# “Sahajanand Medical Technologies
# Q2 FY27 Earnings Conference Call”
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**MODERATOR:** **MS. KHYATI SONTHALIA – MOTILAL OSWAL FINANCIAL SERVICES LIMITED**

**Moderator:** Ladies and gentlemen, good day and welcome to the Q2 FY 2027 Earnings Call for Sahajanand Medical Technologies, hosted by Motilal Oswal Financial Services Limited. 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 star then zero on your touch-tone phone. Please note that this call is being recorded.

I now hand the conference over to Ms. Khyati Sonthalia from Motilal Oswal Financial Services Limited. Thank you, and over to you.

**Khyati Sonthalia:** Thanks, Yashashri. Good evening, everyone, and warm welcome for second quarter FY 2027 earnings call of Sahajanand Medical Technologies. From the management side, we have Mr. Bhargav Kotadia, Managing Director and Chief Executive Officer, and Mr. Amit Khandelia, Chief Financial Officer. Over to the management for the opening comments.

**Bhargav Kotadia:** Hi. Good evening, everyone, and thank you for joining SMT's first earnings call as a listed company. I am Bhargav Kotadia, Managing Director and the CEO, and with me is Amit Khandelia, our Chief Financial Officer.

Before we begin, please note that today's discussion may include forward-looking statements. These are based on our current views and involve risks and uncertainties. Please refer to the safe harbor statement on slide two.

We will cover three areas today: our financial performance for Q2 and the first half of FY 2027, our operating KPIs, and the progress on our product pipeline. We will then take any of your questions. You have my commentary on the slide, so I will not read through it. Instead, let me share three thoughts as we begin our journey as a listed company. First, what listing means for us. It brings a new level of accountability.

We intend to report transparently and consistently on the same KPIs every quarter so that you can measure our delivery against our commitments quarter- after- quarter. Second, the quality of this quarter's growth. What pleases me most is not the record numbers themselves, but how they were delivered. Growth came from every product category and every region, and more of each rupee of revenue converted into profit. That tells us the business is scaling the way we built it to.

Third, what we are focused on next. We have three clear priorities: executing on the launches already in hand, including Sironity in India and the next steps on our TAVI platform, continuing to improve margins through operational efficiency, and building utilization at our Telangana plant, which gives us room to grow without proportional capital spend.

Amit will now take you through the numbers in detail. Amit, over to you.

**Amit Khandelia:** Thank you, Bhargav, and good evening, everyone. Let me take you through our financial performance. I am on slide number six. Quarter two FY 2027 was a record quarter for SMT, with the highest-ever revenue, EBITDA, and PAT. Revenue grew 24.7% to around INR373

crores. EBITDA grew faster, up 36.6% to INR65 crores, and the EBITDA margin rose from 16% to 17.6%.

PAT grew 26.6% to INR26 crores. For the half year, revenue grew 24.9% to INR725 crores, and EBITDA grew 43.4% to INR114 crores, a margin of 15.7%. Reported H1 PAT grew 7.5% to INR41 crores. I will explain shortly why the underlying growth is much higher. Moving on to slide seven, which talks about the product mix. Growth came from all the three categories. Vascular intervention remains our core at 58% of H1 revenue, up 16% year-on-year.

Structural heart accelerated in quarter two, growing about 40%, with both TAVI and occluders up about 40%. Other products grew fastest, up 52% in H1, and this was largely on account of IVUS that we have in the Europe geography.

Moving on to slide eight, which talks about the geography cut of revenue. By region, ROW grew fastest, up 37% in H1, and is now our largest region at 40% of revenue. Europe grew a steady 23% in line across both the quarters and is 36% of revenue. India picked up from 6% growth in quarter one to 15% in quarter two.

We also had a tailwind from currency this half, mainly in Europe. In constant currency, at the overall level, revenue grew about 16% in quarter two and about 15% in H1. I'll now move to slide nine, which talks about the profit and loss statement. Starting with gross margin, gross margin for the first half was 74.3% against 76% a year ago, a decline of about 170 basis points. About 150 basis points of that is from the mix.

Traded products which carry lower gross margins grew faster than our own product, and the regional mix also shifted. The rest reflects higher input and labor cost, which include our continued investment in quality, an area where we will not compromise. Our pricing has remained broadly stable in all the product segments.

