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

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

Dear Sir/Madam,

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

In continuation to our letter dated July 30, 2025 bearing reference no. 28/SE/LC/2025-26, and pursuant to Regulation 30 and Regulation 46(2) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the transcript of the Earnings Call/ Conference Call held on August 11, 2025 at 05:00 pm (IST) to discuss the Company's unaudited Financial Results for the quarter ended June 30, 2025 is annexed herewith.

This is for your information and records.

Yours faithfully,

For **Entero Healthcare Solutions Limited**

Sanu Kapoor  
**Vice president- General Counsel, Company Secretary  
& Compliance Officer**

Encl. a/a



## “Entero Healthcare Solutions Limited's Q1 FY'26 Earnings Conference Call”

**August 11, 2025**

E&OE - This transcript is edited for factual errors. In case of discrepancy, the audio recordings uploaded on the stock exchange on 11<sup>th</sup> August 2025 will prevail.



**MANAGEMENT: MR. PRABHAT AGARWAL - MANAGING DIRECTOR &  
CHIEF EXECUTIVE OFFICER  
MR. BALAKRISHNAN KAUSHIK - GROUP CHIEF  
FINANCIAL OFFICER  
ANALYST: MR. RAHUL DANI - MONARCH NETWORK CAPITAL  
LIMITED**

**Moderator:** Ladies and gentlemen, good day and welcome to Q1 FY'26 Earnings Conference Call of Entero Healthcare Solutions Limited hosted by Monarch Network Capital Limited.

As a reminder, all participants' 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 call, please signal an operator by pressing '\*' then '0' on your touchtone phone. Please note that this conference is being recorded.

Please note this conference call may contain forward-looking statements about the company which are based on the beliefs, opinions, and expectations of the company as on the date of this call. These statements are not the guarantees of future performance and involve risk and uncertainties that are difficult to predict.

I now hand the conference over to Mr. Rahul Dani from Monarch Network Capital. Thank you and over to you.

**Rahul Dani:** Hi, good evening everyone on a very warm welcome to Entero Healthcare Solutions Q1 FY'26 earnings call. On the call today, we have with us Mr. Prabhat Agarwal – Managing Director & CEO and we have Mr. Balakrishnan Kaushik – Group CFO.

I will hand over the call to the management for the opening remarks and then we'll move to Q&A. Thank you and over to you, sir.

**Prabhat Agarwal:** Yes, thank you. Good evening, everyone and thank you for joining our earnings conference call to discuss the operational and financial performance for Q1 FY'26. My name is Prabhat and on this call, I am joined by Mr. Balakrishnan Kaushik – Group CFO and SGA, our Investor Relations Advisors. I hope everyone had an opportunity to go through the financial results and investor presentation which has been uploaded on the Stock Exchange and also on our Company's website.

We have started the new financial year on a strong note with Q1 revenues growing 28% year-on-year as against the IPM growth of 9% to Rs. 1,404 crores. On a like-to-like basis, the revenue growth is 31%. 3% growth is adjusted after a change in revenue recognition for a certain contract on a net margin basis. More importantly, this growth is broad-based supported both by organic expansion contributing 15% on a like-to-like basis where we continue to deliver around 1.6 times the market growth rate and the rest through M&A executed in last financial year. We have already announced more than 400 crores of acquisitions in the last conference call, some of which have already closed in the current quarter and the balance also will be closed in Q2 itself. At the same time, there are more deals in the pipeline which will be announced once the transaction documents are signed. Acquisitions will remain an important lever for growth but our approach will continue to be disciplined and value-accretive.

Gross profit came in at Rs. 140 crores up 40% year-on-year with our gross margins improving by 83 basis points to 9.9% versus last year and 17 basis points versus last quarter. This

improvement has been driven by higher value-added services, margin accretive categories and procurement efficiencies. EBITDA for the quarter was Rs.50 crores representing a growth of 66% year-on-year with margins improving by 82 basis points versus last year to 3.6%. Profit after tax increased 47% year-on-year to Rs.30 crores. In spite of higher gross margins versus last quarter, EBITDA margins declined from 3.7% to 3.6% versus last quarter as the operating leverage impact was not felt in this quarter due to annual salary and wage increases being implemented at the beginning of the year. Our revenue base increased by 5% versus last quarter while operating costs increased by 9% over last quarter. Now, the fixed manpower costs have been fully baked in the quarterly operating cost numbers and as the revenue growth catches up in the rest of the year, the positive impact of operating leverage will start playing out. Even the IPM revenue growth significantly from Q2 onwards and after the rainy season. This is in line with our historical quarterly performance and even our full-year guidance of 4% plus EBITDA margins had factored this in the projections. Equally important is our continued focus on cash flows. We have moderated our net working capital from about 71 days about a year ago to around 66 days in last couple of quarters. We have initiated multiple initiatives to further optimize both inventory and receivables through ERP-driven controls and data science-based techniques and we are targeting another 10% reduction in working capital days by end of this financial year.

