“Health X Platform Limited
Q2 & H1 FY27 Earnings Conference Call”
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Moderator: Ladies and gentlemen, good day, and welcome to the Q2 & H1 FY27 Earnings Conference Call for Health X Platform Limited.

As a reminder, all participant lines will be in the listen-only mode and there'll be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during a conference call, please signal an operator by pressing star and then zero on your touchtone phone.

I now hand the conference over to Soumya. Thank you, and over to you.

Soumya: Hi, everyone, and a very good afternoon. I welcome you all to Health X Platform Limited Q2 and H1 FY27 Earnings Call. Please note that discussion on today's call may include certain forward-looking statements and must be therefore viewed in conjunction with the risks pertaining to the business.

We have on call today Mr. Banwari Lal Mittal, the Managing Director and CEO; Mr. Lokesh Agarwal, Chief Financial Officer and Mr. Vinay Khaitan, the Chief Technology Officer. So I now request the management to kindly proceed with the opening remarks. Post that, we'll open the floor for Q&A.

Thank you, and over to you, sir.

Banwari Lal Mittal: Good afternoon. I'm B.L. Mittal, and thank you all for joining us. Before Lokesh takes you through the numbers and Vinay takes you through what we have just launched on the technology side, I want to spend a few minutes on the thinking behind this quarter because the numbers you will see today are the output of a set of choices we made 2 years ago, and I want to understand those choices.

Let me start with where we stand. This is the first phase in which we operate the SastaSundar B2C platform with complete ownership and complete control. When the Flipkart partnership ended and we moved from a 25% minority position back to 100%, we did not take it as a setback.

We treated it as a recovery of something we should never have diluted, control our own consumer platform. We are now fully capitalized. We carry no meaningful debt and every decision about this business is taken in our boardroom. That matters more than any single quarter's results.

Now what we are building and why. We believe India's medicine distribution is going to consolidate. Today, it is fragmented across thousands of intermediaries. In every developed market, the player has collapsed into fewer than 100 national distributors. We believe India will follow, and we intend to be one of the few that remain. That is not a prediction we are waiting on. It is a race we are running and the scale, capital discipline and trust are what decides it.

Second, we believe distribution without data is a dead end. The distributor who merely moves a box will always be squeezed. The distributor who understands what is selling, what is expiring,

what a retailer will need next week and what a customer is likely to need next month, the distributor becomes infrastructure. That is why technology not a support function at Health X, it is a business.

Third, we believe the healthcare market itself is changing. Preventive care, healthcare devices, wellness, personal care, these are growing faster than acute medicine, and they carry better economics. Our category expansion is deliberately aimed there.

And fourth, and this one is personal to me, we believe healthcare inclusion is good business not charity. Let me give you the proof rather than the sentiment. Over 76% of our SastaSundar business and 66% of our RetailerShakti business comes from Tier 2 and Tier 3 India. Those are the markets everyone calls logistically difficult. We serve them profitably within 24 hours for 90% of orders.

And we do it because we built the supply chain for that India first not as an afterthought to the metros. This company began from my own family's experience with inadequate access and counterfeit medicine. We have never lost that starting point, and it turns out to be our widest moat.

Our priorities for the next 5 years are simple enough to state in one line each, 30% plus compounded growth, AI embedded across the value chain, not bolted on to it and the conversion of this platform into sustained profit and cash flow.

Let me come to the last point directly because it is the one that matters most to you. My dear shareholders would like you to read our performance the way we read it so that we are aligned. First, on the lever of profitability. We are not targeting profitability on the strength of capital. Let me show you how easy that would be.

If you were to deploy your treasury into high value, receivables, government institutions, large hospitals, bulk buyers, we would earn around 15% annualized. That is roughly INR50 crores a year. That income would land in our gross margin and this company would print a profit. We could do it this quarter.

We have chosen not to because the day we do it, we stop building a platform that is capital efficient and capable of delivering a return on equity as high as 50%. We would be buying a profitable line in the profit and loss account and selling the Blue Ocean platform business. And therefore, this is not a compulsion and this is the choice we made for the better business for long-term sustainability.

Second, on what we spend to grow. We measure every rupee we spend on growth on the strength of our existing ecosystem, we can grow 50% faster than the Indian pharmaceutical market. If IPM grows 12% this year, we'll grow 18%. Everything above 18% requires investment in new markets and that investment is debited to the profit and loss account expenses.

Now consider the alternative, we could buy that growth in the street. But the acquisition of a business with high ROE as high as 50% and no receivables will cost between 1x and 5x its revenue. Our organic growth investment cost about 30% of the incremental revenue is generated.

