



“Poly Medicare Limited
Q1 FY 23 Earnings Conference Call”

August 05, 2022



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MODERATOR: **MR. MITESH SHAH – ICICI SECURITIES**

Moderator: Ladies and gentlemen, good day and welcome to the Poly Medicure Limited Q1 FY '23 Earnings Conference Call hosted by ICICI Securities. As a reminder all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call please signal an operator by pressing '*' then '0' on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Mitesh Shah from ICICI Securities. Thank you and over to you sir.

Mitesh Shah: Thank you, Neerav. Good afternoon, everyone on behalf of ICICI Securities, I welcome you all for the Q1 FY23 earning conference call of Poly Medicure Limited. We have our senior management team of the company with us today represented by Mr. Himanshu Baid – Managing Director and Mr. Naresh Vijayvergiya – CFO and Avinash Chandra as Company Secretary. With this I will handover this call to Mr. Baid for the opening remarks. Over to you sir.

Himanshu Baid: Thank you, Mitesh. Thank you once again and thank you everyone who's on the call and thank you for your time. I'll take you through the other Q1 highlights and for this particular quarter we are talking there. So the revenue has grown by around 18%. If you compare from Q1 of last financial year, so from INR 203 crore to INR 239 crore on standalone basis. And as you know, we have given a guidance for FY '23, completely as 20% plus revenue growth over FY '22, so we are on track to deliver that. As you all know that couple of new plants will be operational by end of the year. So that will also help us to get this revenue target of 20% plus, but we have given a guidance earlier. As you see in this particular quarter our operating inhibitor is similar to Q4 but at PAT level we have seen some you know, lower numbers and I think there are a couple of reasons for that. One is our unrealized loss on mutual fund investments, and that was approximately close to INR 9.5 crore for the quarter one. And also there was some lower other income due to some changes in the portfolio re-gig and the portfolio did, investment portfolio we did over the quarter one, seeing what was happening in the market, especially our hybrid funds. So we had moved from hybrid to more to debt funds and also to more to fixed deposits. And because of that, as we moved the money from one fund to another fund, there was some realized loss. So because of that, the PAT went down, but if you look at the operating level, the EBITDA is still similar close to around 24%, 23% - 24%.

So we, we have done fine in terms of operational business and overall if you see now, but you know, in July we have already seen again over 5,5 crore on the mutual fund investments, so I think by the time we end this quarter two, all the losses we have made will be actually we recovered very quickly and we should be back to track in terms of our PAT numbers. So this is the current situation. Now on some positive momentum in Q1. I think the most important thing was that the raw material prices have started coming down and we will see, definitely see an impact in quarter 2 performance. We have seen that from peak in quarter four raw material prices in quarter one actually came down slightly lower, but as the material delivery takes almost two to three months, the real impact will come in quarter two.

And also now in quarter two, when we look at the new quotation we are getting for raw materials, they are even lower than quarter one numbers. So overall we have seen a downward slide of around 15% normal price, which is very positive for us, that is in repeat terms. So if you see in dollar terms, it could be around 20%, rupee terms already we see a 15% impact in our major raw materials. In this plastics. We are also seeing a downward trend in the freight rates. In last three to four months, we have seen the freight rates also decreasing by around 15% to around 20% in some cases, even higher. So that will also impact positively our margins and quarter two and going forward in quarter three and quarter four. Also there is a devaluation in INR against US dollar, and that is positive for the company in the long run. And as most of our exports are denominated in US dollar terms, so we will see also some positive impact in quarter two and quarter three as we see forward. And I think rupee still seems to be on a weaker trend. So I think this will definitely benefit the company in the long run as we have almost 67% of the revenue coming from exports and out of that almost 70% to 75% is your dollar denominated.

In terms of the business, I think in quarter one 67% revenue came from exports and 33% was some domestic business. Domestic business were more or less lagged because in last year

quarter one, we have seen a spike because of COVID, but now it's more or less around flat, but we have still guilty a significant growth in quarter two because there's already upward trend. And I think in most of the hospitals, the patients are back and I think that is going to really help us in the long run. But overall, I think there's a good growth in the renal business, that's grown over 25% in quarter one compared to the previous quarters. And also when we look at exports, we have seen a healthy growth in exports in quarter one and last year at exports only grew by 10% to 11%, but this year, I think because of the current trends and the current traction we have seen -- we will see exports also growing by around 16% to 18% in this financial year. So that's a good sign.

