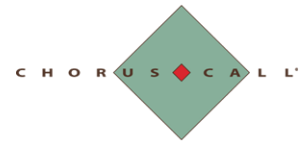




“Poly Medicure Limited
Update on the Proposed Acquisition of PendraCare
Group Conference Call”

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Moderator: Ladies and gentlemen, good day, and welcome to the conference call of Poly Medicure Limited to provide an update on the proposed acquisition by the company of PendraCare Group. 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 this conference, please signal an operator by pressing star and then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Rahul Gautam, President, Corporate Strategy & Development at Poly Medicure Limited. Thank you, and over to you, Mr. Gautam.

Rahul Gautam: Thank you, operator, and good evening, everyone. Thank you for joining this call to discuss about the proposed acquisition of PendraCare Group. Some of you would have seen the announcement yesterday that we made along with the press release and the presentation, which is uploaded on the exchanges as well as the company's website. This is about the acquisition of PendraCare Group, a well-established cardiology consumer business based in Europe.

Over the next 10 minutes, I will just walk through about the company, our strategic rationale why we did it, some financial overview and the transaction structure. And post that, we will open it up for any Q&A.

So just about the Group. PendraCare Group is a very unique and strategic asset in the interventional cardiology space. It's one of the few independent players, which in this operating in this space, which is otherwise dominated by large medical devices companies. It's located in Leek, Netherlands and serves the global markets with product registration in the regulated markets of Europe, United States and over 60 other countries.

The portfolio of the product includes interventional cardiology products, specifically guiding and diagnostic catheters, which it sells under its own brand as well as supplies to large global medical devices companies. Some of these relationships have spanned for over 10 years, which very clearly indicates the quality of the business.

In addition to the existing products that they have, they're also in the process of developing multiple other products, which potentially open up large sort of opportunity for market expansion as those products become commercialized.

In terms of production capacity, the company has almost 3,800 meters square of total capacity in their sort of area under operation currently across 3 locations with a capacity of close to 1.5 million units per year. The current production is between 700 thousand to 800 thousand a unit, which provides enough headroom for growth without requiring any significant capital investment.

The company also sort of signed a new lease agreement, which will combine all the 3 different locations under one roof, which will bring operational efficiency. And the facility has almost 1,100 square meters of cleanroom available. These facilities is also approved by FDA and is also ISO-certified. So it's a very high-quality facility based in Europe, which we have been able to acquire as part of the transaction.

Moving on to a little bit on the financial performance. In calendar year '24, the company raised close to EUR9.9 million of revenue, EBITDA of EUR1.4 million and PBT was about EUR800 thousand. The gross margin of the business is 74%. As you would note that the gross margin of this business is higher than our current overall group business, which is something we have called out in the past that as we move up the technology curve into higher-end products or higher sort of regulated products, the gross margin should expand, which is clearly reflecting in this business.

In terms of the revenue mix, guiding catheters contribute close to 75% to 80% of revenue and rest coming from diagnostic catheters or angiographic catheters. Again, a fairly well diversified revenue mix in terms of geographic presence. They supply to over 35-plus countries with 50-plus distributor relationships, and these are markets include Europe, Middle East and Latin America.

We expect a good amount of synergies between both the businesses, combining the might of Polymed's R&D, engineering, manufacturing and distribution capabilities on top of the regulatory approvals and R&D capabilities of PendraCare Group. We expect that over the course of next 3 to 4 years, we should be able to generate 3 million to 4 million of incremental EBITDA from a synergy standpoint as a Group.

Moving on to the rationale for acquisition. This is very much part of our core strategy to grow into cardiology, something which we have been doing over the last 12 to 18 months. Within India, we've obviously launched multiple products, including our own DES and that's doing well. So it's sort of a very interesting bolt-on acquisition for us to expand our cardiology business on a global basis.