The difference in price is enormous and yet the acquisition would look better on our reported numbers because an acquisition premium is capitalized on the balance sheet, while organic investment is expensed through the profit and loss account. Both are cash out for the same pocket.

We regard this as a visual issue, not a real issue, and we are not willing to take a worse decision in order to produce a better-looking statement. The revenue we generate contributes to contribution margin. The investment in the profit and loss account, and in our model, that investment pays back through contribution is 3 to 4 years.

Third, we are investing in technology and in future-ready AI tools and both are debited to the profit and loss account. You will hear about RetailAir from Vinay shortly. Products of that kind are not a cost line. They are a moat and a growth driver.

Fourth, we are building the SastaSundar B2C platform under full ownership. I would invite you to look at comparable consumer health platforms in India and as the capital they have raised to reach where they stand today.

Fifth, we are building JITO, our private label arm, 52 franchise outlets live, 81 in the pipeline, over 1,000 healthcare SKUs. Again, I would invite you to compare what others have invested to build an own brand position of that kind. So the summary is this if you choose to invest in us, please see what we see.

Our EBITDA loss is 3.5% of revenue. That is a small gap, and it will be made up in spite of our investment in our own logistics, our own fulfillment center, our own growth, our own technology. I've just described, not one we abandon them. Growth itself will close much of it. 2% of gross margin expansion, 2% of operating cost reduction through scale, and we are done.

And we will close it without relaxing the discipline that goes just there. We sell on cash, we carry no receivable risk. More than 90% of our purchase is made directly from pharmaceutical companies through their authorized channel, and we never paid a single rupee to acquire a purchase right. These are the discipline that decide not to standing at the end of consolidation, and we will not trade them for a faster-looking quarter.

Now I will request Lokesh to take you through the financial performance in detail. Lokesh-ji?

Lokesh Agarwal: Thank you, Mittal-ji. Good afternoon, everyone. So for the sake of better understanding of financials, I'll take you through the quarter 2 financial numbers in 4 parts. Firstly, revenue growth; second is margin expansion; third is operating leverage and fourth is working capital.

So to begin with the revenue numbers, our revenue from operations for this quarter stood at INR489 crores against INR308 crores in the corresponding quarter of last year. That is roughly a growth of 59% year-on-year basis and 11% sequentially over quarter 1. For the half year, our healthcare network revenue stood at INR895 crores.

Breaking that down number -- breaking that into verticals, RetailerShakti, our B2B platform contributed roughly around INR429 crores for the quarter. That is up by 60% year-on-year basis

and 18% sequentially. while SastaSundar, our B2C platform contributed INR55 crores, up 39% year-on-year basis. Most importantly, this segment has grown for 6 consecutive quarters since we regained full control over this platform from INR32 crores in Q1 FY26 to INR55 crores this quarter. Finally, diagnostic contributed around INR0.8 crores for this quarter. Moving on to the second part, that is gross margins.

So our margin for this quarter was INR40.7 crores at 8.3% of revenue as compared to 7.5% in the corresponding quarter last year, an expansion of 80 basis points and against 7.9% in the immediate preceding quarter, an expansion of 40 basis points. Also, I would like to draw your attention to the rate of growth rather than the absolute number.

Gross margin grew 77% year-on-year, while revenue grew 59%. So this margin is compounding faster than the top line revenue numbers. This is on account of improved sourcing, private label mix, and channel optimization coming through. And we expect that direction to hold in future as well.

Third point, operating leverage. So operating leverage, and this is a number I would most likely ask you people to keep a watch on. Total operating expenditure as a percentage of revenue was 10.8% this quarter against 12.4% a year ago. That is 160 basis points of absorption in 12 months. Sequentially, it is down by 80 basis points from 11.6% of Q1 FY27.

Moving on to EBITDA and PAT numbers. So you have 2 lines converging. Gross margin is continuously rising while operating cost ratio is falling. EBITDA loss narrowed to 3.5% of revenue this quarter as compared to 5.2% a year ago, an improvement of 170 basis points. In absolute terms, EBITDA was a negative INR17.2 crores against a negative INR16 crores last year on substantially lower revenue.

I want to be transparent about the sequential EBITDA number, which was broadly flat as a percentage of revenue. Employee cost rose from INR27.7 crores to INR31 crores this quarter. Most of that is on account of hiring in new geographical markets that we are penetrating for market development and for building our capacity. It is capacity that is being put in place ahead of the revenue it will generate and carry forward. We would rather absorb that cost now than be capacity constrained in the coming quarters when the demand arises.