On traded products, our focus is to leverage the sales team that we have already built. Selling more products to the same team, to the same customer and channels spreads our selling cost over a large revenue base. This is operating leverage playing out, and it is why EBITDA grew faster than revenue. You can see this in our cost ratios.

EBITDA margin expanded by 154 basis points in the quarter, as employee cost fell from 28.8% to 27.1% of revenue, and other expenses fell from 31.5% to 29.7%. Together, that is about 350 basis points of cost efficiency.

In absolute terms, EBITDA grew 37% in quarter two and 43% in H1, well ahead of revenue growth. On PAT, H1 FY 2026 included a one-off tax credit of INR8.7 crores relating to earlier periods. Excluding it, H1 PAT grew about 39%, which is the last line on this slide.

I'll now move to slide number 10, which is the balance sheet and the return ratios. Our return ratios improved minimally. ROCE rose to 16.7% on an annualized basis from 12.2% in FY 2026. Return on equity rose to 11.2% from 9.8%. This came from profit growing much faster than the capital base.

Capital employed rose by INR72 crores in half year, almost all of it from working capital to support the growth of the company. Total equity is around INR745 crores and borrowings are INR300 crores, with INR114 crores of cash and liquid investments. Moving on to slide 11, which talks about cash conversion cycle. Cash conversion cycle is a clear focus area for the company.

Our cash conversion cycle came down from around 144 days in FY 2025 to 138 days in FY 2026, and further to 128 days in H1 2027, which is a reduction of 16 days in just two and a half years.

Moving on to slide number 12, which talks about the cash flow. Cash from operations has grown 2.6 x in two years, from INR41 crores in FY 2024 to INR105 crores in FY 2026. More importantly, conversion has improved.

The cash flow from operations was around 37% of EBITDA in FY 2024, which moved up to 57% in FY 2025 and 62% in FY 2026. In H1 FY 2027, cash flow from operations was INR47 crores or 41% of EBITDA. The first half typically carries a working capital build. That's where the percentage is slightly lower.

Free cash flow after capex and lease payment before interest was positive in FY 2025 and FY 2026. It was slightly negative in H1 at INR1.8 crores after INR41 crores of capex. Net debt was around INR223 crores at the end of September and close to 1x of net debt to EBITDA multiple.

Moving to our operational KPIs on slide number 14. We have commercial presence in 77 countries as of FY 2026 and 70 countries in the first half. On the capacity, we have meaningful headroom.

In H1, DES utilization, DES or the stent utilization was 79% at Surat and 20% at Telangana. Balloon utilization was 72% at Surat and 57% at Telangana. Our new drug-coated balloon line at Surat is already at 40%.

Moving on to slide 15, which talks about fixed asset turnover. Our fixed asset turnover tells the same story. Medical device is a capital-light industry, where fixed asset turnover is typically high, and our on-track record shows this. Before the Telangana plant, you can clearly see our gross fixed asset turn was around 7x. The Telangana plant is still in early stages of utilization. As it ramps up, revenue grows on an asset base that is already in place, so our fixed asset turn can move up quickly from here.

With that, I hand back to Bhargav. Over to you, Bhargav.

**Bhargav Kotadia:** Thank you, Amit. Let me now update you on our product pipeline and regulatory progress. I'll be on slide 17 now. I'll start with our Hydra TAVI platform, which has been built through continuous clinical iterations from first-in-man in 2017 through the GENESIS studies.

In GENESIS-II, Hydra showed 95% device success and a 7.5% pacemaker implantation rate of 30 days. Hydra Elevate keeps the proven Hydra valve and adds a polymer external skirt designed to reduce paravalvular leak. It received the CDSCO approval earlier this year.

On the delivery side, AVDC 1.5 also received the CE approval earlier in the year. It gives physicians a direct one-to-one response, fewer rotations to deploy, a longer inline sheath, and a stronger shaft, and a more ergonomic design. Moving on to the next slide, Sironity, our sirolimus drug-coated balloon, is now commercialized in India.

It brings together our drug formulation and balloon platforms and is available in a wide range of sizes. On MDR, Supraflex Cruz is now EU MDR certified. Pipit NC and Pipit SC have completed their stage one and stage two audits, while Hydra and Cocoon have submitted their technical files, all ahead of the transition deadline at the end of 2027.