As I said, it's a strategic asset, very unique, very few independent players of this size and scale in the space that we have acquired. If you recall in the past, we have called out the fact that the cardiology ancillary consumer business is very strategic and has lesser competition as compared to DES, which has obviously multiple players operating. So in a way, it becomes part of our core strategy to grow the cardiology business.

The second strategic rationale is the fact that it's operating in markets, which are highly regulated. The products are approved under MDD and MDR in Europe as well as the FDA approval for the guiding catheter. Just to sort of let you guys know, it's now become extremely challenging to get approvals in Europe because of the new EU MDR regulations. So having a product in that market with the necessary approvals becomes highly valuable.

It gives us, as I said, a manufacturing footprint in Europe with a distribution across multiple geographies, which become extremely useful as we think about sort of expanding our cardiology business products out of India into those markets. It clearly becomes a platform for global expansion for us, for the cardiology business.

Looking at the regulatory approvals that the company has, the R&D capabilities as well as the manufacturing footprint, we have the ability to now launch our products in those markets at a much shorter time frame than what we would have done otherwise.

As I also said, there are significant synergy potentials between both the companies, this entails across manufacturing, R&D, engineering, distribution as well as procurement, right. As with the might of Polymed Group from a manufacturing and procurement perspective, we expect a good amount of synergies to be realized over a period of time.

I think we had also mentioned earlier that cardiology in the cardio space we have already taken baby steps towards globalizing our offerings. We had started the process of clinical trial for our DES, which is happening for 2,000 patients in India as well as Europe. And the plan there was to clearly launch our products in the regulated markets of Europe and other areas.

And with this acquisition, we'll be able to commercialize that as soon as the regulatory approvals are in place. So it gives us direct access to European markets with regulatory approvals available for core cardiology products, which becomes highly valuable over a period of time.

Moving to transaction overview. We are acquiring the group consisting of PendraCare Holdings and Wellinq Medical, from Wellinq Holdings Limited. The ultimate beneficial ownership of this company is with the founder, Floris Alkemade, who is 80% owner; and Sander Hartman, who is the current CEO, and he has a 20% stake in the company. We'll be acquiring 90% of the group for an upfront equity consideration of EUR11 million, and we'll be taking over inter-group loan liabilities of 3.2 million, which we will be paying off at closing.

So acquiring the upfront payment consideration is about 14.2 million. In addition to this, we're taking over a net debt of close to 2.9 million. On these values, we have acquired this company on an EV/revenue of about 1.8x and on an EV/EBITDA basis at 13x. In addition to this, we are also going to making certain earn-out payments, which are very well-defined milestones that the company has to achieve over the course of next four to five years, which will be paid as and when those milestones are achieved.

The balance 10%, which is held by Sander, who continues as the CEO of the company going forward will be acquired in 2030, basis the actual EBITDA that the company generates in the year 2029. And this is calendar year 2029 because the company follows the calendar year from a reporting standpoint.

Just sort of summarizing the last thought, right, it's a very strategic acquisition, becomes core part of our global expansion in the cardiology space. And we are very excited to have the company as part of the Polymed Group and really looking forward to building the business together.

With this, I will hand it over to operator to open up for Q&A.

Moderator:

Thank you very much. We will now begin the question-and-answer session. Our first question comes from the line of Rashmi from Dolat Capital.

Rashmi:

While be the gross margins are higher compared to Poly Medicure, but the EBITDA margins are pretty low at around 14% to 15%. So what are the costs or the operating costs which you feel is involved that is leading to this lower EBITDA margin? And what kind of efficiencies

which you can bring in? I mean, this number of 14% to 15%, how it can move in next 2 to 3 years for this particular brand?

Rahul Gautam: It's a good question. And you're right, I think there are 2 parts to the answer to this question. I think from an overall scale perspective, it's fairly a small asset of about EUR10 million. And as the expansion of revenue happens, the operating leverage of the business will flow through and increase the EBITDA margin.