Below EBITDA, depreciation and finance costs together amount to 0.8% of revenue only. That single figure tells you how asset-light and how unlevered this model is. At PAT level, loss for the quarter was INR12.7 crores against INR15.4 crores in the corresponding quarter with the loss margin improving from 5% to 2.6% of revenue.

Finally, moving on to working capital numbers. Our net working capital for this quarter stood at 23 days, down from 28 days in June, an 18% reduction in a single quarter and down to 6% of revenue. Within that, inventory is 35 days, while receivables are 2 days and payables are 13 days, netted off to 23 days as working capital.

A 2-day receivable cycle on a INR489 crores quarter is the clearest expression of our cash-based model. We carry no credit risk in a trade where credit risk is the standard norm.

With that, I'll hand over today to our CTO, Mr. Vinay Khaitan-ji, to speak about RetailAir.

Vinay Khaitan: Thank you, Lokesh. Good afternoon, everyone. I want to use my time on one thing because it is the most important thing we have said this year. RetailAir is live. It is on Google Play and retailers are billing on it today.

Let me first describe the problem it solves. We serve roughly 80,000 retail pharmacies through RetailerShakti. If you walk into most of them, you will find a paper register or at best, a decade-old desktop billing package that nobody has updated and nobody fully uses. The retailer does not know what is about to expire.

He does not know what is dead on his shelf. He does not know what is moving fastest. He orders from memory and from habit. Every rupee of his working capital is being managed by instinct. Every attempt to digitize that pharmacy has failed for the same reason. The software asked him to buy a computer and then it asked him to enter his entire inventory master before he can raise a single deal. Nobody finishes that. The adoption dies in week one.

RetailAir is built to defeat exactly that failure. It is mobile first. It runs on the phone already in the retailer's pocket. No computer, no hardware, no capital expenditure, nothing for him to buy. It is sales first. He bills from day 1. There is no inventory setup to complete before he gets value.

The inventory builds itself from his own billing as he goes, that single designed axiom is in my assessment, the difference between a product that gets installed and the product that gets used. Once that data accumulates, the intelligence layer switches on. He gets alerts on low stock, on near expiry, on dead stock, on fast movers. For a small pharmacy, near expiry alone is real money recovered every month.

Then comes AirPad, which is where the product connects back to our business. AirPad builds his reorder list automatically from what his counter is telling him, and he can buy that list on RetailerShakti with one click, shared product catalog, OTP sign-up, no repeat paperwork, the distance between a retailer realizing he needs stock and that order reaching out our fulfillment center collapses to a few seconds, and it is GST-ready filing. So his sales and billing data is organized when his accountant asks for it.

Now let me place this strategically in 3 lines. One, it is the data layer. For the first time, we see genuine sellout at pharmacy counter, not merely sell-in from our warehouse. That changes our demand forecasting, our inventory placement across fulfillment centers and in time what we choose to manufacture under our own brand. Two, it is a retention and acquisition engine.

A retailer running his shop on our software does not casually switch distributors and the reorder flow converts software usage into order flow at effectively no acquisition cost. Three, it is a top line in its own right with its own economics built on infrastructure we already use.

Briefly on the wider technology estate because RetailAir does not standalone, our fulfillment centers run AI-led picking, sorting and routing. That is what allows 90% of orders to be delivered within 24 hours, while manpower cost per order continues to fall. The new centers coming up

are being commissioned on the same automated stack. So the marginal cost of adding a location keeps reducing rather than repeating.

And on the road map, our AI work is organized around the value chain rather than around demonstrations. Intelligent medicine and diagnostic counselling for consumers, consultation validation for quality assurance, personalized wellness recommendations, smart health records with automated testing hooks and back-end process automation that takes cost out of every transaction that we handle. That is where our technology stands today.

I will hand back to board -- for the questions.

Moderator: Thank you. We will now begin the question-and-answer session. We have Priyam Srivastava from Emkay Capital

Priyam Srivastava: So I want to understand what are the advantages of large distributors versus small distributors? Like can you break that up more granular in terms of delivery cost metrics, fill rate metrics and procurement pricing leverage metrics?

Banwari Lal Mittal: The large -- the main advantage, there are 3 advantage. One advantage is the margin advantage in the business of distribution, you get better margin from supplier pharmaceutical company if you purchase our bulk. As you buy more, you get more discount. That is number one. And number two, as you process more, your cost -- operation cost is less.

That is number two. And number three is obviously the sustainability of the scale because sometimes one market does not perform well, then the other market compensate. In the wider reach, you have a better average out of the market you are present in different. That is -- there are these 3 key difference between small distributor and larger distributors.

Priyam Srivastava: Okay. Can we quantify the margins, like how much margin difference is possible there?

