utilization ramp-up in these plants, aiding for your margins further?

**Himanshu Baid:** The current P&L has already absorbed all these costs. Yes, number one. Number two, as we start ramping up capacity products on these plants, definitely, we will see better performance. That's what we think, and that should happen.

**Moderator:** The next question is from the line of Sumit Gupta from Motilal Oswal. Please go ahead.

**Sumit Gupta:** Majority of the questions have been answered. I want to know about your plans about increasing the sales force in the domestic business? And how do you see the sales force productivity going forward?

- Himanshu Baid:** I think the most important thing is domestic market is very fragmented. And because India is a large geography, so we'll have to keep on adding more feet on the ground to address more hospitals. So we have added 50 to 60 people this year, next year plan is to add across all the 6 divisions, around 100 people. And also, we'll be rejigging some of our leadership teams to ensure that we go deep down with most of our customers whom we are working with today.
- So we are working all across, and I think that's a important market for us, very, very important market, and we will continue to go faster here. And especially with make in India focus, I think a lot of new opportunities have opened, especially with our 2 new businesses of critical care and cardiology.
- Sumit Gupta:** Okay. So what is the current field force in India?
- Himanshu Baid:** I think it's close to around 400 people, including sales, marketing, clinical, PM product management teams and also application teams all includes.
- Sumit Gupta:** Okay. So over the next 2 to 3 years, you expect this, the sales force productivity to increase?
- Himanshu Baid:** See, of course, the current key accounts will go more deeper, so same people would be there. But if we have to go wider, then we have to add more people. So I think in next 2 to 3 years, we'll add probably 100 people each year probably to address that market.
- Sumit Gupta:** The next question is from the line of Dheeresh from WhiteOak. Please go ahead.
- Dheeresh:** Sir, 400 people, you said how many are on the ground people, which are dealing with the hospitals directly out of this 400?
- Himanshu Baid:** Sir, could you repeat that question? I could not hear it properly.
- Dheeresh:** Sir, I heard in last question, you mentioned 400 people in the total sales division, out of which how many are on the ground dealing with hospitals?
- Himanshu Baid:** On the ground would be around 330, 340.
- Dheeresh:** These 330 people would be covering roughly how many hospitals?
- Himanshu Baid:** Over 5,000 hospitals.
- Dheeresh:** Over 5,000 hospitals. Okay. And you're saying 100 people every year, you will be adding.
- Himanshu Baid:** Yes. We have to add because the full new division as was the existing business expansion.
- Dheeresh:** Okay. Sir, for the 9 months, if you I don't know if you already shared this because I was delayed by a few minutes. So 9 months, if you can share region-wise growth. Like I think I heard you say that Europe was on 40% growth, right, this year.
- Himanshu Baid:** But we don't give out region-wise growth. We only give out domestic and export business. And out of that, we call out for Europe business because that's a significant part of the company's

business, 1/3 of the company's revenue. So that is what we have called out. So domestic business grown around 18% 18.5%, export has grown around 23.5% in 9 months.

**Dheeresh:** You're giving for 9 months, right?

**Himanshu Baid:** Yes. That is correct.

**Dheeresh:** Okay. And within exports, obviously, Europe has grown much faster, right?

**Himanshu Baid:** Anyway other countries are very badly affected because of currency crisis globally. Well, we are but for us, Europe is the prime market. So that market is growing. And for us, that is more important.

**Dheeresh:** Sir, outside of Europe, what would be the second largest export market?

**Himanshu Baid:** Then we have LatAm.

**Dheeresh:** Okay. And LatAm, you obviously bill in dollars, but it is the local country has been impacted.

**Himanshu Baid:** Not in LatAm. LatAm is not very affected and the whole of Middle East, Africa, that is more impacted today.

**Moderator:** The next question is from the line of Deepak Lalwani from Unifi Capital. Please go ahead.

**Himanshu Baid:** I can't hear him. We'll come back to Deepak.

**Moderator:** The next question is from the line of Girish Jain. Please go ahead.

**Himanshu Baid:** I can't hear anybody.

**Moderator:** The next question is from the line of Nihaar Shah. Please go ahead.

**Nihaar Shah:** Yes. Okay. Great. So you've spoken about 50% plus growth in the renal segment, and we're also adding new products in the critical care and cardiology. So, with that in mind, are we facing some pressure in the base business in the domestic market.

**Himanshu Baid:** Not really. There is no pressure because, again, is about getting the getting more deeper into the market. So the growth rate, of course, we are not happy with that, around 18%, 18.5%. So we would like to move to that number of 22% 21%, 22%. And of course, the base is also increasing. So I think we don't see any it's about going more deeper and wider with the existing business.

**Nihaar Shah:** Understood.

**Himanshu Baid:** New businesses will take time to scale up. Not that they scale up immediately.

**Moderator:** The next question is from the line of Deepak Lalwani. Please go ahead.

**Deepak Lalwani:** Can you hear me?

**Himanshu Baid:** Yes, I can hear you, Deepak.

**Deepak Lalwani:** Hi Sir, I just wanted to understand, when you draw your assumption of 20% growth for the next year, just wanted to understand the basis of this assumption from 3 angles. One would be the market itself growing in India and exports. Two, if you could throw some light on the shift from Chinese products that we are seeing today, is it related to these 2 factors? Or is it completely company-led where we have worked on distribution, and we have worked on a lot of products and patents, which is sort of benefiting us.