On the US FDA front, it is delayed by two, three months because we had to do some additional testing and that was requested by US FDA, certain testing related to bar compatibility and for UV light testing, which was never a requirement before, as for as consultant the requirement is a new requirement, which they have flagged, and we are retesting some products based on our requirement. These are only two things which we have to do. This will take around three months. So instead of getting FDA approval in quarter two, which we are anticipating very eagerly, it may be pushed to quarter three now, but we have some positive developments in the us. We have signed a contract with large distribution company and as we get the FDA, our sales should start with this company. It's a very large company. They have revenues in north of billions of dollars and this company will be putting our FDA approved product in the US market. So we were able to sign the contract with them. We also had a new VP Sales and a business development person, and he'll be joining the company from 1st September. And he has got experience of around 18 to 20 years. So this person will be also on board. So this will further strengthen our reach in the US market. And this person's main job will be to work with this company whom we have signed the contract to work with their team and do on-boarding and do product let's say approvals and to different hospitals and also work with their team to improve the sales of the product in the US market. In terms of regulations, I think we were surprised by a new bill announced by Government of India on medical devices, drugs, and cosmetics. This is a draft bill, which was published. We had very little knowledge of this happening, but government was working internally and they have put this bill on the website. The good part is that there is a separate chapter for medical devices, and this will definitely be a game changer for the industry as medical device will be credit separately from pharma and drugs and you know many challenges we were facing earlier because of being clubbed as drugs. A lot of these regulations were applicable, which were related to pharma industry. So everything goes away now. And we have a more let's say, robust act, and this will replace the Drug and Cosmetic act of 1940. So the act was very old and medical device was just implanted into the current act, but now we'll have a separate chapter, separate act. And this will give a big push to the medical device industry. There'll be new lab testing labs for medical device industry, there'll be medical device officers instead of drug officers also there will be penalties for companies making substandard products, which was not there earlier. I think I'm sure you recall a case where hip implants were fault implants were put in India, and there was very little penalty charge to a company. And because there were no law to do that. So now there'll be penalties for companies who are making substandard products.

Most of the medical devices are now getting regulated. So from 1st October you know, all class A and class B devices, which is the majority of the products will get regulated. So I think we will see a big change in the market. And I think government has already made sure that there's no extension for companies who don't have licenses to make these products. So at least now we are moving from an unregulated industry in India to regulated industry, which is good for us in a way that we are part of the regulatory framework. So at least we'll have a smooth ride on this area and companies, which were selling sub-standard products or low price products and not following GMP standards will no longer be able to do that because of the new regulations.

The construction of two new plants is in final stages. Faridabad 117 plant will be ready by the end of the year. And Jaipur SEZ phase 2 will be also ready by October, November. We have also started construction of a third plant, which is in IMT, and this is also expected to be ready by July - August, 2023. So the new and manufacturing infrastructure, which we are creating will help the company to expand the capacity of existing products. Invest in new manufacturing. We are looking at newer opportunities where we will look at expanding to new products in vascular access area. Of course, renal business expansion is already happening. We are also looking at working with large companies and global companies.

We're also looking at JV opportunities. So all that will also help us when this infrastructure's ready. We'll be able to do plug and play very quickly and move manufacturing into this new plants at a much faster pace.

And the infrastructure will be ready so we can add some products at a very fast pace as we were compared to earlier. Recently, we have seen that many companies are trying to de-risk from China and earlier, a lot of these companies went to Vietnam, Thailand, Malaysia, India was never on the radar. And but now we see that there is a mandate already with most of these companies to move out of China and I think with their experience in Vietnam and Thailand and Malaysia, not being that great, I think India offers a great opportunity. I think for that, I think PolyMed is pretty much well poised because we are creating this infrastructure and I think there's a big potential for PolyMed to target these companies and look at opportunities to work with them. And I think we are already strengthening our US presence and most of these companies are US or European based companies. So we are strengthening our base. We already won a very large account in Europe, recently in Germany and that was -- and that account also was transformed from China and to India, to us. So I think we are looking at more such opportunities like this, and in next, maybe 6 to 12 months, we'll see a lot of traction happening in this area.

I think India already has a good software potential. We also have hardware because we have a lot of good engineering talent today. And I think that is a plus point for us. And plus the cost of manpower in India is one of the cheapest in the world. So we are trying to push that to all our customers, the large global customers. We're trying to engage more with more companies today and see what we can do together with them. So the contract we sign in the US is just for one product right now, there could be many such products which would come our way in next one or two years, and that could become a big game changer for us in future.