Banwari Lal Mittal: Quantification is not possible, but if you can see the balance sheet of a small distributor and larger distributors, the small distributor has its own economics, has its own beauty and larger distributor has its own beauty. So sometimes the small distributors are very, very efficient and they quickly deliver to the retailers. So they also add value into the ecosystem and the larger also add value into the ecosystem.

So -- but I don't have the data of exactly which small distributor is doing what. These are various. There are small distributors who are doing wonderfully very good, and there are small distributors are not doing that well. So averaging out, I need to -- there is no such study in the market also available.

Priyam Srivastava: Got it. Okay. Understood. My second question was what is the typical delivery time for a Healthbuddy? And like why are customers of Healthbuddy willing to wait for delivery when there are faster options also available?

Banwari Lal Mittal: They wait for next stage of fast option only. If you compare the queue, everything has a cost. Suppose a customer wants to deliver in 10 minutes, they have to pay more prices. And so the --

in medicine, there are 2 parts. One is the acute medicine and one is the chronic medicine. The online platform are made for chronic medicine only. The acute medicine, the nearby pharmacy is better to serve them. That's why we carry both SastaSundar and RetailerShakti so that we can equip the nearby pharmacies.

So the customers will wait for 2 things. One is the fill rate. At online, the entire fulfillment center is linked to the online app. So their fulfillment is 100%, that is a critical problem. Second is the trust and genuity because there are studies, there are a lot of counterfeit and fake medicine. The online has the credibility because you can track the medicine supply.

They are barcoded. So every medicine is traced. And third is obviously pricing. So the more discount you get on Second-day delivery. So the chronic person can plan it out. It is not like a food that I can fill now and then take. The customer knows they fill up the medicine for the next month well in advance. That is how the economics works.

Moderator: We have the next question from the line of Vaibhav from Helios Asset Management.

Vaibhav: Am I audible?

Banwari Lal Mittal: Yes. Yes. You're audible.

Vaibhav: Yes. My question was regarding RetailerShakti. Since you guys are the only one who works on the cash versus all the national other distributors that work from the credit. So do you have any plans on partnering with NBFC to provide working capital financing to the retailers? In doing so, you will also attract retailers who currently likes to work on credit?

Banwari Lal Mittal: That is true. We have partnered with in past also. And right now, we have also partnered with 2 national banks also. We have the technology. We have developed the technology, but the adoption is taking time. So the NBFC and banking channels, they need to do the KYC, they need to sign up the agreement. Their habit is not to that scale. So they would like to either buy in from the traditional conversation from the -- on the phone call, they get the credit. Here, they have to do a lot of paperwork. So that is how the adoption is small. But definitely, once adoption starts, we are ready both from tie-up from NBFC banks and our own fund also, we can deploy provided they are ready to sign up and form the structured manner credit. That will take some amount of time, but we are waiting for that adoption.

Vaibhav: Okay. So in future, you could partner with the NBFC?

Banwari Lal Mittal: We have already partnered them with NBFC. We have already partnered with 2 national bank. So NBFC credit cost is much high, but the banks keep -- there is a lot of government schemes under which they get 9%, 10% by central government guaranteed. But the issue is that every structured credit needs documentation and KYC. So they are not habituated to do that. But since it is advantageous for them, so they will do one day, but we are ready for them. We have, in fact, launched the product, but not getting adoption.

Vaibhav: Okay. Okay. Got it. Got it. My second question was regarding the Healthbuddy model. Since in the Healthbuddy model, the last mile delivery is handled by the Healthbuddy franchisee when

we order on the SastaSundar app, right? So what happens to the margin of that Healthbuddy since the medicine that are listed on the SastaSundar are already 18% to 20% to the discount. So since on top of that, we are also taking 6% commissions, as you have mentioned in the previous con call. So what incentivizes those Healthbuddy franchisee to join with us to partner with us basically?

Banwari Lal Mittal: If we get around 6% to 7% of the sales, those are made to Healthbuddy, out of that 3% is their cost and 4% is the retention. So for the Healthbuddy says INR10 lakhs per month, I mean delivered selling is by app only. So that INR40,000 makes money on that.

Vaibhav: So the medicine that, let's say, I ordered some medicine on the SastaSundar app. So those medicine is basically delivered from the inventory of Healthbuddy or from our warehouses?

Banwari Lal Mittal: The inventory is primarily delivered from our fulfillment centers. But now we have changed this model a little bit that since we have launched our own JITO brand private label. So the JITO-branded medicine, we have started on a trial basis to some Healthbuddy stores. So if any order comes, say, from acute medicine, then those JITO medicines are at stores. So we can fulfill the full prescription of our private label brands, though the brands are different. But the medicine is...