Our network and reach have strengthened further. We now serve over 71,000 retail pharmacies and more than 2,500 hospitals across 469 districts in India supported by 102 warehouses strategically located across the country. Our product portfolio has expanded to over 74,700 SKUs sourced from more than 2,600 healthcare product manufacturers. This scale is not just about numbers. It is about reach, vast product portfolio, service reliability and quality which helps us to continuously gain confidence and wallet share from our customers. More and more customers including even organized retailers find our value proposition compelling and unique. At the same time, as we penetrate larger parts of India with significant share in micro markets, we become significantly more attractive for any healthcare product manufacturer to collaborate or partner with us both for demand fulfillment and demand generation activities. Our strategic playbook centered on discipline in organic growth, organic scale-up in underserved markets and deepening partnerships with healthcare brands continues to deliver and bring us closer to a long-term vision of building India's most comprehensive, efficient and digitally integrated healthcare distribution platform.

We are executing on three clear growth pillars. First, organic expansion, deepening penetration in our existing markets, winning a larger wallet share from existing customers and expanding our product range especially into higher margin categories like medical devices, diagnostics, surgical consumables, trade generics, specialty pharma. Second, discipline in organic growth. We are very selective with acquisitions now. We only acquire where there is a strong strategic fit, whether it's a new geography, a differentiated product segment or a capability that strengthens our value proposition. Third, operational excellence. This means better procurement, technology-driven efficient warehousing and delivery infrastructure and optimized operating cost and working capital management. It is worth reiterating that the Indian pharma distribution market is still highly fragmented, with organized players accounting for less than 10% of the

market. Our pan-India technology-led and category-neutral platform is difficult to replicate. This positions us uniquely to capture outsized share gains as the market consolidates.

Looking ahead, we are on track to deliver 30% revenue growth in FY'26 including both organic and inorganic growth, surpassing 4% full-year EBITDA margins and generating positive operating cash flows. Margin expansion will be driven by richer product mix, procurement gains, value-added services and operating leverage from scale. We are targeting to achieve the working capital target of 60 days by the end of this financial year. In summary, Q1 FY'26 has been a strong start to the year. We continue to deliver on vast consolidation opportunities in an extremely fragmented healthcare supply chain, through organic expansion as well as disciplined M&A. We continue to add customers, enhance product portfolio through collaboration with healthcare brands, diversify into new product categories such as medical devices, diagnostics, trade-generics etc. to become a one-stop solution for our customers.

With this, I close my opening remarks and invite people to ask questions.

**Moderator:** Thank you very much. We will now begin the question and answer session. The first question is from the line of Chintan Sheth from Girik Capital. Please go ahead.

**Chintan Sheth:** Hi, thank you team for the opportunity and congrats on the improvement in gross margins and EBITDA margins. A couple of questions on the growth part. You did mention that 31% is a like-to-like growth with 3% is related to a revenue recognition impact. But if I look at organic growth of 15% and adjust and calculate the inorganic contribution for the quarter, it seems sequentially declining. Last quarter, I think you mentioned around Rs. 200 crores to Rs. 225 crores was the contribution from the inorganic revenue. What would be that number and if that number has lowered down, why is that?

**Balakrishnan Kaushik:** So, Chintan. This is Bala here. So, if you look at the growth, the 225 that you mentioned for last quarter, that number was about Rs. 218 crores and this quarter that's about Rs. 230 crores. So, there is a growth. When you look at organic-inorganic for entities that were acquired during the Quarter 1 of FY'25, the portion that was there in the reported numbers will move into organic. So, if you look at like-to-like, it's about 230 versus 218 of last year. So, there is a growth on those numbers as well.

**Chintan Sheth:** Okay, got it. And in terms of acquisition pipeline, if we can, we're still keeping track on the 800 crores to 1000 odd crore of revenue acquisition for the year or any change on that number if you want to highlight?

**Prabhat Agarwal:** Yes. So, if you look at the guidance that we gave on this year's revenue rate of growth of 30%, that includes both organic and inorganic part. So, inorganic part, we had assumed around 500 crores of recognized revenue on books. So, which is what we are on track. We have already done Rs. 400 crores in Quarter 1 we announced, which will start reflecting from Quarter 2 onwards. And there are further more acquisitions in pipeline that will be completed.