We also hired some senior resources in manufacturing, R&D, quality and we have only hired these people in the plants and we continue to attract good talent across the industry and build great team around us. Recently, we received also ISO14,000 for two plant. Again we are very focused on our ESG compliance goals and also on sustainability goals. So we are working very hard on that and we have made a very stiff target for next three to five years to reduce our wastage, reduce our water consumption.

Also, do more recycling of materials if we can recycle them internally. So we are doing a lot right now in that area. And we see also savings coming off this exercises, what we are doing right now. So over period of one or two years, we will see substantial savings also coming because of sustainability measures we are taking, we are trying to reduce the content of plastic on the packaging, reduce the content of paper on the packaging. So we are looking at alternate measures. We are also looking at alternate plastics because we are looking at more biodegradable plastics used in manufacturing in -- also in packaging, a lot of work is happening in that direction, and ultimately that will result in cost saving. Also, it'll help us to attract very large companies who are very focused on ESG compliance and on sustainability goals.

So we are working on that. We also received MDSAP certification which, which is certification for Brazil, US, Australia. And this is a regulatory approval and this is -- we have received for two plants already, and this is an added advantage because this fast tracks our registration process in this country. So this is also a big advantage we have got today. Very few companies which have got MDSAP registration for medical devices in India.

Also, I'm very happy to inform our esteem friends that Dr. Amrish Mittal who's a Padma Bhushan and BC Roy awardee has joined our Board as additional director. Of course, this is subject to shareholder's approval in the AGM. Dr. Mittal Chairman and Head of Endocrinology in Max Hospital. And he is also domain expert and on the governing board of National Health Authority of India, also President of AIIMS Gorakhpur.

So Dr. Mittal has a vast experience in MedTech medical devices and has a great exposure and has a very renowned name as a doctor. So I think this is good addition to PolyMed's board. And I think this gives a more depth in terms of clinical understanding of products and also maybe we will take help of Dr. Mittal to even work on new devices and new areas in the med tech field.

So these are the comments on my side. I'm happy to get more questions from you, from friends who are on the call and thank you once again for taking time out and patiently listening to me. Over to Mitesh.

- Moderator:** You very much. We will now begin the question and answer session. The first question is from the line of Rashmi Sancheti from Dolat Capital. Please go ahead.
- Rashmi Sancheti:** Sir, I just want some clarity in the numbers. Can you provide you know, the sales breakup in terms of domestic and export for quarter one of FY '22, like you said for this quarter, but I need it for quarter one FY22.
- Himanshu Baid:** So for quarter one exports was INR 125 crore roughly. And domestic sale was INR 78 crore. So total sale was around INR 203 crore in quarter one.
- Rashmi Sancheti:** Okay. So basically what I want to understand that in the last conference call, you mentioned that domestic business we will be doing higher growth of around 24% 25%, but this quarter we have done a very lower growth and in fact, quarter-on-quarter, we have seen a decline. So what are the reasons for it? And are we on track that we would be able to achieve you know, 24% 25% growth for the entire year?
- Himanshu Baid:** Yes. So we are on track. I'll tell you why, because in that INR 78 crore around INR 20 crore was more related to COVID products, especially on the respiratory care side. Remember last year, quarter one was the Delta wave quarter.
- Rashmi Sancheti:** Okay. You mean to say Q1 FY 22 INR 20 crore was something which was related to COVID.
- Himanshu Baid:** Like the VTM kits and the respiratory care products. Well, there was a huge demand for those particular products. So demand for those products was completely gone now. So that is a zero demand. So if you look at actually the business is grown because if you remove those products and the business, we have added INR 20 crore on new products, basically in this particular quarter.
- Rashmi Sancheti:** Okay. And we are on track for achieving 24%, 25%.
- Himanshu Baid:** Yes, exactly. We are on track and you will see the numbers and quarter two and quarter three. We are already on track and already we have seen a good July already.
- Rashmi Sancheti:** Okay. And on exports front, we have seen 33% sort of growth. So it is mainly driven by all the infusion therapy business only, or it is from the across segment.
- Himanshu Baid:** It's primarily infusion therapy because that's our core segment for exports renal we are still focusing on India only right now.
- Rashmi Sancheti:** Yes. And infusion therapy. The entire part goes to the export business only, or we do supply to the domestic market.
- Himanshu Baid:** We supply domestic also we have a big share in domestic market.
- Rashmi Sancheti:** Okay. So can you just break up infusion therapy ratio in exports and domestic?
- Himanshu Baid:** Infusion therapy. I don't have the number right now, but all I can say is infusion therapy constitutes in terms of exports, if you look at exports of INR 163 crore, which you have done in quarter one, so out of that infusion would be around 90%. And in domestic, let's around INR 75 crore of businesses there for domestic business. So in that almost 65% is infusion therapy.
- Rashmi Sancheti:** Okay. And sir another question on the dialysis machine. What is the current status of which is under clinical trials and how many sales reps are we allocating for this machines? Are the machines already installed in the various dialysis centre.