I will now just briefly recap the company for those of you that are new to SMT. I am on slide 23. We focus on class three medical devices where technical complexity, clinical evidence, and regulatory scrutiny create high entry barriers. In coronary stents, Supraflex Cruz is backed by clinical evidence on more than 28,000 patients, with results published in The Lancet, NEJM, and is commercialized in 71 markets. In structural heart, our TAVI and occluders are also commercialized in 36 and 55 countries respectively.

Moving on to slide 26, our R&D team of 156 people is backed by spending of about 9%-10% of our revenues, 118 granted patents, and 75 clinical studies. We manufacture across three plants in Surat, Telangana, and Thailand, with critical components bought in-house. Nitinol processing and extrusion are the next capabilities we are building, and Telangana gives us a substantial room to scale.

We are led by a strong management team with deep global med tech experience and guided by an experienced board that brings a wide range of expertise. To sum up, a record quarter, strong margin expansion through operating leverage, improving returns and cash conversion, and a pipeline that keeps advancing. We remain focused on disciplined execution. Thank you, and we will now be happy to take your questions.

**Moderator:** Thank you very much. We will now begin the question- and- answer session. We will take our first question from the line of Tanuj Kiani from Chris. Please go ahead.

**Tanuj Kiani:** Hello, sir. Good evening. Could you please elaborate on your overall capex plan for FY 2027, and how much has been incurred and how much is yet to be spent?

**Amit Khandelia:** Yes. Thank you, Tanuj. Overall, our capex guidance for FY 2027 and FY 2028 is broadly INR70 crores that the company will spend on capex. To break it down, broadly, we have spent around INR44-odd croress in the capex in first half in FY 2027. For the full year, the guidance is around INR70 crores. The capex will be split into three areas. One is, there is a vertical integration program that the company is doing, which helps us integrate some of the processes, do the backward integration for some of the processes which are currently outsourced.

Second piece is the automation. Some of the areas of automation is what the company is working on. The third piece will be the maintenance capex for the plant that we have in Sachin, so that's a legacy plant. A small bit of capex will also be on the enhancement of capacity. All in all, the guidance of capex is around INR70 crores for FY 2027 and FY 2028 as well.

**Tanuj Kiani:** Okay. Also, is there an opportunity to improve our gross margins through backward integration? What could be the steady state EBITDA margins in two, three years?

**Amit Khandelia:** Yes. First of all, on vertical integration, definitely, there will be some improvement on the gross margins, but as of now, we will not be able to guide anything on how much improvement that will bring because these processes are really complex processes which we are vertically integrating.

Once the process has been completely set up in the company and we have done few cycles of those processes, then we will come back and guide you on what kind of improvement it can bring on the gross margin. Definitely, it will help us bring improvement on the gross margin side.

Your second question was on EBITDA margin. What we are guiding for is even this year and next year, and maybe year after next as well, so 150 basis point- 200 basis point EBITDA margin every year is what we will do. Last year, we posted around 14.1%.

So, 150 basis point-200 basis point improvement this year in FY 2027, and then FY 2028 and FY 2029 as well. So by FY 2029, you will see the EBITDA margin of company somewhere around 20%. This is the short-term guidance on EBITDA margin.

How this will come is, just to give you some background, the company has gone direct in large European markets, which is the markets like Spain, Poland, Germany, France, for which a lot of upfront investment has been done in hiring people in these locations. As you would see in the P&L of even H1, and even if you will compare to earlier two years, on the employee expense, there is a lot of operating leverage playing out, because the revenue is growing much faster in this region.

The teams that was required to be built in the European market and all other international market, that is already in place. So we will not be adding many more employees in this region because the teams are in place, and the salaries for these people will grow in line with inflation in this market, which is 3%-5%, but the revenue keeps growing much faster. So, this operating leverage will help us expand the EBITDA margin, which you have already seen in H1 of this financial year.

**Tanuj Kiani:** Okay. And sir, how much would be our marketing expense this quarter? The tax rate also seems to be relatively higher. Any reasons for that?

**Amit Khandelia:** We will not be able to tell you a specific marketing expense breakup. But on the tax rate, three of the large geography for us is Spain, Brazil, Germany. These geographies have higher tax rate. Couple of subsidiaries are in losses, so where we don't create deferred tax asset. So, that is where you see the ETR at around 35%. The ETR will continue to be in the range of 32%-35%, at least for the next two, three years.