- Chintan Sheth:** Got it. I will join back in the queue. Thank you for the opportunity.
- Moderator:** Thank you. The next question is from the line of Bhargav from Ambit Asset Management. Please go ahead.
- Bhargav:** Good evening, Team and thank you for the opportunity. Sir, in your press release, you mentioned that earlier the guidance was to do acquisition by August, but that has been pushed over to November. So, if you can share some reasons for the same, that's my first question.
- Prabhat Agarwal:** All these acquisitions that we have announced in previous conference calls that will be completed during this quarter. Two of them we have already completed. One of them we are just waiting for drug license to conclude.
- Bhargav:** Okay. So, what you are hinting at is that in the second quarter, couple of acquisitions will be announced?
- Prabhat Agarwal:** Not announced, completed. The one that we announced previously.
- Bhargav:** Yes. So, your revenue recognition will start happening?
- Prabhat Agarwal:** Yes. From Quarter 2, yes.
- Bhargav:** Okay. And what would be the size of them in terms of revenue on the second quarter?
- Prabhat Agarwal:** It depends on the day when we are able to close. As I told you, couple of them we have already closed. So, some of them the revenue is flowing from July beginning one of them is going to flow from July end. One of them, everything is complete. We are just waiting for the new drug license in the new company. The drug license site is down for 10 days now. So, we are not able to close that transaction. The moment the site is open, within 3-4 days, we should close the transaction and the revenue will start flowing in. So, it's difficult to accurately predict. Some of this we are dependent on external factors, but what I can tell you that all four transactions will be definitely closed. Two of them has already closed. Balance 2 will also be closed.
- Bhargav:** Okay, understood. Secondly, sir, is it fair to say that 1Q is seasonally the weakest quarter for us? And if we have done 66 days of working capital in 1Q, it is fair to say that the working capital from here on only should improve given that the revenue growth in terms of absolute also will be higher in the subsequent quarter?
- Prabhat Agarwal:** Which is you know typically if you look at even the pharma industry, how the revenues are split into 4 quarters, you will see that Quarter 2 is generally 8%-10% higher than Quarter 1. Quarter 2 is the strongest quarter in the pharma industry because of the rainy season, because of which the spread of infectious diseases. So, typically and historically also even in our numbers, you will see that Quarter 2 is generally 10%-12% higher than Quarter 1. So, on a high quarter

numbers, your NWC in days goes down because the NWC doesn't increase in the same proportion. So, you are right. These numbers will improve in quarters to come.

**Bhargav:**

And lastly, sir, Amazon India has significantly expanded its reach in selling medicines. So, now they are servicing in almost all of their serviceable pincodes. So, do we benefit out of this and how big can this business become? And related to that, Zepto has also launched a pharmacy in August in 4 major metros. So, if you can combine both of these in the same alpha, that would be very helpful.

**Prabhat Agarwal:**

See, quick commerce foray into pharma healthcare, I am not too sure about how this is going to scale up and how this is going to impact because there are a lot of challenges in quick commerce, especially on the pharma category. And the challenges are basically three, you know, number one is the range because if the quick commerce value proposition is delivering 10 minutes only, then there are few medicines that they can deliver in 10 minutes. But if their value proposition is going to be fulfilling the prescription, then they won't be able to do that because the pharma, the number of SKUs is just humongous, right? So, there are so many brands, even we are carrying 75,000 SKUs, the whole market is carrying more than 150,000 SKUs, right? So, if your value proposition is going to be fulfilling the prescription and there are 4-5 drugs written in the prescription, it will be very difficult for them to fulfill all 4-5. Even the large organized e-pharmacies are not able to do it, right? So, that will be number one challenge. Number two challenge will be on AOV, so, how to drive AOV on this because, you know, in 10 minutes, as I said, that whole range will not be available with you. So, your AOV could be much, much lower. On a lower AOV, you will burn a lot of money, okay, because your delivery cost and other cost will be a very high proportion of your sales. Third is the prescription, because the prescription, if you don't have a prescription, then you have to generate prescription through doctor calling that adds a lot of cost to the system. So, on a lower AOV, prescription generation is required and that will eat up a lot of margins. Fourthly, in terms of if you want to go after, because of this prescription addition, your 10-minute thing may not work out. So, it will take much longer time for you to supply the medicine. And, but you won't be able to combine pharma delivery with other delivery because if you want to combine both, pharma will take more time because of prescription and because of that, the other things will also get delayed. So, typically, what is happening is they are delivering pharma separately and other SKUs separately from the same basket, so which adds significant additional cost because of the same order, you will have two deliveries. So, because of all these challenges, I am not too sure how much pharma will be profitable for quick com companies. But, they are experimenting. Let's see how it works out.

**Bhargav:**

And Amazon?

**Prabhat Agarwal:**

Amazon has a better opportunity than other people because Amazon is not on quick commerce. Amazon is trying to fulfill the whole prescription range, right, which is, you don't find anywhere, you find on Amazon. So, the value proposition of Amazon is selection, not the speed.

**Bhargav:**

Yes. So, are we participating in that opportunity?