- Himanshu Baid:** Yes, so we have started installing. So in last year we installed around 80 machines and they were like CKT, but now we are developing our own machines. So this year the target is to install on 150 machines.
- Rashmi Sancheti:** But it is still under clinical trials or it is out of the clinical.
- Himanshu Baid:** It is out of the clinical trials. Now we are -- we have started assembly process.
- Rashmi Sancheti:** Okay. And sir, how many sales reps are we allocating for these machines?
- Himanshu Baid:** No, I can't give you that number, like directly that it's a progressive thing. So every quarter on quarter you add people. So we have service team, we have clinical team and we have sales team. So there are three teams which are working collectively to do this business.
- Rashmi Sancheti:** I was mainly asking for the service team only like one person getting allocated for at least hundred machines or 50 machines.
- Himanshu Baid:** No. So the ratio is much lower. So we are putting wherever -- we are sending machines, we are ensuring that we have a service team ready to be there in next say four to eight hours. That is what we are trying to do to establish ourselves, because today if we put in a remote location, we will not be able to service the machine.
- Rashmi Sancheti:** Okay. And mainly which are the regions, which are focused in this particular.
- Himanshu Baid:** We are doing currently North, western, and south India, all big cities.
- Rashmi Sancheti:** And so one last thing, which I want to know that generally as per government rules in one dialysis center, it is expected that at least five machines are to be installed. So is this the statement, even we are doing the same way that in every dialysis center we are keeping it...
- Himanshu Baid:** No. We don't run those centers. It is the operator who will put five machines. We are only selling machines to operators like DCDC or other dialysis centers who are wanting the machines. We don't run those centers.
- Rashmi Sancheti:** Okay, sir. And one last question on this only basically you know, whatever machine which we are installing, is it at a discounted price to MNC players?
- Himanshu Baid:** So definitely as we are now locally making the machine will be cheaper in the market, but we are pricing ourselves maybe 5% to 7% lower than the MNC players. And also there was a duty put on these machines on 1st February, 2022. So I think as, as a company, we have an advantage because now making a local machine plus also in government procurement, anything which is locally manufactured is given a preference because of the public procurement orders, which government brought in in 2017 and 2020 amended. So that will be advantage for in government procurement also.
- Moderator:** Thank you. The next question is from the line of Sumit Gupta from Motilal Oswal. Please go ahead.
- Sumit Gupta:** Yes. Hi, thank you for the opportunity. I just want to get like information on the third plant that you said. So first is in the Faridabad, second is Jaipur and I want to understand regarding the third plant, where is it and what is the capacity utilization that it'll be that you plan it for?
- Himanshu Baid:** So third plant is again, set up in Faridabad. Location is IMT Faridabad, so we already have a plan there which will established in 2018, sorry. And then we did various expansion the plant till 2021, and we are running out of space. So we are expanding a capacity for dialysis and prefill syringes in this new expansion we are doing.
- Sumit Gupta:** Right, sir. Can you give me -- give a highlight of how the dialysis procurement -- dialysis agreement with the government is going on. What kind of...