The other part is obviously the European cost of operations are significantly higher when you compare to Indian cost of operations. And we expect that with our manufacturing capabilities, we should over a period of time reduce both the procurement cost, which will expand the gross margin, importantly also reduce the cost of operations in terms of processes which have significant manual intervention to be able to increase the EBITDA margin of the business going forward.

Rashmi: Okay. So basically, you're saying that the manufacturing cost as well as the employee cost is pretty high in this business, which can be worked on?

Rahul Gautam: Yes, European business, in general, if you look at it, have higher cost of operations, including people cost. And this is a product which does have a fairly good amount of manual intervention and certain parts of the processes can be outsourced to our India operations, which will help us in reducing the cost of manufacturing.

Rashmi: Okay. And the current plans are the 3 units, right, in Europe for this particular business?

Rahul Gautam: Sorry, can you please repeat that question?

Rashmi: The plants location currently are at 3 places, right? Three units are there, right?

Rahul Gautam: They have 3 different facilities, but manufacturing happens at one place and a couple of other places they have R&D units and warehousing space, which is getting consolidated under one roof. There is a lease agreement that's already signed.

Rashmi: Understood. So in future, I mean, if you plan to outsource these brands, also manufacturing it from our own Indian facilities, you will be looking to still keep this plant or you're planning to close it in the future and all the manufacturing will be done in India itself?

Rahul Gautam: No, no, we will keep the plant. Obviously, there are there is future growth that's going to happen in the company, right? So I think we'll keep the plant. It's an important part of the acquisition that we have done to have a fully FDA-certified plant in Europe. So we'll keep the plant and only process which have significant manual intervention can will move to Indian operations.

Rashmi: Okay. How large would be the gross block for this company as on CY '24, if you can give that figure?

Rahul Gautam: I have a net block number, which is about EUR650 thousand. On gross block number, we can come back to you on that.

- Rashmi:** EUR650 thousand you said?
- Rahul Gautam:** That's correct.
- Rashmi:** Okay. My second question is on basically your own portfolio of cardiology, which you are planning. So we are also targeting other countries. So how does this particular business can actually bring synergy gains to our current cardiology portfolio? Also, whether this can really help some of these products will be launched in India, too?
- Rahul Gautam:** Yes. So that's part of the plan. Currently, the company does not have significant presence in India from a distribution standpoint. And we have obviously a very large sales team direct in India. So we will be it's one of the things that we'll be doing to launch those products in India and have our team sort of create demand for it. So that's clearly one advantage.
- To your other question on how this will be a platform for our global expansion, as I mentioned, we have started the clinical trial for our or the Drug Eluting Stent, which means that once we have the regulatory approvals, we would want to sell them in markets of Europe and other geographies.
- Given this company already has existing distribution network in those markets, our ability to sell that product becomes that much better. And obviously, we have multiple other products within the interventional cardiology segment, which we will take necessary regulatory approvals and then use the distribution pipe to go and sell in those markets.
- Moderator:** Our next question comes from the line of Rahul Deshmukh from LKP Securities.
- Rahul Deshmukh:** I have one question on synergies. Could you please just quantify, I mean, how much revenue potential is there through cross-selling opportunities? Or maybe any improvement in financial metrics via operational efficiency? Could you just quantify those things?
- Rahul Gautam:** So I think we've not called out specific parts of the synergies. We, as I said, I think in our communications, we said we're going to create additional EBITDA synergy of between 3 million to 4 million between the group. This will be of multiple components. It's too early to quantify that number. But we believe the 3 million to 4 million EBITDA upliftment of the business is possible on a consolidated basis.
- Moderator:** Our next question comes from the line of Rashmi from Dolat Capital.
- Rashmi:** Just one question. Will you be able to give the geographical split in terms of sales for Europe, U.S. and LatAm, Middle East and other markets?
- Rahul Gautam:** No, we don't give that information. As a group, that's a policy so we won't be able to share that.
- Rashmi Shetty:** Understood. But is it fair to assume that the majority of the sales is basically from Europe only and then it would be followed by LatAm, Middle East and U.S.?
- Rahul Gautam:** It's a fairly large component and Europe is a core market of the business.