- Prabhat Agarwal:** Yes, we supply to organized retailers.
- Bhargav:** Great, sir. Thank you very much and all the very best.
- Prabhat Agarwal:** Thank you.
- Moderator:** Thank you. The next question is from the line of Ishmohit Arora from SOIC Research. Please go ahead.
- Ishmohit Arora:** Hi, sir. I had a question that for the full financial year, do we maintain our 30% plus topline growth guidance because sequentially for the last 3 quarters our growth has been a bit lower?
- Prabhat Agarwal:** So, see, if you look at last whole financial year FY25 our growth rate was more than 30%, right? So, when we said that, you know, similar growth rate will continue in this year. This year on a like-to-like basis our growth rate was 31%.
- Ishmohit Arora:** Right, because I think beginning from the, I think this quarter, our base is pretty elevated when it comes to the topline comparison versus last year.
- Prabhat Agarwal:** Yes. So, the base of Quarter 2 is higher and that's always has been, if you look at many years, for last few years, always Quarter 2 is much higher than Quarter 1. So, of course, our quarter two numbers have to be significantly better than Quarter one to even deliver that kind of a growth over a Quarter 2 base.
- Ishmohit Arora:** Right. And sir, the second question was that I think in first half of this financial year or for the full financial year, I think last concall you alluded to that in H2 we have seen positive cash flows. Do we expect a similar trend to continue as H1 will have positive cash flows or for the full financial year we will maintain that we will be positive cash flows?
- Prabhat Agarwal:** We have said that on a full year basis we will be positive cash flow.
- Ishmohit Arora:** Right.
- Prabhat Agarwal:** And similarly for EBITDA margin also, we have said that on a full year basis we will be 4% plus.
- Ishmohit Arora:** Sure, sir. All the best for the coming quarter.
- Moderator:** Thank you. The next question is from the line of Sudarshan Padmanabhan from Ask Wealth Advisors. Please go ahead.
- Sudarshan Padmanabhan:** Yes, thank you for taking my question. So, my question is, know, if I want to understand a little bit more on the operation, in the last few quarters, and even if I look at the fourth quarter versus the first quarter, the number of district covered had basically come down from 500 to 469. And



similarly, the number of retailers, the number of SKUs as well as the number of manufacturers. So, I mean, anything that you can add in this or are we primarily looking to basically scale down and focus more on operational efficiency?

**Prabhat Agarwal:** Just one second. I am just trying to pull out earlier quarters. So, if you look at, sequentially also if you look at quarter, my Quarter 4 had 69,000 customers, Quarter 1 had 71,000 customers, right? So, it has not gone down.

**Sudarshan Padmanabhan:** So, I mean, I was referring to the SKUs and the number of district covered, etc. That's the page number #6.

**Prabhat Agarwal:** So, if you look at, in quarter-to-quarter, comparing exactly with the same quarter last year for district covered in FY'26 was 469, last year it was 448.

**Sudarshan Padmanabhan:** So, there is a seasonality is what you're saying. I mean, even this data that you are providing, I mean, on a quarter-on-quarter?

**Prabhat Agarwal:** I am not able to understand how you are figuring out seasonality, which data point are you looking at?

**Ishmohit Arora:** So, I am looking at the data point, where you know, the number of SKUs handled in FY'25, is basically 80,600. The number of retailers is 95,300. And when I come into the first quarter, it shows the retailers as--

**Prabhat Agarwal:** If you are comparing with full year with a quarter. If you look at just quarterly numbers, you know, because sometimes what happens is that same retailer may not have built in every quarter. So, it will get captured in the full year, but it may not get captured in that particular quarter in which we are not building, right? So, you look at quarter-to-quarter. So, if I look at last year, Quarter 1, FY25, we had 60,000 customers. In Quarter 1 of this year, we have 71,000 customers. That's the more like-to-like comparison.

**Sudarshan Padmanabhan:** Sure. And with respect to understanding the cost, I think, one, clearly on a year-on-year basis, when I see there has been a sharp improvement in the gross margin, and for the reason that you had explained that there has been a salary hike, but is it fair to understand going forward, you're talking about over 30% growth, the rate of change of the salary cost would incrementally start coming down. And incrementally, that will start flowing to your EBITDA. So, that is probably something that we should expect from the next 3 quarters?

**Prabhat Agarwal:** Yes, it's a simple math, for example we had an operating cost of something like Rs. 89 crores in this quarter, right? So, all the salary increases have already been made in Quarter one, okay? And my growth is close to 9% operating cost, right? My revenue growth target is 30% for the full year, right? But on a quarter-on-quarter basis, my revenue growth is only 5%. So, this 5% will expand to 30%. But my entire cost increase has already been built in Quarter 1.

**Sudarshan Padmanabhan:** Sure. And if I just go through that, probably will exit the 4<sup>th</sup> quarter, if I just extrapolate this, anywhere between 4% to 4.5% which is there for the full year you will basically...?

**Prabhat Agarwal:** Next three quarters has to be between that.

**Sudarshan Padmanabhan:** Sure. And, with respect to the acquisition, I think as you had talked earlier that there is going to be part growth from your acquisition and partly from your existing business, just to understand from a longer term perspective, as the pace catches up, what is your thought process with respect to the rate of change of acquisition that has been very healthy till now?

**Prabhat Agarwal:** So, rate of acquisition will go down in future. In next 2-3 years, the rate of acquisition will go down because we will not need so many. I mean, we would have penetrated a good part of India, we would have expanded into various product segments. So, the need, the inorganic need will go down, right? So, today, the inorganic is contributing almost 15%-16% on our growth, right? So, in future, this 15%-16% growth will taper down, the organic growth will continue.

**Sudarshan Padmanabhan:** Perfect. But the cash flows will be more robust, right? Because in that case, your acquisition, the CAPEX that goes into it, that will not be required. So, to that extent, your cash generation ability will increase substantially during that.

**Prabhat Agarwal:** Yes. The idea is that we should be cash flow positive on the operating cash flow. So, whatever operating cash flows we generate, that would give us the ability to acquire more in future. As of now, we are using IPO funds to do that.