- Himanshu Baid:** Don't have any agreements with the government. We only supply machines and consumers to providers.
- Sumit Gupta:** Obviously the providers, but what kind of traction that you're seeing, is there any improvement in the month or month orders?
- Himanshu Baid:** Yes. So as I told you in the call already, we have seen a 25% growth in the dialysis business in quarter one already, and quarter on quarter, we are seeing the growth happening in dialysis business. Yes. Dialysis was a bit subdued because of COVID, but now the patients are coming back and also the government revised rates in Ayushman Bharat. So it's 1500 rupees in tire 2, tire 3 entire cities and 1800 rupees in tire 1 cities. So now there's a reimbursement already happening in the Ayushman Bharat program. So because of that I think we are seeing more patients coming to larger center and I think all these providers like NESO plus and DCDC are also expanding their capacities, setting up more centers and more -- and as they established more centers, I think is good for us because then the demand for consumers and machines will also increase.
- Sumit Gupta:** Okay, sir. Last question regarding the currency. So you like obviously exports the products and obviously the raw also is imported. So in that case, the rupee depreciation would not be much of an advantage. Am I right on this?
- Himanshu Baid:** Not really. Not really because see we have more export than imports and probably the ratio is I would say we have exports in let's say in dollar terms or exports around 75% of total exports. So this year our target is to do maybe INR 675 crore to INR 700 crore of exports. And our imports will be around INR 250 crore of INR 300 crore in dollar terms. So on that INR 700 crore about INR 500 crore to INR 550 crore or INR 525 crore, so we will probably have a surplus of INR 250 crore of foreign exchange where we will have a positive impact.
- Sumit Gupta:** Okay. And majority of this imports that is being done is from countries like Taiwan and countries in Southeast Asia, right?
- Himanshu Baid:** No, also we have in Europe, we are from US. We are from Japan. We are from China, Taiwan, Korea.
- Sumit Gupta:** So, Yes. So just want to understand on that part only. So the net-net export, obviously not in - - not particularly in dollar terms, but in Euro and other currencies also. So net-net is a positive impact that you see.
- Himanshu Baid:** Absolutely. It'll be a positive impact.
- Sumit Gupta:** Okay. So how much percentage would that be?
- Himanshu Baid:** Overall, we might see, let's say an improvement let's say rupee is depreciated by around 6%, 7% over last two, three months. So net should have an impact of 2% to 3% on our receivables.
- Sumit Gupta:** And sir, going forward so what kind of working capital cycle do you see going forward? Like the inventory you maintained for three to four months. So going forward also, you would plan to maintain that or what kind of working capital?
- Himanshu Baid:** The current geo situation every day is changing. So and then plus those whole supplies in disruption we have seen in the last six, eight months and with what is latest development, which are happening in the east -- in China, Taiwan. So we don't know what is going to happen eventually. So we maintained adequate stock raw materials to cover ourselves for at least 2, 2.5 months, 3 months. So, but as we have 200 transfer vendors, so it keeps on fluctuating depending on their manufacturing capability. But we are fairly covered for a moment.
- Sumit Gupta:** Okay, sir. Thank you.
- Moderator:** Thank you. Next question is from the lion of Pankit Shah from Dinero Wealth. Please go ahead.

- Pankit Shah:** So wanted to understand more on the industry side, what you discuss that after the new bill getting introduced more of the unregulated industry is probably expected to move out. So in our therapy or say, infusion therapy or renal care, how big is this unregulated or say substandard product or unlicensed market?
- Himanshu Baid:** So I would call it substandard. I would call it unlicensed, unregulated, and almost 70% or 75% industry was unregulated because there was no proper mechanism to regulate and they were not part of any regulatory framework because there was no regulation in India. So there are two things. One is the regulation getting -- the old regulation getting implemented and this is already in process and from 1st October, class A and class B devices will be regulated all devices, and most of our devices following class B category. C and D are more like orthopedic implants and stents, and those kind of long term implants which are covered in CND category, but all short term usage products are in A and B category. So this is getting regulated first from 1st October, 2022. So this is a big change. And with the new act also coming there is separate carpal for medical devices. Now we have currently one drug controller who's taking care of pharma, drugs, cosmetic, everything. So now there'll be a separate department for medical devices only. This will, this will actually now regulate manufacturing import, everything will be more deeply regulated. Currently. There was more regulation.
- Pankit Shah:** So according to using, for example, hundred to industry size and out of the say 60% 70% is unregulated or unlicensed.
- Himanshu Baid:** Exactly. Exactly, exactly.
- Pankit Shah:** So probably an opportunity size should double for us.
- Himanshu Baid:** If under this -- players are kind of weaning out or probably they will not be able to get approvals or licenses then probably the market will and plus market is changing. We are seeing more leaning towards Indian company, which is corporate hospitals. So we are getting into more accounts. So now things are changing actually.
- Pankit Shah:** Okay. And wanted your view on the PLA schemes, both on the renal care and diagnostics.
- Himanshu Baid:** So that is -- it's a work in progress PLA is always, it has just started this year. So it's a work in progress. So this is the first quarter of the PLI scheme actually start from 1st April 2022. So we are already making investments. We are already part. So only by end of the year, we will know that how much we have done as a progress. And have we met those targets? If we meet those targets, we get incentives. If we not, we can carry forward to the next year and then add it to the next year. So it is a five year program. So something which is a long term goal for the organization.
- Pankit Shah:** And on the margin side, so we have seen the expenses moving quite sharply.
- Himanshu Baid:** So this other expenses constitutes that MTM loss on investments, mutual funds.
- Pankit Shah:** On the 9.5 crore.
- Himanshu Baid:** That was 9.5 crore unrealized loss. And then we are also had realized losses where we moved certain fund money from hybrid funds to debt funds and to FDRs. When we move the, so we have to realize the losses and move to the other side.
- Pankit Shah:** So this INR 9.5 crore is probably the unrealized part, which will get reversed in the next quarter or so.
- Himanshu Baid:** You will already see it because that has become zero now. So from operating profit and plus already, as I told you, in July only I've seen a five and a half per gain on this investments. So in terms of operating margin, operating profit is exactly the same.
- Pankit Shah:** And in future, if we would want to avoid this realize loss kind of a thing as a policy, we are planning to do only debt.