**Tanuj Kiani:** Okay. Could you please elaborate on the product pipeline for the next three to five years?

**Bhargav Kotadia:** Sure.

**Tanuj Kiani:** We have also received a EU MDR for our Supraflex Cruz, but what is the status on the remaining portfolio? How many products are still awaiting the certification?

**Bhargav Kotadia:** Yes. Let me actually start with that last question. While we have celebrated the certification, the MDR certification for Cruz, there are four other products or product families for which the certification is in process right now. We are quite confident of being able to achieve the certification well within the timelines.

The four product families I am referring to are Pipit NC, SC, Hydra, and Cocoon. As I mentioned on slide 21, Pipit SC and NC have completed their audits, both stage one and stage two, whereas Hydra and Cocoon, the applications have been done, and we are waiting on the audit timelines. Coming to your question of the product pipeline, intention is to continue expanding our product portfolio within both the vascular as well as the structural heart segments.

Most recently, as I mentioned, we have now commercialized Sironity, which is our drug-coated balloon, as part of our vascular intervention portfolio. Then over on the structural heart side, we have the next generation of the valve, Hydra valve, that is eminently, basically that is scheduled to get launched very soon.

Beyond these short-term launches, we have a portfolio of PTCA catheters within our vascular intervention portfolio, and additional major products within structural heart segment as well, which will further expand our presence in TAVI, as well as some of the other areas within structural heart.

**Tanuj Kiani:** Okay. Also, your R&D expenses have been 10 .5 this half year. How much of it is expensed and how much of it is capitalized? I can get that rough idea of how the EBITDA will move.

**Bhargav Kotadia:** Sure. The 9%-10% of R&D spend, which we do intend on continuing, is all expense stock. This is a P&L item, and we have a policy of not capitalizing any of our R&D expenses.

**Tanuj Kiani:** Okay. Also, there is some disparity between the numbers given in the RHP and on the deck. In RHP, TAVI capacity was at 9,000 with 19% utilization. On the deck, it shows 3,000 with 60% utilization, and similar with occluder. Is there a product mix change, or is the capacity fungible, or what is the issue over there?

**Amit Khandelia:** Yes. On the RHP, the capacity that you see for the Hyderabad plant, which was a sterilization capacity and was a technical capacity. That we have not included in the deck because that is not yet a commercialized capacity. That is just a technical capacity. For the RHP purpose, we had to report even the technical capacity. Having said that, to ramp up the capacity, even in TAVI or occluder, is not going to be capex intensive, which should be one of the worries that you might have.

**Tanuj Kiani:** Okay. And sir, our constant currency growth is 16% against 24.7%. How much of FY 2027 growth do you expect to be currency, and how much of the forex exposure is hedged?

**Amit Khandelia:** Yes. It will be difficult to guide on the currency. What we will do is we can guide on constant currency. Reported currency will be difficult to guide for us. What we can guide on the revenue

is mid-terms growth is what you can see from the company in FY 2027 in constant currency terms. And whatever currency gains come, that will be over and above the constant currency growth.

**Tanuj Kiani:** Okay.

**Moderator:** Thank you. Tanuj, I request you to join back the queue, please. Thank you.

**Tanuj Kiani:** Okay.

**Moderator:** Next question is from the line of Pritesh Chheda from Lucky Investment. Please go ahead.

**Pritesh Chheda:** Hello, sir. Congratulations. Just on the previous question on the guidance, the top-line guidance for the constant currency issues is what number, sir?

**Bhargav Kotadia:** That will continue to be in the mid to high teens. Conservatively, your baseline you can take as mid-teens, both for the current year and the next year.

**Pritesh Chheda:** Okay. The second question is, based on the capacity that we have today on ground and the capex of INR70 crores that we plan to do every year, what is the peak revenue potential on the current currency, obviously, for the assets that you have?

**Amit Khandelia:** Current capacity.

**Pritesh Chheda:** Based on the current capacity and the outlook, yes.

**Amit Khandelia:** On the current capacity that we have, it will be sufficient for at least a year and a half. On the current capacity, every year there will be some capacity addition, maybe on the balloon lines or stent lines. But overall, the capex will not increase INR70 crores at least for the next two, three years. We don't see meaningful increase in the capex because to put up a line, we will not require a huge capex to be done by the company.

**Pritesh Chheda:** The question is based on this capex that you do, let's say year one, year two, year three, and whatever you have today in capacity, plus whatever gets added by this INR70 crores, three years down the line, what can be the peak? What is the peak revenue of this setup? Is it INR2,500 crores, INR3,000 crores, INR4,000 crores? That number I was looking for.