- Moderator:** Our next question comes from the line of Rahul Jeewani from IIFL Securities.
- Rahul Jeewani:** Sir, can you comment in terms of how this business has grown over the past, let's say, 3 to 4 year period? And what kind of growth trajectory would you be targeting for this business once you have it under your fold given that there are some of these cross-leveraging opportunities available for the combined entity?
- Rahul Gautam:** Yes. So Rahul, I think it's a very interesting asset and a very interesting scale at this point of time. There are 2 parts to this. One, the existing product is getting deeper into markets, including existing client relationships. Plus we're opening up new distribution centres in markets where they were not present in the past. So obviously, there is going to be an overlay of the fact that Polymed distribution strength will be brought to the table to get into the spaces where they haven't gotten into in the past.
- The second part is that there is a very interesting pipeline of products, which is under development. And those are products in high-end technologies of Neuro as well as structural heart. And once those products are commercialized, it will open up a completely new market and will expand the market potential of the company is serving to.
- So if you just look at the core business, we expect which is existing product portfolio, we expect it to grow in low to high double digits. In terms of the product market expansion and the new product development that's happening, we expect that if those play out and the necessary regulatory approvals come in place, this business can get to close to EUR25 million in revenue by the year 2030. So that's the kind of growth that we're expecting in the company over the course of the next few years.
- Rahul Jeewani:** Okay. Sure, sir. So this EUR25 million, which you are, let's say, targeting for 2030, this is largely the organic growth which PendraCare can achieve on an organic basis. And on top of that, whatever synergies you can drive in terms of the common portfolio?
- Rahul Gautam:** This will also obviously include the impact of what Polymed brings to the table. So I'm talking about as an overall business. Post the acquisition including the synergies that we bring on the table, we will get them to that kind of number.
- Rahul Jeewani:** Okay. Sure, sir. And sir, my second question is with respect to the EBITDA synergies of this EUR3 million to EUR4 million, which you talked about. So the cost synergies would essentially be driven by operating leverage? Or do you see scope to further improve gross margins of Pendra?
- Rahul Gautam:** No. So it's a good question, and we do expect that the gross margins could get better. We believe that the procurement strength that Polymed brand brings on the table for the group could really help them reduce the cost of material and cost of procurement for PendraCare Group, and that will certainly help them increase the margin.
- So I think the level of synergies will happen across revenues, direct costs, indirect costs over a period of time. And that's why we are very excited about this opportunity because we see significant value add that the group can bring on the table and vice versa. We know that some

of the things that the group is doing could be very useful for some of the product development that we are undertaking.

Moderator: Our next question comes from the line of Jaiveer Shekhawat from Ambit Capital.

Jaiveer Shekhawat: Rahul and team, congratulations on the acquisition. My question, I see that the own branded mix for Pendra is much higher versus what we do in Europe. So do you see possibly over the next few years that more of the business will happen directly with the hospitals instead of via the distributor channel that India entity used to do? That will be my first question.

Rahul Gautam: No. So I think Jaiveer, I think the own branded sales are also happening through the distributors, right? The company does not have direct sales teams on the ground like Polymed has, right, in India, where we have direct sales team talking to the hospitals.

The current business of PendraCare is happening through the distributors even under their own brand. And I think there is a strategic rationale behind it. If you think about it, the current company has limited portfolio within interventional cardiology. At this scale and with this product portfolio, it does not make sense to build a direct sales force.

This is an opportunity, which Polymed Group can, over a period of time, bring on the table as we complete the product portfolio and have a comprehensive product portfolio for this space. At that point in time, it probably makes sense to have direct sales force focusing on the cardiology space.