Himanshu Baid: Well, that's a big question. You know, you guys can answer. It's very difficult for me to answer this because everybody was caught guard off guard on this. And of course our finance team and of course Naresh is on the call CFO, she's taking some measures, at least in future. We don't get these kind of losses.

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

Girish Jain: Thank you. So I have two questions. One is, can you give some idea about the US business? When do you think the revenues can start from the US business and what can be the revenue maybe into '23, '24? And the second question I had was of the money, which has been raised in the QIV program left. And what is the current debt level of the company?

Himanshu Baid: Yes, I'll answer the first one. And as I informed earlier as the US FDA has got delayed by a quarter because of some additional testing requirements. So we are expecting the approval to come in quarter three now, and the testing is already undergoing, and these are the two queries which were raised by US FDA And we are already in the process of submitting them the additional testable will take three months. The three months already started from around middle of June. So that's already in progress. We have already signed a contract with our US company, as I mentioned earlier. And this is a big game change for us. And with this company our major product, the infusion category products, we are going to launch them in the US market. And we expect the sales to start from early January because we expect the approval to come by October or November. And meantime, we are already doing some clinical testing in the US. And once everything is done in the approval is in place. We will start maybe sales in January.

And in terms of business revenue for the particular contract on business, we have product sign. We see a business of maybe USD 15 million for this particular product category. But as I told you, the opportunity is much bigger. This company itself has around 15-18 divisions. So as we move forward within we may work with other division, other category of products, we'll maybe see more, maybe a few more products being added to the portfolio in incoming maybe four to six months. And we are also talking to other US companies right now, as you know, most of them have a task to move away from China, some of the production. So I think there are a lot of is opportunities opening for us. So I think maybe early next year we'll have much bigger clarity on what we will be able to do in US once FDA approval in place and also then we start exporting products to this one particular customer and then add more customers in this category. In terms of debt, the debt we have not added any new debt. It is all on the reducing side, in terms of QIP utilization, I think we have already informed, I think maybe I'll just give you a number if I have. Yes, so we have utilized almost INR 188 crore in CapEx. We have invested around INR 15 crore , INR 16 crore in the subsidiaries overseas subsidiaries. We have recapitalized that, and we have done INR 61 crore of repayment of existing loans. So we have around INR 130 crore, which is still remaining another QIP money which we have raised INR 400 crore. And most of it will be utilized in next one year or so in all the existing projects.

Moderator: Thank you. Next question is from the line of Sandeep from Anand Rathi. Please go ahead.

Sandeep Abhange: So I had questions regarding, and can you give me some numbers on your market share in domestic as well as export market.

Himanshu Baid: that is difficult number.

Sandeep Abhange: Even ballpark number would be okay. Like in...

Himanshu Baid: Global market is huge, Global is maybe today when you look at vascular access is USD 30 - 40 billion. So it's a huge potential, whether it's US, Europe all over the world, so the product can be sold in every country. So the potential, the market size is huge in every category. So let's say the categories we do, the market will be around USD 20 to 30 billion.

Sandeep Abhange: Okay. So that includes also infusion therapy as well as other segments.

Himanshu Baid: Correct. All other segments.