**Sudarshan Padmanabhan:** Perfect, sir. And I mean, just one final question before I join back, what would be the OCF per se in the second half of last year and first quarter of this year? Is there some color on that?

**Prabhat Agarwal:** It was positive. Last six months was good, positive. But as I told you, we are working on multiple projects on working capital reduction. And I believe, you know, among all the levers, that's the lower hanging lever for us. Because, at this scale, we can definitely optimize much more on working capital. Today is 66 days and earlier we had given a target of getting 10% reduction or 60 days in two years. Now, we are saying that by end of this financial year, we should be able to reach there.

**Sudarshan Padmanabhan:** Sure, sir. Thanks a lot. I will join back the queue.

**Moderator:** Thank you. The next question is from the line of Sajal Kapoor from Antifragile Thinking. Please go ahead.

**Sajal Kapoor:** Yes, thanks for taking my questions. And first question is, has Entero's approach to integrating acquisitions fundamentally evolved and between let's say 2018-19 versus last 12 months?

**Prabhat Agarwal:** Yes, definitely. We have been learning from our experience over the last 4-5 years.

- Sajal Kapoor:** Would you be able to share 1 or 2 examples of that learning, please?
- Prabhat Agarwal:** Now earlier, we were taking a much slower approach in integrating. Now we are taking a more aggressive approach in integrating. So, from maybe we changed the ERP systems or technology systems from day #1, earlier we were waiting a much longer time to, change those things because we wanted the existing sellers to, we didn't want to disrupt the business so much and we wanted a slower integration. Now we are much ahead in that. Our selection criteria has changed quite a bit now versus earlier. Now we are not looking at very small scale acquisitions. We are looking at the targets from multiple angles as compared to how we used to look at it in the first 2 years of our existence. And that's why you would see that most of the acquisitions that we have done over the last 12 months have all been margin accretive.
- Sajal Kapoor:** Yes, sure. And just to follow up, how do you motivate your team and maintain a productive company culture amid this rapid organic and inorganic expansion?
- Prabhat Agarwal:** This team has been around for a long time. Most of the senior members of this team have been around for the last 6 years. They know, we have grown together as a team. There are various kind of reward mechanisms in place including ESOPs and all that. So this is an exciting business. Where would you find so many businesses where we are growing like 30% year-on-year with 10 acquisitions in a year being done. So, it's a great learning experience also for a lot of people.
- Sajal Kapoor:** Sure, it is. Yes. And lastly, what is the investment roadmap for your proprietary technology platform over the next 1-3 years?
- Prabhat Agarwal:** We have already built a lot of technology, you know. To be honest, we are one of the few companies that have developed our own ERP systems, which can be customized, which can be integrated with Facebook, can be integrated with WhatsApp, which can be integrated with any other social media platform. So, all these we have built our own apps, customer facing apps. We are also working on a health tech platform where we should be able to integrate directly with the retailer system. So, all these tech investments have been made in the past. We don't see much significant investments in tech going forward. It's already in place. It just needs to be utilized more or capitalized more.
- Sajal Kapoor:** So, that means that as we start monetizing the tech, so investments have been made, it's all upfront pain that we have already endured. So, the benefits should start flowing in incrementally as we go into this fiscal, later half of this fiscal and maybe next one?
- Prabhat Agarwal:** For example, if I am saying that I am targeting 10% reduction in working capital days, that will play a very strong role in that, without that tech, we wouldn't have been able to do it or we won't be able to do it.
- Sajal Kapoor:** Absolutely. That's very helpful. Thank you so much. All the very best.

- Moderator:** Thank you. The next question is from the line of Akshat Mehta from Seven Rivers Holding. Please go ahead.
- Akshat Mehta:** Sir, one question on the revenue part itself. You said that around Rs. 230 crores of acquisition is what is included in the current quarter. How should we then look at the 15 that implies that around 7% growth is the organic. So how should we look at that and the 15% number? So if you can just help me make sense of the revenue growth figures?
- Balakrishnan Kaushik:** So Akshat, the way it is, is, so there were certain acquisitions that were done in Q1 FY'25. And certain revenue numbers were reported out of it into our financials of Q1 FY'25. And some of it, which is the pre-acquisition revenue, whatever was that value it goes into the inorganic. And whatever is excess or what we have already reported in the previous year goes into organic. So, you will have to look at those numbers in an overall basis. If you try to split between what went into organic, inorganic, that's probably why you're getting a different number in your calculations.
- Akshat Mehta:** Just to confirm, you mean to say that, some part of the acquisition revenue that has come in this Quarter 1, some part of that is also there in Quarter 1 FY'25?
- Balakrishnan Kaushik:** Exactly.
- Akshat Mehta:** Okay. Secondly, I wanted to ask if, if we exclude the amount of annual increment that was given to the employees this quarter, what would be the basis point impact on our margins, you from 3.6?
- Prabhat Agarwal:** It would have been 20 basis points.
- Akshat Mehta:** And, the acquisition that was done last year in FY'25, around 500 crores that we booked, what kind of growth that we'll see on these acquisitions, in this year?
- Prabhat Agarwal:** Similarly, what you're talking about, +15%.
- Akshat Mehta:** Thirdly, sir, if you can help us understand, this tax rate for this quarter was quite low at 17%. How should we look at this for the full year as well?
- Balakrishnan Kaushik:** So, Akshat, the tax rates for the full year will also be in the similar range, because we are taking some tax efficiency measures, which is actually helping us improve our tax. So, the annual numbers will also be somewhat in the similar range of 17%-18%.
- Akshat Mehta:** Okay, sir. And this employee cost number that we've gotten for the year, 58 crores, some 2%-3% quarter-on-quarter, upside on that is what we can take as the number for the full year, right?