**Himanshu Baid:** So I think I would agree with 1 and 3 because the 1 is regarding market book, which is definitely happening, especially in India where we see 12% to 15% growth in the health care sector. So that will directly benefit the MedTech sector. And there is no shift from China today. We don't compete with any Chinese products. We are not doing such products, which where we have competition from China. Otherwise, Chinese are hands down 20% cheaper than any field. So for us, it is more about technology patterns, which we have, and we are able to today build that market for our own products. For us, that is the key.

**Deepak Lalwani:** Right, right. And when you draw the same assumption for the export market, what is giving you the confidence?

**Himanshu Baid:** Because exports also because we have continuously custom by engagement, and we know that what the customer is needing and we have projections for next year already.

**Deepak Lalwani:** Right. Right. Got it. And sir, you spoke about in your initial comments of the Red Sea impact. So, if you could just throw some light on any revenue any short-term revenue or cost impact that you're seeing.

**Himanshu Baid:** I think we don't see any revenue cost because most of the freight is paid by the customer. So we don't benefit. Our rates are X factory or X wall. So to us, I think there's no impact, but it impacts the customers in general, where they will have to pay extra for the freight cost or be it longer for delivery of the products. And that is where, because if the customer is not suffering and probably you definitely feel that some cycles could go here. I mean it's a temporary phase. And I think when this correction happens, again, I think we will be fine. Because you'll see a lag of 15 days. Once that lag is over then the cycle is again back to normal.

**Deepak Lalwani:** Sure. Sure. So have you seen any substantial or any significant sort of a delay?

**Himanshu Baid:** No. I have already told that January was a great month again.

**Deepak Lalwani:** The next question is from the line of Girish Jain from KGMC Finserv Group. Please go ahead.

**Girish Jain:** Am I audible?

**Himanshu Baid:** Yes, sir. I can hear you.

**Nihar Shah:** Congratulations on a good set of results. I joined late, so pardon me if there is some duplication in my questions.

**Himanshu Baid:** Sir, I can't hear you. Hello?

**Moderator:** Sir, we're not able to hear you.

**Himanshu Baid:** Yes. I was not able to hear Mr. Girish Jain. Sir, can you repeat the question?

**Moderator:** Mr. Girish Jain, can you repeat the question, please?

**Girish Jain:** Yes. Can you hear me?

**Himanshu Baid:** Yes, I can hear you now. Yes.

**Girish Jain:** Yes. So if you can share any flavor on the U.S.A. business, there have been any new filings?

**Himanshu Baid:** Yes. So, we have received 2 new approvals of FDA under FDA. So totally now we have 4 approvals. And as I told maybe in the earlier calls, we are looking for 8 to 10 products. So hopefully, by end of this year, we will receive all 8 to 10 approval, which we have planned for. Initial shipments have gone, received some comments and feedback.

And based on that, we are making some small improvements in the product based on the user feedbacks. And then once that is done, I think hopefully, in next 1 or 2 months, we will see more shipments go into U.S. But that is everything is in line what we have already anticipated. So this is nothing new or unusual.

**Girish Jain:** So, we are holding on to the expectation of revenue.

**Himanshu Baid:** Yes, yes, yes. absolutely. The revenue expectation is absolutely in line, and it was based on because, whenever you have to send anything to U.S., you can only send after your FDA approvals. There's a real where they will try the products and really will go for clinical usage.

**Girish Jain:** And the other question was on the capex. If I heard correctly, 2 plants are already operational.

**Himanshu Baid:** Yes, 3 are operational, Girish. 3 are operational. Fourth one is going to be operational by end of this quarter or early next quarter.

**Girish Jain:** And we hope to hit capacity utilization of 80% 80% or 90% by end of the third year?

**Himanshu Baid:** Fourth year, I would say.

**Girish Jain:** End of the fourth year?

**Himanshu Baid:** Because the infrastructure is built over to cater the lease for next 3 to 4 years.

**Girish Jain:** So this capacity will suffice for the next four years?

**Himanshu Baid:** Already some capacity has already kicked in. Some has already kicked in already.

Yes. Because one plant started operational in the first quarter and then one has started in quarter 2, quarter 3 so capacity is always our kicking in, some capacity.



- Girish Jain:** Okay. And in previous call, I think if I remember correctly, you had mentioned that we have excess land available near the existing factory where we can put up more facilities required in the future.
- Himanshu Baid:** Yes, we will do that. Because now, I think we have sufficient infrastructure covering us for next 2 to 3 years. And once we see an opportunity, definitely, we will do that. So I think on that side, we are fully covered.
- Moderator:** At this moment, there are no further questions. I would now like to hand over the call to the management for closing remarks.
- Himanshu Baid:** Thank you, everyone, for your participation and really thankful for great questions you have asked today. And definitely, it gives us more motivation to do better in coming years. And definitely, we will follow the recommendation guidance and what you have mentioned today on the call. And thank you for your time and look forward to speaking to you again very soon.
- Moderator:** Thank you, sir. On behalf of ICICI Securities, that concludes the conference call. Thank you for joining us, and you may now disconnect your lines.