Jaiveer Shekhawat: Sure. That's helpful. And second, are there any limitations to, first, scaling this entity? Because I mean, you anyway have a clear manufacturing advantage here in India. So any limitation in terms of pushing more products or introducing more products in those markets because I see you have also got approvals as well. So just trying to think in terms of scalability over a period of time, are there any limitations to that?

Rahul Gautam: You mean from Polymed's product portfolio perspective?

Jaiveer Shekhawat: No, I say whether it be from Pendra's perspective or say the sales that are happening to your or via Pendra as well, which may be manufactured here in Poly Medicure's perspective. I'm just trying to think through if there are any limitations to scalability there?

Rahul Gautam: I think, see, on their own, PendraCare on its own was obviously a small company with limited resources and manpower, right? Now as you bring in the Polymed strength, which has strong, deep engineering and R&D capabilities, I think we can very well integrate and expand and expedite the process of new product launches, right? We see interventional cardiology, a fairly large space with a lot of product that can be brought in the tables.

Obviously, one key sort of timeline, which is always relevant in Europe is the product approvals under the new EU MDR regulations, and that remains a constraint for medical devices company in general. And obviously, because this is another big advantage that we have got because we have a company now which understands the regulatory landscape locally for

cardiology products, our ability to launch some of the products that we are developing and we will co-develop along with PendraCare will become faster from a timeline perspective.

- Moderator:** Our next question comes from the line of Suruchi Parmar from NX Wealth Management.
- Suruchi Parmar:** Just one thing you have given in the slide that you may be shifting the leased facility from 3,800 to 2,300. So is like a I sitting where there will be any cut short in the capacity or the capacity will remain the same?
- Rahul Gautam:** No, no. I think I sitting where, there will be no reduction in capacity. What has happened that the company had three different locations in which they were operating. And whenever you have that situation where operations are split across multiple geographies, it does tend to lead to inefficiency of usage of space. And again, company has grown over time where they have added new areas and stuff like that.
- So with new areas that we are bringing in, we are able to keep the same capacity that we currently have, just make it more efficient, which will help us reduce the area that we need and subsequently, the cost of lease as well under that facility.
- Suruchi Parmar:** So these will be in Netherlands only, correct?
- Rahul Gautam:** Sorry?
- Suruchi Parmar:** The leased land will be in Netherlands only?
- Rahul Gautam:** Yes, in Netherlands. That's correct. Yes. It's very close to it's in the same region. It's in Leek.
- Suruchi Parmar:** Okay, okay. So like the approvals, whatever you have that for feasibility will be shifted to the new leased land facility also? That is for the plant, correct? Not for the...
- Rahul Gautam:** That's correct. So we need to undertake the necessary approvals that we need to take for this new facility. And that's a process that will be done once that lease is sort of made active.
- Suruchi Parmar:** Okay. So again, the approvals you need to take, you are saying that?
- Rahul Gautam:** Absolutely.
- Suruchi Parmar:** So it will take like how much time?
- Rahul Gautam:** It's tough to say at this point of time. But given the company has been operating in Europe for a long time, we expect that team should be able to get it done quickly, but it's tough to give a specific timeline on it. But it will be done in parallel just to ensure, just to sort of give you comfort. It's not that we're going to stop the production at one place while the approval is still pending. Only once the necessary approvals are done will the actual transition will happen. So there will be no production or business loss during that period.

Suruchi Parmar: Okay. Okay. The second question is regarding in last call. From Europe, there's some like the orders is not that much that is coming. So for this facility, the new PendraCare cardiac facility, it's not a problem there in Europe or still there is a problem in the orders coming?

Rahul Gautam: No, I think these are two completely different businesses. And it's not that one has to replicate what's happening in the other business. So no, we don't expect that to have an impact.

Moderator: Thank you. Our next question comes from the line of Naman Bagrecha from IIFL Capital Services Limited.