**Bhargav Kotadia:** Yes. Pritesh, the reason why we're not able to give you a clear guidance onto this is the capex that is happening right now is more towards vertical integration, creating additional capabilities rather than additional revenues, right? That is number one. And the greater of the tangible fixed asset already in place, one of the lion's share is the plant itself. Now, for instance, expanding the TAVI capacity within the Hyderabad plant will generate significantly greater level of revenue out of the same plant versus expanding the stent and catheter capacity, which has a much lower per unit realization.

However, we will still try to come back to, let's say, maybe by the next time we connect with you, we'll see if we're able to give at least some sort of a guidance. But today, in terms of

calculating a peak capacity, especially out of the Hyderabad plant, there will not be a straightforward calculation that we are able to provide.

**Pritesh Chheda:** Okay. And just on the international business side, we are in non-U.S. geographies. So, any white spaces, larger geographies where we are not present still, and our filings exist on the anvil, and the large opportunity can be added to this whole international growth piece, and some comment or color there?

**Bhargav Kotadia:** Yes, absolutely. So, in terms of the, let's say, if you are looking at as a consolidated country list, the list of countries in which we are now already operating is quite expansive, right? Because most recently, we also got approvals and have also, by the way, commercially launched in Australia.

We recently got an approval in Canada as well. So, other than U.S., China, and Japan, there is very small list of countries that are pending now at a portfolio level. But where the opportunity lies is not all of our products are yet approved in all of the regions, right? For instance, our TAVI is still not yet approved in Brazil, which is a large enough market.

So, when you look at something like our mature product of stent, it is broadly present on more than 70+ countries, even with including, let's say, some of these last approvals. But where we are focused now is taking our newer products, whether it be TAVI, occluders, or the drug-coated balloon, and adding all of the countries where we already operate on the stents.

And each one of these additional approvals for the new product is equivalent to opening up that country all over again from the product perspective, but benefits from the fact that from a sales and distribution perspective, you are already well established. So, the sales ramp-up for the new products happen much faster.

**Moderator:** Next question is from the line of Devesh Shenani from Equitas Wealth Advisory. Please go ahead.

**Devesh Shenani:** Yes. Thank you for the opportunity. Most of the questions have been answered for me. I have just two questions. For your working capital days, your working capital days have been reduced to 128 as of Q1 FY 2027, I believe. What further reduction in the working capital days can we expect, like going forward in the years?

**Moderator:** Devesh, may I request you to mute your connection, please? There's a lot of background noise.

**Amit Khandelia:** Over the next three years, we can assume around 15 days of further improvement in working capital days. Currently it is around 128 days. You can expect this to come down to around 100-110 days over the next three years. You would see on the slide that our DSO days are already, I would say, at an optimum level, if not the best. But there is still scope on the inventory side, which the company is very focused on to work and reduce the inventory days further. Receivable days are at 75, which was at around 80-85 days in FY 2026 and FY 2025. So, good amount of improvement there. But inventory is something which the company is really focused and further see improvement there.

**Devesh Shenani:** Okay, sir. My second question is on your revenue segment. You have two major revenue segments. One is your structural revenue segment and one is the vascular segment. Going forward, which revenue segment can we expect to grow further so that it improves our EBITDA margin going forward?

**Bhargav Kotadia:** Yes. Growth will continue to churn out from both the segments, because neither of the segment is anywhere near the peak or plateau market shares. However, relatively speaking, we expect structural heart to grow faster than the vascular intervention segment for a couple of reasons.

One is, it is a newer business for us. The base business itself today is smaller compared to vascular intervention. The market is substantially larger on structural heart compared to vascular intervention, and it is faster growing. All of these reasons put together, between the two, we expect structural heart to grow faster, but that should not discount the growth rates expected in vascular intervention itself, which is already well-established business line.

**Devesh Shenani:** Okay. If I got pinned in the last question, you supply the government hospitals, right, too, is it, in India, if I am not wrong?

**Bhargav Kotadia:** Yes, we do.

**Devesh Shenani:** Yes. In that case, do you have any upper hand on the price negotiation from the government hospitals, or how is it?