Vaibhav: No, no, I was asking about non-JITO one, normal medicine that I ordered on SastaSundar app. Those are delivered.

Banwari Lal Mittal: Normal medicine, everything is go from central fulfillment center.

Vaibhav: Central fulfillment. Yes, that's only I was asking. Okay. Okay. Got it.

Moderator: We have the next question from the line of Abhishek Singhal from Perpetuity Ventures.

Abhishek Singhal: A couple of questions right now. First, on the top line side. So if you look at last couple of quarters, there's been a phenomenal growth being evident out there. If you roughly take around 90-odd days in terms per quarter, last quarter, you started annualizing almost like -- I mean, not annualizing, like on a day basis, you're doing almost a sales of around INR5.5 crores. So I want to understand, sir, like in terms of infrastructure because as this daily sales grows, in terms of fulfillment center requirement.

Can you give me some sense of how equipped we are in terms of the infrastructure right now to where -- and what kind of incremental spend that you might need to do on the fulfillment center side. So that gives a good reflection of how operating leverage will play out more below the gross profit side between the gross profit and EBITDA margin line. What are the mature costs right now, what incrementally in which place you want to do? So if you give some perspective around that -- that will be really helpful.

Banwari Lal Mittal: These are the good questions. We have the detailed working about that. So first question I'll take about the capacity of the fulfillment center. So the West Bengal fulfillment center last year, we are fully automated. So that is equipped to handle the next 18 months projected growth. And this last quarter, we have upgraded our Noida warehouse. We have shifted to new larger Noida

warehouse, which has a double capacity. So that can service up to next 3, 4 years growth. We have upgraded to our Guwahati warehouse, which can also service to next 3 years growth. And for -- after 3 years, we are building a new substantial capacity addition of 1.2 lakh in West Bengal. And in Guwahati, we are building 75,000 square feet new warehouse. In Lucknow, we are building 80,000 square feet. Udaipur, we are building 80,000 square feet.

Patna, we are going in 2 phases. In one phase, we will build around 20,000 square feet and in the next phase, 1.2 lakh square feet. Odisha Bhubaneswar, in first phase, we will build 20,000 square feet and in the next phase, 1.2 lakh square feet. So aggregating additional capacity will come from 5.95 lakh square feet. So we are fully aware about the growth potential. And those back ends are squarely under the pipeline.

And the second question is about the incremental cost. So that much I can tell you that because the incremental cost wise, we are into a stage where the division to be reported to the shareholders of cost and audited. It becomes very difficult because large part is centralized, central warehouse, central everything like Odisha, we are supplying from Kolkata, Patna, it is supplying from Kolkata. So segregating those incremental costs into a reportable number. Once I speak to shareholders, I carry responsibility of accounting standards, I carry responsibility towards the auditors.

So we have internally numbers with us, and I can tell you that those are into -- everything is into a disciplined manner. And I've spoken about that the incremental cost, if you measure the 2 years extra growth, last year and this year and divide by the EBITDA loss, it comes to around 27%, 28% only. And that will recover in the next 3, 4 years. So this is a simple audited metrics I can say.

Other than that, we need to move forward after, say, 1 and 2 years once it becomes more mature, we will be able to share those numbers if those are -- those comes in the format of accounting standard and are capable of auditing.

Abhishek Singhal: Got it, sir. This is very helpful. Sir, just to get some perspective on the gross margin side of things. Currently, as we see, we have started to almost INR500-odd crores of revenue per quarter. And our gross margin is around 8.3-odd percent, what we reported for this quarter. If you can provide -- see, what are -- a, what are the levers in terms of increasing your gross margin out here? One lever, of course, ends up being, as you've been pointing your go private label and the generic segment.

And the other leeway could possibly be getting because of the scale with which you are ordering with the pharmaceutical firms, you get better discounts from the pharma side. So to give us some perspective, if this scale goes to, say, for example, from around INR500-odd crores a quarter, we reach INR1,000 crores a quarter, what lever and how much of that lever can translate in terms of gross margin expansion per se from the scale side?

And as we speak today, what is our contribution of -- my sense is because these are all recent phenomenon will be minuscule, what -- how the leeway of JITO or private label plays out on the gross margin side? So that we get good sense of -- one thing we've demonstrated is top line

growth, what incrementally want comfort or a better understanding as investors is how are the gross margin side lever will play out?

Banwari Lal Mittal: That is very, very important question. And as you said yourself alone that yourself has narrated the first is the JITO, second is the volume -- margin volume. And third point is about the mix of devices, medical devices, OTC, surgical and nutrition and supplements. So these are the -- and the most important point is that we were building first the networking effect of the retailers.