- Balakrishnan Kaushik:** Part of the manpower cost is fixed. A certain part is also variable, which is mostly sales commission and all that. So, that will change in proportion to sales, but the rest of the cost will remain fixed.
- Akshat Mehta:** Okay. But we can roughly take, multiply it by 4 and put some upside to that as the full year number.
- Prabhat Agarwal:** Yes.
- Akshat Mehta:** Okay, sir. And just one confirmation, sir, you said that we are targeting 500 crores of acquisition this year?
- Prabhat Agarwal:** Yes.
- Akshat Mehta:** Okay. Thank you, sir. I will come back.
- Moderator:** Thank you. The next question is from the line of Prince from Pinc Wealth. Please go ahead.
- Prince:** Thank you for taking my question. First question is, in this quarter, there is no growth in our hospital customers. So, if you can throw some light on it?
- Prabhat Agarwal:** We are already at almost 2,500 plus hospital customers.
- Prince:** Yes. So, there was no addition in the hospital customers. It was similar to the last quarter.
- Prabhat Agarwal:** At the end of the day, we are getting more wallet share from the same hospitals. Even a lot of hospitals are getting consolidated also, right? So, it's like they are becoming part of one group. So, it's getting reported as one single customer.
- Prince:** Okay. So, if you can share the increase, incremental wallet share from these hospitals, as well as those distributors?
- Prabhat Agarwal:** So, we are not giving, know, kind of revenue split between hospitals and what do you call in hospitals and pharmacies, right? It's sometimes very difficult to get the data out also, because a lot of hospitals have OPD pharmacies, IPD pharmacies, sometimes the OPD pharmacies are outsourced to third parties, they are counted as retail pharmacy, while actually it should be counted as pharmacy inside a hospital. So the data classification is not very, very, you know, accurate, I would say, in hospitals.
- Prince:** Right. So, in terms of wallet share, incremental wallet share, not the revenue split between the hospitals and retailers.
- Prabhat Agarwal:** So, how will you calculate the wallet share? The wallet share you will calculate by dividing the revenue by number of customers, right? And comparing over a period of time, isn't it? Because

what you're going to get an aggregate wallet share, or let's say average wallet share, you won't get hospital by wallet share. So, in some hospitals, you might have 30% wallet share, in some hospitals, you might have 10% wallet share. So, what you would get is an average wallet share, not even wallet share you will get, because you will not know what is the total purchase of that hospital, you will only get a revenue per hospital, our revenue.

**Prince:** Understood. And also in terms of acquisitions, currently, we have four in pipeline. So, other than this four acquisitions pipeline, what opportunities do we see for merger and acquisitions?

**Prabhat Agarwal:** So, we are evaluating a couple of more deals. Hopefully, you know, in the next one month, we should be announcing that. The work is going on, as we speak.

**Prince:** Okay. And for this quarter, EBITDA margin was 3.6%. And we have a target for FY'26, like 4% plus. So, apart from operating leverage, what like, procurement efficiency, as well as other metrics, product mix, like they are, how they will contribute for this, for the financial year?

**Prabhat Agarwal:** So, this year, what we have said is 4% plus EBITDA margin, right? And, today's Quarter 1, the gross margins are at 9.9%, right? So, for the rest, for the incremental EBITDA, large part of it will flow through operating leverage only, because all the costs are there, while revenue is only 5% maintained in the Quarter 1. So, large part of it will come through operating leverage itself. Whatever incremental we get on gross margin will be an additional over and above our targets.

**Prince:** Okay, sir, understood. And, and just for the last part, like, what was the contribution from medical devices for this quarter?

**Prabhat Agarwal:** Medical devices around 4%-5%.

**Prince:** Okay. So, and how do you look at it going forward for this year?

**Prabhat Agarwal:** So, we are more aggressive on medical devices now, it's growing well, it has a higher margin structure also, a couple of deals that we are evaluating are in this space itself. So, this share will grow.

**Prince::** Okay, sir. Thanks for answering all the questions.

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

**Shivkumar Prajapati:** Thanks for taking my question. My first question is, I noticed that there are two steps, step down subsidies in our list of subsidies. So, just want to understand why we are looking at this route and not a subsidy route? The second one is, we had very low tax rate for this quarter. So, what is the reason behind it?