**Bhargav Kotadia:** Yes. The pricing negotiation happens hospital to hospital, and similar to any business-to-business or B2B nature of industry, the pricing negotiations are driven by many factors. Of course, competitive landscape being one, but the merits of our product, and how well our commercial team is able to present our case will ultimately drive the pricing. But other than that, I am not sure what other clarity I can give. But it is an account-to-account level pricing that gets driven.

**Moderator:** Thank you. Next question is from the line of Ajay Surya from Niveshaay. Please go ahead.

**Ajay Surya:** Congratulations on the performance, sir. My question, sir, I want to understand the European market because in last couple of years, we have grown very well over here. Just want to understand more on the team over here, because in this medical devices industry, we have seen a lot of attrition even at the senior level.

Just want to understand, maybe now, do we have separate teams for vascular intervention and structural heart, or is it a same team who is maybe going to sell this? How large is maybe the team which is dedicated for our upcoming new products, like maybe the Hydra TAVI and maybe other new products, including the clinical specialist and proctors?

Because, sir, the main reason of asking this is because basically we have grown well on the vascular intervention, and we have built a strong franchisee over there. How easy will it be to maybe cross-sell it across the same geographies when we go with a structural heart product portfolio? If you can maybe give some elaborative answer on this.

**Bhargav Kotadia:** Sure. The short answer to begin with is that an ability for a sales guy or girl that is selling a coronary stent to be able to sell a TAVI is extremely high. Because ultimately, the call point is the same. Not only the same hospital, but the implanting physician is the exact same doctor that you're speaking to. It's the same doctor that does both the stenting procedure as well as the TAVI procedure.

In summation, basically, it's the very same sales and distribution force that we have already created in Europe that is selling both our vascular intervention business as well as the structural heart business products. There is a specialized team called clinical specialists, which are required on certain high-touch products or highly complex products like a TAVI. But usually, they are a small subset of your overall sales force, right?

You would not have a clinical specialist force that equals to the size of your sales force. For anywhere between, depending on the product that you are dealing with, you may have one clinical specialist covering four or five different sales individuals. These clinical specialists are required when it comes to a business like TAVI or even our imaging business with IVUS.

That also we already have in place. As our TAVI product is also already being sold in Europe, the clinical specialist force is already in place. The proctorship network is already in place as well. It is this established sales and distribution force that is scaling up the existing products as well as capable of commercializing any of the products in our pipeline.

**Ajay Surya:** Understood. And, sir, in India, we have a very good volume market share. Maybe in European markets, if you can give some color on our market share in the overall European market, where would that stand? One last question on the structural heart, because I was just going through the data. We have the five-year Hydra data from Poland, which is also now published, and we are also changing the design platform of our Hydra TAVI.

How should one think about growth in maybe coming next two, three years or even going forward? Will Europe be a priority for selling the structural heart products? Do we also plan to seek maybe reimbursement listing in markets like France, where maybe our Hydra TAVI is not yet listed? Maybe some color on this market and our structural heart product portfolio on European market going forward for two, three years. Yes.

**Bhargav Kotadia:** Yes. So, you have actually more or less answered the question yourself as well. Just to confirm that, yes, geographically speaking, Europe is a high-focus area, simply because of the fact that it has all the markets we serve. As a region, it is the largest market for us to go and address, especially when it comes to structural heart and TAVI product.

While we have a starting base, now coming to your first question in terms of the market shares, as far as TAVI goes in Europe, our market share is in the low single digits, somewhere about 1.5%, not yet even crossed 2%. This is because, again, we are a new product or new brand within the segment. We have launched more recently compared to some of our peers that are already there.

Now, as we get ready to introduce our newer generation devices, both the Hydra TAVI valve and the AVDC delivery system, we do expect our traction to speed up even further. Therefore,

structural heart as a global business, specifically in Europe, therefore Europe as a component of our global revenue also, to continue growing at the same rates, if not even faster.

**Moderator:** Thank you.

**Moderator:** Next question is from the line of Meet Gada from Shanghvi Family Office. Please go ahead.

**Meet Gada:** Thank you so much for the opportunity, and congratulations on good set of numbers. My first question would be, the recent notification on the Government of India, DGHS, to use medical devices only one time. I wanted to understand what worth of benefit could SMT get from the implementation of this notification?

**Bhargav Kotadia:** Yes. It is actually a very, very favorable tailwind. Essentially, it increases the volume that a hospital needs. With reuse, what happens is the device that we have sold once would have been used multiple times. Obviously, every subsequent reuse case is a lost revenue opportunity for SMT. With reuse going down, or hopefully getting eliminated, obviously it creates a greater revenue potential for us.