- Sandeep Abhange:** And in terms of domestic, like you were mentioning on call the recent regulation government is going to pass a draft bill. So in that, once this 70% of unregulated industry gets regulated then is there a possibility to gain significant amount of share from these unorganized players?
- Himanshu Baid:** I think that is already going to happen. See most of these unorganized players were in the lower segment of the market tire 2, tire 3 cities. The tire 1 was still dominant MNC companies. So for us, the bigger pie is we are taking from MNC companies. For us that is a bigger -- we don't want to go to take market share on unregulated sector or smaller fringe players, because we don't want to reduce our prices and take businesses. We want to take the upper segment where there MNC companies and where we can, because see it is getting expensive for them to import. There are no import duties on products, which are not there earlier. So I think for us, that's the window -- bigger window of opportunity to replace MNC from the market rather than replacing the smaller players.
- Sandeep Abhange:** Okay. And in terms of raw material, I just wanted to understand, like you, as per I read your annual reports in that you said that almost 70% of your raw materials are imported. So in terms of imports, is there any particular country which in which you have greater exposure, significant exposure?
- Himanshu Baid:** We have from Korea in terms of raw that's major exposure there. And then we have exposure from Malaysia. We have exposure from Taiwan, Japan I'm talking about Eastern region right now, China. Then we have Germany, Denmark, US, Italy. These are major imported raw markets.
- Sandeep Abhange:** Okay. And one last question I had on margin front. So your margins haven't got below 20%. So this was the first quarter when you report 19% margin, like in operating margin. So in terms of going forward, what is your view on margins? Will you be able to sustain around 23%, 25% level, or is there any..?
- Himanshu Baid:** As I told earlier in the call, the raw price started coming down, I'll just give an example of raw material, like PVC raisin, which was INR 135 in quarter 1 now the new quotation has come to INR 100. And we consume around 300 tons of PVC Raisin in month. So that's a drop. And let's say we also use plasticizers which have come down significantly from INR 170 to -- and I'm taking on dollar terms. In spiral Rupee is depleting by 7.5% still we are seeing in rupee terms almost 15%, 25% reduction in key raw materials.
- Sandeep Abhange:** Okay. Can we expect to....
- Himanshu Baid:** We will see a better Q2 definitely. And I think as I told you, some currency will also come in and play. So I think -- we will see our improvement of at least 250 to 350 BPS of margin improvement. That's what we are anticipating.
- Moderator:** Thank you. Next question is from the line of Sumit Gupta from Motilal Oswal. Please go ahead.
- Sumit Gupta:** Thanks again for the opportunity, sir. So I have two questions regarding the renal segment. So first, so have you seen any quarter-on-quarter improvement in the market share? And second point is in the revenue share for the renal segment. So what kind of improvement has been there in FY '22, it contributed around 7% of sales. So in this quarter, what kind of percentage share would be?
- Himanshu Baid:** Renal has grown actually, if you look at quarter one to quarter one numbers it has grown by over 25% if you look at the renal business if we compare quarter one to quarter one of last financial year.
- Sumit Gupta:** but volume basis?
- Himanshu Baid:** Yes. So I'm coming to that. So in terms of total, I think on the domestic business, the renals contribution would be around now 10%. But again our focus still is in vascular, so renal is one of the new businesses we are developing, but our core business is more important for us also, which is our bread and butter business.