So not pushing our own brands, but that networking effect is complete, at least in West Bengal Northeast and Noida. So now we are putting. So my point is that the beauty of is that we are -- we have just started the levers of profitability. So the growth amount -- growth scope is extraordinary. And this extraordinary growth effort and the most important part is the income from data. As you know, the most important is that our SastaSundar, Health & Happiness podcast, I'm just giving an example -- that has scaled up to 60,000 subscribers.

We are already getting revenue from pharmaceutical companies about monetization of the effect of digital data advertisement. And I must also inform you that in March, in January, about 30, we are holding the retailers' conference. It's the first time in India where around 10,000 pharmacy retailers will be under one roof.

Now Health X has the only capabilities to hold this type of conference. So these are the data monetization and sampling and the advertisement scope, and that should add to around 1% of the gross margin going forward because the data will be the king.

And then initiative like RetailAir, you see the strength of the RetailAir, we can get the data from each pharmaceutical so how much is the stock, which pharmaceutical companies data are moving, which note where is the problem. Those are gold mines for pharmaceutical companies. Never before those data are available.

So even a small subscription fees for pharmaceutical companies has enormous revenue to Health X. So these are the whole logistics we can provide them or additional capacity we provide them. We can provide them software as a solution for distribution to B2B companies and B2C companies. So these are our capabilities which are required in across the healthcare and wellness category, and we are equipped to that.

So -- and this warehouse management system also we have made our own and perfected in this year. So these are our own technology that we can monetize going forward. So these are the data. And I think as these levers, lever number 1 is that data revenue, lever number 2 is the JITO revenue, lever number 3 is the volume revenue and lever number 4 is the logistic revenue. So these are the levers which we get in future. And I think the gross margin will increase in a sustained manner.

Abhishek Singhal: So sir, just from a modelling perspective, as we build our financial models, I know we don't want to hold you for these numbers. Like on an annual basis, as the scale plays out, is it fair to assume at a corporate level, like a 50 to 100 basis points of gross margin expansion annually is possible in your business, the way you're seeing it today?

Banwari Lal Mittal: Yes, sir, it is possible. That is safe side rather, you can easily take.

Moderator: We have the next question from the line of Praneeth Bommisetti from SJA investments

Praneeth Bommisetti: First, I'd like to understand how is our JITO brand performing, sir, in terms of the sales in terms of the private label brands. Could you just give some light? How is it going right now?

Banwari Lal Mittal: So I'll ask Lokesh to give you the specific numbers. We have the specific numbers for your benefit.

Lokesh Agarwal: So this quarter, we ended up with a cumulative number of INR2.2 crores with a gross margin of somewhere around 60%, a growth of around 170% as compared to Q1.

Banwari Lal Mittal: So these numbers and growth and because the base is very, very low. So please don't carry away by 178% growth. These are absolutely low things. And with this, we started. And the margin will also fall down. This is not a sustainable margin. So read those numbers. These are not very meaningful for your business model.

Praneeth Bommisetti: Got it. Understood. I keep that in mind. But where do you think by the end of the year, this brand sales will end up at?

Banwari Lal Mittal: So I think I don't know how it will figure out because this is a thing we are very, very much hopeful. But I can fairly estimate that next quarter, it should be between INR6 crores to INR10 crores. So INR2 crores a month to INR3.5 crores a month. That is how we are targeting. But this is the range it should come.

Praneeth Bommisetti: Understood, sir. When you're saying JITO revenue, this includes all the JITO pharmacies also or this sale of medicine?

Banwari Lal Mittal: So JITO pharmacy, both we supply the to JITO retailers and we have JITO stores also, but it takes time to build up the volume. So it will take 1 year time before any meaningful data has come because the store opens, then selling starts happening, goodwill is making. So it takes a certain amount of time before building the brand. But this quarter is the second quarter of launching and next is the third quarter of launching. So this is premature to make an assessment how it will ramp up.

Praneeth Bommisetti: Got it, sir. And coming right now, so as we see -- as I said in the presentation, we have 52 JITO franchises and we have 80 in the pipeline. Sir, does this mean we are not scaling the brand of Healthbuddy itself and is focusing on JITO? How is it going to be like?

Banwari Lal Mittal: No, no. See Healthbuddy are different model. Healthbuddy is for branded medicine. So I should clarify this is very, very important from the strategic point of view, you all must understand. So one is Healthbuddy, who does not hold any JITO inventory. He only, A, is maintaining relationship. Second is doing compliance. Third is delivering products from his shop to last-mile delivery. So these 3 things are doing Healthbuddy. It does not carry any inventory. He's called Healthbuddy partner.