**Meet Gada:** Do we expect the India business to grow meaningfully better as compared to what it did over the last two, three years?

**Bhargav Kotadia:** I would say this acts as a tailwind, but within our products, if you look at the kind of product portfolio that we have, the kind of products which would have been reused is a smaller share of our business. For instance, when you talk about stents, TAVI, or occluders, these are implants. So those, anyways, there is no reuse possible. Once implanted, you are done, right? Within our product portfolio, where reuse was impacting us was part of our PTCA catheters, which is Pipit SC and NC.

It is, relatively speaking, in terms of absolute value, both our revenue generated within India as well as where the market itself is still smaller. So yes, but it is not like you can take that 9%-10% industry growth and increase it to 15%-20%. I do not think it will be that much bigger, that much jump in the revenue growth or the industry growth.

**Meet Gada:** Got it. Also, on the utilization levels of PTCA from Surat looked down compared to last year. How does the ramp-up look like over there, and how does the ramp-up look like for DCB, and what would be the utilization rate at which you want to exit?

**Bhargav Kotadia:** Yes. I will hold off on giving kind of the expected utilization rates at a product level, because then it will be giving a product-level, how do I say, guidance, which we may not be comfortable at doing. In terms of the utilization historically, and wherever it has gone down, and I think you are referring to Surat. I think Surat is fine. It is Telangana, I believe you are referring to the DES, going from 64 to 20. Is that correct?

**Meet Gada:** No. For PTCA in Surat, 97 going down to 72.

**Bhargav Kotadia:** Ha, ha. Okay. Got you. Yes. Okay. Got you. Yes. This is where basically, there is a little bit of inventory, optimization of the inventory that we have. If you see the working capital

optimization, some of the inventory that was already produced in the previous period, we found ways of essentially converting into revenue a little bit faster than anticipated, which impacted the amount of manufacturing we did.

**Meet Gada:** Also, on the same slide, can you help understand how the number of countries with commercial presence go down to 70 from 77?

**Bhargav Kotadia:** Yes. What happens is, since you have a long tail of countries, some of the small markets, you have distributors that buy in bulk, and they do not necessarily buy every quarter. Right? So they may buy once and then not buy again for another six months. Some countries might not even buy for nine months, since they themselves will store up on, invest into the inventory as a way of getting the right unit-level economics from us.

So depending on the quarter, let us say if one of the countries had bought from us in Q1, but they did not buy in Q2, when it comes to reporting the KPI, we will not be able to say that we are serving that country. But it is not like we have lost that country or exited any country. You may see a different number again, a higher number again next quarter or not. It does quarter- to-quarter, it fluctuates. What would not be more appropriate to track will be at the annual level.

**Amit Khandelia:** Just to add, this is very technical. So number of countries that we invoiced in that quarter, we will have presence in the country because we might bill in the quarter two or quarter three, but this is what is the count of country that we invoiced in that particular quarter.

**Moderator:** Thank you.

**Meet Gada:** One last question.

**Moderator:** There are participants waiting for their turn. I request you to please rejoin.

**Meet Gada:** Bhargav, if you can.

**Bhargav Kotadia:** Yes, go ahead. If it's a quick one, please go ahead.

**Meet Gada** Do we have any seasonality in revenue going into H2?

**Bhargav Kotadia:** Yes, there is usually a slight uptick. Usually in H1, we see about 48% odd of the revenue of the year. The H2 tends to be about 52.

**Meet Gada:** Okay, not meaningful. That's it from my side. Thank you so much.

**Bhargav Kotadia:** Thank you.

**Moderator:** Thank you. Next question is from the line of Anupam Agarwal from Lucky Investment. Please go ahead.

**Anupam Agarwal:** Yes, thank you for taking my question, and congratulations, Bhargav and team, for great numbers. My first question would be on the product launch timelines. So congratulations on

Sironity getting launched. Any timelines you want to call out for TAVI 2.0 and the AVDC platform?

**Bhargav Kotadia:** Yes. We're expecting it, still continuing to expect it within this financial year. It can be as early as Q3, though hopefully no later than Q4.

**Anupam Agarwal:** Understood. In your calls earlier, you mentioned about two to three products in pipeline which you are working on to launch maybe in the next two to three years. Any idea on, any color on development there?