- Sumit Gupta:** Right, sir. So my point was, so renal is sticking share from the core business, in the contribution to the total sales. Therapy segment that is expected to be around 60% - 62%, like you guided.
- Himanshu Baid:** Exactly. Absolutely. Absolutely.
- Sumit Gupta:** Okay. Okay. So within renal, it is expected to currently 10% this quarter.
- Himanshu Baid:** Yes. So this year our target is to close renal by around INR 100 crore. So last year it was around INR 55 crore , INR 56 crore – INR 57 crore. So this year our target is to close renal in our business by FY23 around INR 100 crore. That is the growth we are expecting in renal over the years.
- Moderator:** Thank you. Next question is from the line of Krishna Prasad, individual investor. Please go ahead.
- Krishna Prasad:** Yes, sir. Thank you for taking my question first. You mentioned about you know, this US FDA query and you know, some delays to the eventual approval. Can you just talk a little bit more about that? Actually, I'm not very aware of how that process works in devices. So maybe if you can just you know, help me understand and, and you know, how does this delay the process and is there a specific target date or a specific timeline provided to you for approval? Thank you.
- Himanshu Baid:** Yes. So of course I mentioned answer this before, but I'll answer it again for you. So basically FDA approvals in medical devices based on 510 K approval. So anything which is higher risk category goes to FDA for review directly and certain products exempted, but the categories we operate are basically high risk device, medium to high risk devices. So we have to do all the testings, clinical approval, clinical testings are done on the product and bio compatibility testing is done on the product. So we are expecting the approvals to come in quarter 2, but because they've asked to do some more bio compatibility testing's so the approval is probably delayed by three months. We are expecting now the final approval to come in quarter three. So that is number one, number two sorry, the second question you asked?
- Krishna Prasad:** This is one question, just a follow up. So have you now submitted what was requested of you?
- Himanshu Baid:** Yes, we are submitting it'll take three months, as I said, middle of June, we received the queries like three months for resubmission. We have to do testing, testings are done by outside labs, third party labs, not done internally. So the third body labs almost take three months to do bio test. And once we have the results we will share with US FDA and probably the timeline will be around 30 days to 60 days for them to give a final approval.
- Krishna Prasad:** Okay. Understood. And that timeline is specifically provided 30 to 60 days.
- Himanshu Baid:** Yes. FDA has their own timeline. Yes.
- Krishna Prasad:** Okay. Understood sir. The second question is relating to this mutual fund investment book that you've been talking about. So the last annual report that we see, I think is FY '21 '22 is not out yet. So let's say '21. I don't see any investment in hybrid funds. Is there a reason you moved from bond funds or debt funds to hybrid funds?
- Himanshu Baid:** So FY '21 there was very limited investment. FY '22 we raised the funding, when we raised the QIP money. And that is where this money and the surplus funds of the company are parked in mutual funds. And mostly we are in debt funds. And I think debt funds actually gave a negative return in quarter one and that is one of the reasons that we have unrealized loss of INR 9,5 crore on that.
- Krishna Prasad:** You said, realized losses as well.
- Himanshu Baid:** Unrealized.

- Krishna Prasad:** Okay. So these were not realized losses?
- Himanshu Baid:** No, no, but they have been booked in the P&L because that's how we have to do it.
- Moderator:** Thank you. Next question is from the line of Rashmi Sancheti from Dolat Capital. Please go ahead.
- Rashmi Sancheti:** Yes. Thanks for the follow up. Just again, on the US business you know can you let us know the name of the products how many products have you applied to the US FDA and which are those products. And when you say that USD 15 - 20 million these products has got the potential when, can we expect that kind of revenue to come in? I mean, in which year,
- Himanshu Baid:** Could you repeat the question? Because I think a lot of things I've answered earlier, but I think, is there any specific point you want to ask Rashmi?
- Rashmi Sancheti:** Yes. So basically what I want to understand -- when you said that you have applied for the high risk product. So can you just let us know, which are those products out of your total portfolio? I mean, can you name them whether those products are you know, catheters.
- Himanshu Baid:** There's a lot of confidential information there, but I can tell you, this is from infusion portfolio. These are core products and the core products, which we today manufacture and supply globally. And those are the similar products from the infusion portfolio.
- Rashmi Sancheti:** Okay. From the infusion portfolio. And when you say these products have got potential you know, to make sales of around USD 15 million to USD 20 million in the US business you know, by what I mean -- by which year are we expecting this kind of sales?
- Himanshu Baid:** No. So I've told about one product category, which we have signed a contract and that is a potential of revenue USD 15 million over five years. Similarly, there will be more products we'll add during next one or two years. That'll also add more potential to this business.
- Rashmi Sancheti:** Okay. Basically it's over five years.
- Himanshu Baid:** Yes. Correct. One product only just one product. So there could be multiple products actually in future.
- Rashmi Sancheti:** And sir my last question is on Euro depreciation. Do we have any impact or any impact expected from currency?
- Himanshu Baid:** No, I don't think because we have taken -- our benchmark Euro is almost between 80 and 81 when we do our business planning. So if it is in that range, I think we are pretty good with that.
- Moderator:** Sir we don't have anyone in the questions queue would you like to make any closing comments.
- Himanshu Baid:** I think thank you again. I think I'm thankful to all the people who are on the call and were they -- had a very deep dive on and they had a great study on the company and thank you for all the encouragement, all these questions actually help us to do better every quarter and improve our performance. And we'll look forward to talk to you in coming few months also. Thank you so much.
- Moderator:** Thank you very much. On behalf of ICICI Securities Limited that concludes this conference. Thank you for joining us. You may now disconnect your line. Thank you.