Second is called the JITO Healthbuddy Partner. JITO Healthbuddy partner means Healthbuddy, he is doing -- whatever Healthbuddy is doing, plus added is that he's keeping JITO product at his own store. So he's handling the JITO product for any urgent and acute medicine from his stores. He's handling like an offline store, but only JITO products, no other medicine. Third is independent partner. JITO independent partner is nothing to do with the channel.

He is a normal shop with JITO branded medicines only. So these are the things -- these are the 3 different models. And broadly, there are 2 different models. One is Healthbuddy partner, one is Healthbuddy JITO partner, those are Class A, and Class B is the JITO franchise partner. So both the channels are very important, and we are going very aggressively in both the channels.

Praneeth Bommisetti: Understood, sir. Got it. So next coming to gross margin, sir. So I think you've given some clarity, but I was just wondering, we have been targeting the 10% mark for the last many quarters. I understand we're scaling up much faster, so it's taking some time. But at which quarter or which year do you think we'll reach the 10% mark or at which critical sales mark will reach that? Could you give some guidance on that?

Banwari Lal Mittal: No, if you say the 10% gross margin, so as I earlier said, I mean I must qualify we are in a very, very infancy stage of building business. So please don't take the guidance, but I can share you what we are targeting. That is the only thing I can tell you. So in 10% margin, if you say, then you must model the 10% margin in the year '28, '29.

Praneeth Bommisetti: Understood, sir. So till then, there will be incremental sales for next...

Banwari Lal Mittal: We achieved between 8% to 9%, somewhere 8.5%, 8.6%. And '27 to '28, we achieve from 9% to 10% and then '28 to '29, we achieve between 10% to 11%. So that is the range we estimate.

Praneeth Bommisetti: Understood, sir. Got it. And coming to our AI plan in terms of having an AI consulting this thing. So are we done building it in terms of cost? Or is there still some way to go in terms of launch and all of that?

Banwari Lal Mittal: So I would give to Mr. Vinay Khaitan about this. He's the right person to answer, our Chief Technology Officer. Vinay?

Vinay Khaitan: So yes, we are in path of building AI. So we are continuously building on AI. And the things that we spoke will -- we are targeting to start on those post March once we are done with what streamlining RetailAir and our own product, WMS. So these are the backbones, that we need to build and then it will be kind of AI-focused development that we'll be doing. At the same time, whatever AI we are able to build within RetailAir and WMS, we are doing that.

Banwari Lal Mittal: So I will add on this from commercial side that the AI building we are onto the path, but the rollout will be as the market is ready as the adoption is ready. Otherwise, the process becomes complicated. So at present, RetailAir, we have launched with the invite of the because for customers, it is not AI. For customers, his life is easy, inventory is maintaining.

So he has some purpose to do with. But for retail customers, adoption of AI will take a certain amount of time. So we have set a target of next year. In this year, since the RetailAir is ready,

and I must -- thanks to our CTO and our team of technology that even the WMS, they have upgraded so many AI applications. So those are easy to do. We don't need much of the customer adoption. But the consumer AI customer adoption is must. So we would like to wait for another 6 months before they start taking it. Otherwise, it makes our system rep complicated and the objective may be reversed rather than positive.

Praneeth Bommisetti: Got it. So the consultation app will take at least next 6 more months to start?

Banwari Lal Mittal: Yes. The consultation, more than consult is counselling and advisory. So that is already in the pipeline. It will take another 6 months to finish it up and then next 6 months launch. For next year, around October, November, we should be ready to launch.

Praneeth Bommisetti: Got it, sir. Coming back to the same thing, you mentioned during our last commentary that the costs related to building these AI applications and other technology is going to start coming down. So did that start happening because I thought we had some downsizing of the AI team. Did we start with that? Or how is it going so far?

Banwari Lal Mittal: Cost-wise, we are under fully control. So cost-wise is not a problem. Cost is full control. And the incremental salary is not about AI salaries. incremental salary is about, we have opened new offices in Bhubaneswar, Odisha, Patna and Jharkhand. And you must have seen the growth figures also. And to target that kind of growth, we need to invest in the new markets. So those salaries are from the account of marketing and incremental sales. There's nothing additional salary from tech cost.

Praneeth Bommisetti: Got it, sir. And the warehouses are operational, just small-scale office that we built in the...

Banwari Lal Mittal: So operations are only 3 fulfillment centers, one in Baruipur, West Bengal, second in Assam and the third is Noida. The other 3 smaller warehouse of 20,000 square at Ranchi, Patna and Bhubaneswar, we have started the process of signing up. So they will take around 6 months from here before they start operations.