**Bhargav Kotadia:** Yes. Those are all continuing progress as per plan. The portfolio other than Sironity and Hydra, as we have already discussed, there is a portfolio of PTCA catheters, which again, we should be in a position to launch them in FY 2028, sorry, the next financial year. Some of the other major products that are in the pipeline are a little bit further out, somewhere around the two to three years out.

**Anupam Agarwal:** Where are we on the development side? Are we developing the product yet? Are we filing the product for approval or?

**Bhargav Kotadia:** Yes. We are under development. If I go chronologically, the products that are scheduled for launch within the next six months are in the tech transfer process, meaning the manufacturing lines are being set up. Therefore, we are past not only product development, but we are past actually the approvals as well. The products that are scheduled for launch next year, the development is done, and we are undergoing the regulatory approvals. The products that are two to three years out are right now under development and testing.

**Anupam Agarwal:** Understood. Got it. That's all from my side. Thank you.

**Moderator:** Next question is from the line of Ajay Surya from Niveshaay. Please go ahead.

**Ajay Surya:** Thanks for the opportunity. Sir, my question is, like, sir, if I look at the trading or the others segment, like a couple of years back, it used to remain at a 20% level, and it has now gone up to 25%, 26% at an increasing revenue base. If you can maybe help us break this into maybe main buckets like IVUS, like imaging or OCT imaging, which we do, like, or the thrombectomy distribution, like, and some color on, like, how big would each of that be. Recently, like, the thrombectomy, it got acquired by Boston Scientific. Will it be a major impact because generally, they go on their own distribution post the acquisition.

Going forward, like, how should one maybe also see the trading business? Even, like, almost like 75% of our business, which is manufacturing and selling on our own, we do 74%, 75% gross margin. On trading, I'm assuming it will be a lower gross margin. Just some breakup and more insights on this part.

**Bhargav Kotadia:** Yes. Going kind of backwards to your last question, certainly the focus of the company is always to develop our own products and manufacture and commercialize. You know, we pride ourselves on being deeply vertically integrated, all the way from product design, full manufacturing, and then end-to-end commercialization. That always will continue to be the focus.

Where you see the trading business as a percentage of revenue picking up, especially in the last couple of years, is that there has been a positive surprise and a massive tailwind, especially with respect to the IVUS business. What happened is, within medtech, there is this aspect of the reimbursement or coming under what's called the guidelines. This is where a large set of very favorable clinical results on a new technology, once published, becomes reimbursed by the governments in developed markets like U.S. and Europe.

IVUS achieved this reimbursement status, I believe somewhere around two years ago. As soon as it did that, it became economically favorable for hospitals and physicians to be able to use them on their patients.

The technology is old, but economics changed for the hospitals, and therefore, it has created an all of a sudden demand in the market. So we, amongst the different bets that we had created, both organically and through these partnerships, this IVUS partnership, which we were already working on, benefited from this tailwind, and it's picking up quite faster than what we had even anticipated ourselves.

While we continue to focus and we want to make sure that we are conscious of how the optics come out of the trading business growing faster, the idea is that it does not distract us from the job we need to do, whether it is our own portfolio development and manufacturing of it.

We, of course, do not want to be penny-wise pound-foolish as well. That although at a gross margin level it is dilutive, because the SG&A is common, actually at the EBITDA level it is highly accretive. Therefore, we take that as basically a winning factor in all of this, but continue to deliver as far as our own product pipeline goes.

**Ajay Surya:** Like any number would be able to put on, like how much would be IVUS, OCT, or maybe thrombectomy or other, maybe a large part of the trading portion? Any number?

**Bhargav Kotadia:** No. Unfortunately, since we are not giving product-level guidances, I will refrain from doing that.

**Ajay Surya:** Got it. That is all from my side.

**Moderator:** Thank you. As there are no further questions, I now hand over the call to management for closing comments. Over to you, sir.

**Bhargav Kotadia:** Thank you very much. Once again, very much appreciate all of the questions tonight. It is a great honor that we got the support from all of you to get the company listed. Of course, we are quite happy with our performance last quarter, and we are back to work in terms of delivering this kind of performance with this much transparency quarter- over- quarter. Thank you all. Have a good night. Happy Diwali and happy New Year.

**Moderator:** Thank you, sir. On behalf of Motilal Oswal Financial Services Limited, that concludes this conference. Thank you all for joining us today. You may now disconnect your line.