Naman Bagrecha: Thank you for the opportunity. Sir, two questions. One, why the promoters of PendraCare?

Rahul Gautam: Sorry, can you be closer to the hand phone, please?

Naman Bagrecha: Yes, sir. Why did PendraCare promoters sold the stake and was it like a one-on-one deal or say, were there other, let's say, competitors trying to acquire this?

Rahul Gautam: So it's tough for me to answer. But I think very clearly basis our conversation that we've had with the founders, they saw a significant value in having a strong partner like Poly Med helping them grow the business. As I said earlier, medical devices, specifically this segment is dominated by large global Medtech companies. And you need strength of R&D, engineering, manufacturing to be able to compete effectively with them.

So to that extent, I'm sure they found a lot of value to have Poly Med as a partner, which I think will go a long way in ensuring that the business remains competitive and they're able to expand the reach in areas where they don't currently have access to.

Naman Bagrecha: Okay. But we are taking the entire stake, right, of the promoters?

Rahul Gautam: Sorry?

Naman Bagrecha: We are basically taking the entire stake from the promoters, right?

Rahul Gautam: Yes, except for 10%, which will be held by Sander.

Naman Bagrecha: Okay, Sander. So have we basically what I so is the valuation already pre-decided for the balance 10% stake?

Rahul Gautam: See, there are milestone payments to be done and there is an objective way to calculate those milestone payments over a period of time. I think for the balance 10%, as we have highlighted in our presentation, it is linked to the actual EBITDA of the year 2029, calendar year 2029 and will be paid post audit for the year 2029 is complete.

Naman Bagrecha: Okay. And just last one. I mean, if you look, you will be signing a new lease and that will be a 2,300 square meter, let's say...

Moderator: Sorry to interrupt, Naman, but your line is not very clear.

Naman Bagrecha: Hello?

Moderator: Yes, please, go ahead.

Naman Bagrecha: Yes. What I was trying to ask is the new facility that is going to be half the size or, let's say, half the size of almost half the size of the current leased facility. Does it mean, I mean, half of the production will be outsourced to India or something? Just if you could help on this?

Rahul Gautam: Yes. So I think the same question was asked by the previous investor as well. And as I clarified, currently the operations of the company are across three different locations, which brings its own set of inefficiencies. And now all of these operations are going to be plugged under consolidated under one facility, which will bring that efficiency so that the overall capacity of the business does not go down and we are able to sort of reduce the area under operations as well as the cost of running that place. If there are no further questions, I think we can close the call.

Moderator: Certainly, sir. We have no questions at this moment. Would you like to go ahead with your closing comments, sir?

Rahul Gautam: Yes, I think...

Moderator: Sir, sorry to interrupt. We do have a last-minute entry in the question queue. Would you like to take that, sir?

Rahul Gautam: Sure.

Moderator: We have a question from the line of Suruchi Parmar from NX Wealth Management. Suruchi, your line is unmuted, you may proceed.

Suruchi Parmar: Yes, thank you again for the opportunity. Just wanted to ask one question. Like in CDMO, it will be an opportunity from this PendraCare also?

Rahul Gautam: Yes. So I think there is an opportunity. Clearly, there is an opportunity to use the R&D and manufacturing capabilities of the company to enter into the space. So yes, a very high-level answer to that question is, yes.

Suruchi Parmar: Okay. Thank you so much.

Moderator: Thank you. I would now like to hand the conference over to Mr. Rahul Gautam for closing comments. Over to you, sir.

Rahul Gautam: Thank you, everyone, for taking all the time to discuss this strategic move from Polymed. If you have any further questions, you can reach out to us on our e-mail ID of investorcare@polymedicure.com or directly to me at rahul.gautam@polymedicure.com, and we'll be happy to clarify any further questions you may have. Thanks a lot for your time.

Moderator: Thank you. On behalf of Poly Medicure Limited, that concludes this conference. Thank you all for joining us. You may now disconnect your lines.