**Balakrishnan Kaushik:** Sorry, I didn't get your question very well.

- Shivkumar Prajapati:** So, sir, in our list of subsidiaries, we have two step down subsidies. So, usually, like we acquire the companies as a subsidiary and not route it through a step down subsidiary. So, just want to understand what change does this makes us?
- Balakrishnan Kaushik:** Yes. So, when you are referring to step down subsidiaries, can you tell me which ones you are referring to as step down?
- Shivkumar Prajapati:** Okay. Just give me a minute. I will just open.
- Balakrishnan Kaushik:** I think you're referring to CPD Pharma and Chethana Pharma distributors, if I am not wrong. Because basically, we are looking to merge a few entities to look at it from an operational efficiency. We are doing an operational pilot on if we merge the entities, how does it work, whether it helps us improve our overall operations and stuff. So, there are two subsidiaries which we are merging with one of our existing subsidiaries. So, in this quarter, the shares of those subsidiaries were sold from Entero to another subsidiary of Entero. And we will be merging those subsidiaries. That's the reason you're seeing a step down subsidiary currently. We are in the process of that. So that is the reason you are seeing step down, otherwise, typically all our acquisitions happen as a direct subsidiary of Entero.
- Shivkumar Prajapati:** Okay sir, great.
- Balakrishnan Kaushik:** And next question on the taxation. We are also working on certain tax efficient way of funding our subsidiaries, which will help us to improve our overall effective tax rate. The reason being that we will be able to utilize the earlier tax losses and set off our overall tax. That's the reason you're seeing a lower effective tax rate. And we believe our tax rate for the full year will be in the same range.
- Shivkumar Prajapati:** Okay. So, 16%, like 16%-18%.
- Balakrishnan Kaushik:** Yes, 16%-17% is what it will be expected to be for the full year as well for FY'26.
- Shivkumar Prajapati:** All right. And sir, my next question is on the gross margin. From last quarter, we have been adjusting 3% of gross margin due to change in contract. And I just want to confirm whether this is for a single client only and do we expect any such changes in coming period?
- Balakrishnan Kaushik:** This is for a single client only to answer a specific question. And so far, we do not anticipate any other major impact. As it stands today, we don't anticipate any other major impact of the same nature currently.
- Shivkumar Prajapati:** But sir, how does this change help the other entity or like, obviously, because of this change, our consolidated growth rate looks like a bit down. But how does this change helps the other entity that we made the change in contract?

- Prabhat Agarwal:** No, it was not a change that was driven by us. It was more driven by the client. So, there are various kinds of services that you can provide, either it's full revenue recognition, or we say that we just provide you the services, we will bill you for the services and you don't have to buy and sell from our books. So, this is what they wanted. So, this is what we did. We don't see any other contract right now, existing contract that can go through this route.
- Shivkumar Prajapati:** Okay, great. And sir my last question is, did we do any kind of assessment? I mean, benchmarking with the global distributors, customer acquisition cost or you know cost to serve per order, if you if you would provide this data points, that would be helpful.
- Prabhat Agarwal:** See, although if you compare with US the market is completely different, if we compare with Europe, the market will be very different. Every country is very unique. India is I am telling you in pharma itself is such a unique country. In which country you have like branded generic such a big proportion of of pharma industry, right? Either it's most of the geography, either is research molecule or patented molecules, and then you have generic. India has 3 category, 4 category, patented, then branded generic, then trade generic, and then generic-generic. No country has a structure like India, no country has the complexity of the geography that we have, like from such a huge entire US and not more than 80,000-90,000 pharmacies. We have, a customer base which is larger than the total population of pharmacies in the US. So it's not a good idea to benchmark with them, we'll have to create our own benchmarks and measure against our own benchmarks.
- Shivkumar Prajapati:** Understood, sir. Thank you so much, sir, and best of luck.
- Moderator:** Thank you. The next question is from the line of Ishmohit Arora from SOIC Research. Please go ahead.
- Ishmohit Arora:** Hi, sir. Just a follow up question. Do we have any view on the market creation of weight loss drugs in India? And are we seeing any impact on our revenues also?
- Balakrishnan Kaushik:** Ishmohit, we are not able to hear you clearly. Can you please repeat your question?
- Prabhat Agarwal:** And be a little slow.
- Ishmohit Arora:** I was asking, are we seeing any market creation happening in the weight loss drugs in India? And do we see any positive impact from growth from there also?
- Prabhat Agarwal:** Yes. So, there are two weight loss drugs launched recently, which is, one is Mounjaro, and the second is Wegovy and we are distributors for both these companies, in fact we are doing significant sales for Eli Lilly in India.
- Ishmohit Arora:** Right. That's it. And any idea on how do you see the market evolving in India itself over the next couple of years?



- Prabhat Agarwal:** I think next year in FY'26, next calendar year, you will have a lot of generic companies coming in Semaglutide market, right? So that should expand the market significantly.
- Ishmohit Arora:** That's it sir from my side. Thank you.
- Moderator:** Thank you. The next question is from the line of Akshat Mehta from Seven Rivers Holding. Please go ahead.
- Akshat Mehta:** Yes, sir. Just wanted to ask if you can share the cash balance on the books right now?
- Balakrishnan Kaushik:** So we have about 365 crores of cash on our books currently. You will not see it all in one place. So it will be in different line items because of the way the investments are done. We have about 365 crores.
- Akshat Mehta:** Okay, sir. Thank you.
- Moderator:** Thank you. The next question is from the line of Divy Agrawal from Ficom Family Office. Please go ahead.
- Divy Agrawal:** Hi, sir. Thanks for taking my question. And I am new to the Company. So my apologies if there are some basic questions on that. So, sir, firstly, if you look at this quarter, so our inorganic growth was around 13% compared to 18% in the previous quarter. So what were the key factors driving this reduction?
- Prabhat Agarwal:** Our growth rate on organic growth this quarter is higher than the previous quarter.
- Divy Agrawal:** Okay. Because in the PPT, if you see, the consolidated growth was around 28% and the Entero organic growth was 15%. So the balance would be inorganic growth, right?
- Prabhat Agarwal:** Inorganic, yes. Correct.
- Divy Agrawal:** So that's 13%.
- Balakrishnan Kaushik:** So, Divy, I will tell you. Here, what is happening is you are looking at 28%. The like-to-like growth is 31%. And out of 31%, 15% is organic and 16% is inorganic.
- Divy Agrawal:** You're after adjusting that 3%?
- Balakrishnan Kaushik:** Yes, after adjusting that 3%. Because you need to look at like-to-like.
- Prabhat Agarwal:** If you look at Slide #6 of our Investor Presentation, you will see the breakup between organic and inorganic on Slide #6, quarter-on-quarter.
- Divy Agrawal:** Yes, so got your point. And secondly, on the acquisition side, so considering that our primary objective of acquiring smaller distributors is to expand geographic presence and increase the

number of SKUs. So if we were to achieve the same organically, what would be the estimated time and capital investment required?

**Prabhat Agarwal:** See, the only thing in terms of time, it could be anywhere. It could be 2 years, 3 years right or it could be even longer than that. The good question is, it's buy versus build. So what is the extra that you are paying to buy as compared to build? And what we are paying in goodwill is the only amount which is paying over and above what we are physically acquiring the assets. Because those assets, even if we build organically, we would only have to put. So only the premium over and above the net assets that you are acquiring is your cost of buying versus building it yourself. I think our total goodwill will be what in our balance sheet? Less than 500 crores.

**Balakrishnan Kaushik:** About 400.

**Prabhat Agarwal:** So let's say, a revenue of Rs. 6,000 crores has been built with, let's say, 400 crores-500 crores of goodwill, premium that was paid.

**Divy Agrawal:** So, as we are on the goodwill side, so I just wanted to know, so goodwill right now as on FY'25 is 16% of the total assets. So would it be prudent to write it off entirely, given that this could potentially improve our return ratios?

**Prabhat Agarwal:** Yes, but then it's tested for impairment every year.

**Balakrishnan Kaushik:** See, under IndAS, you need to test goodwill for impairment. Under the accounting standard, there was the concept of goodwill being amortized over a 5 to 10 year period. But under IndAS, under which we are covered, the IndAS standards require that we test the goodwill for impairment at every financial period.

**Divy Agrawal:** So there's no amortization, right?

**Balakrishnan Kaushik:** There's no amortization. Only if at all there is any impairment, then that is taken into the books. But otherwise, it's only impairment. Only impairment testing that needs to be done, no amortization.

**Divy Agrawal:** So, and lastly, sir, there's a money control article dated 30<sup>th</sup> May 2025, which reports that, you know, Servier, which is a French drug maker, so it terminated the exclusive distribution agreement with Entero after AIOCD intervened over monopoly concerns. So could this be a similar thing going forward as well in our acquisitions?

**Prabhat Agarwal:** Let me first clarify that article, because we never gave any response to that article. First of all, Servier, we are an exclusive partner for them to promote certain of Servier brands in India, like we are for Abbott or we are for Roche, right? So that contract was never terminated. What was the point of AIOCD was that why Entero is only supplying to all the stockists. So what was agreed that Servier CFAs can also supply to the same stockists, instead of Entero, but marketing

and promotion is still with us exclusively. So that Servier partnership has never been terminated in terms of marketing and promotion.

**Divy Agrawal:** So right now, we have three agreements, right? Roche, Abbott and Servier?

**Prabhat Agarwal:** For pharma demand generation, yes, for pharma marketing, right.

**Divy Agrawal:** And the margin for this would be?

**Prabhat Agarwal:** Promotion margins are different than distribution margins, the promotion margins are higher, but the cost is also there. So we are putting around 150 people to promote and market Abbott and Servier drugs.

**Divy Agrawal:** Okay, and the incremental margin that we get here is, like, if we want to compare the margins here, so how much business point upside it will be.

**Prabhat Agarwal:** I think that margin is the confidential information between us and the company, right? So it is difficult for us to disclose in a public forum.

**Divy Agrawal:** Sure. Thanks. I got that point. Thanks a lot.

**Moderator:** Thank you. Ladies and gentlemen, that was the last question for today. I would now like to hand the conference over to the management for closing comments.

**Prabhat Agarwal:** Yes, I would like to thank everyone for joining this call. I hope we have been able to address all your queries. For any further information, kindly get in touch with SGA, our investor relations advisor. Thank you once again and have a great day.

**Moderator:** Thank you. On behalf of Monarch Network Capital Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.