Praneeth Bommisetti: Got it, sir. And we also, I think, have the 60,000, 80,000 warehouses planned in other trades also. When do you think the first of those large warehouses will start coming online?

Banwari Lal Mittal: So larger will take from 18 months, the first larger will come at Udaipur. That is plinth area has been completed. So in 18 months, the larger warehouse at Udaipur will come to cover the one side of Rajasthan.

Praneeth Bommisetti: Understood, sir. So the next big expansion would be in Udaipur that will be in 18 months?

Banwari Lal Mittal: Right. Right.

Praneeth Bommisetti: Got it, sir. And so just coming back one more question with regards to our investment. I understand we're investing and we are delivering most of our revenue top line figures. So -- but in terms of the losses, they are still accruing over the last few years and last few quarters. And as you mentioned that this might continue for a little bit. So just wondering how is the

management thinking about utilizing that cash? Or what is the plan in terms of forecasted losses? And what's the plan overall going forward?

Banwari Lal Mittal: No, we utilize the cash as we get the opportunity. As you have noticed that last year, we bought back around 10% equity from Mitsubishi Corporation. So INR100 crores we paid them. And the rest of the treasury are lined and treasury income we are investing into the business.

And further utilization right now, it is not possible until the merger is complete. Once the merger completes and we get a listed company, then we have other options to utilize that inventory, that treasury. But because of the layer of subsidiary company, the Rohto Pharmaceuticals is not ready to sell the shares, so we can't buy back their shares. So we have to carry the model as it is till merger happens.

Praneeth Bommisetti: Got it, sir. And when is that going to happen? I think we had some delays in the past, but I think we are moving forward. So when is that going to complete?

Banwari Lal Mittal: We have filed to the stock exchange, and that application is pending for SEBI observation letter. So we are waiting for SEBI's observation letter. We hope that by the end of December, we must be getting SEBI's observation.

Praneeth Bommisetti: Understood, sir. And one question with regards to our Healthbuddies and JITO. So right now, I think we had 80 Healthbuddies and 50 JITO. So what's the plan in terms of expanding this footprint in the next year or 2? Like what's the annual target of expanding both of these segments?

Banwari Lal Mittal: The target is because of the change in the model, I would like to take a few minutes on this, that the JITO brand, we have -- because of the success of the JITO brand, we have done though the figures are very small, but I tell you the adoption is very, very strong. We -- all of a sudden, we have changed the entire model to give the JITO proper space. Following the strong customer adoption of the JITO brand, we have reframed the sustainable business model also. Under the revised model, we are targeting 13% revenue contribution from JITO branded medicine in financial year '29, '30.

As you know, the JITO products are priced significantly lower than conventional branded medicine. As a result, we are targeting our budgeted SastaSundar growth from 100% to 50% growth because the quantitative terms are same, but the pricing are up. So the revenue becomes 100% growth to 50% growth, but the profitability increase because these are high gross margin products. So we have earlier said our estimated revenue target of INR6,000 crores for '29, '30. That remains as it is, but INR4,000 crores for RetailerShakti and for SastaSundar, it is from INR2,000 crores to around INR900 crores because of -- quantity-wise is same, but because of the JITO brand mix, sir, the revenue will be down.

So in the year '29,'30, it will be INR4,900 crores instead of INR6,000 crores that we have shared earlier the estimate that you please note.

Praneeth Bommisetti: Got it, sir. Because we'll be expanding a lot more of JITO instead of...

Banwari Lal Mittal: Because JITO pricing is one-third. So the quantity-wise, same customer is service. So the revenue drops, but the margin increases.

Praneeth Bommisetti: Got it. So when we say the revenue is going to fall that direction, which -- at what EBITDA can we expect? Because I think we initially guided to around 5% EBITDA. So can we -- we'll be able to reach that figure or will be a little lower?

Banwari Lal Mittal: No, no, it will be more. So the EBITDA, we are estimating instead of 5% to 6% because the brand JITO will give more gross margin. So the total EBITDA on the estimated turnover of, say, INR6,000 crores, EBITDA from INR4,900 crores will be more than EBITDA of INR6, 000 crores.

Praneeth Bommisetti: Understood because of JITO contribution. Got it. So basically going now, it's scaling up will mostly be in the JITO infrastructure than the...

Banwari Lal Mittal: So we are targeting that there is a substantial share of JITO. And because as you have seen that the IPM growth, I must say, this is very, very important data that from 9% IPM market, it is growing 12% IPM market in India. So this one factor is we are very noticing that India is changing. They are changing from their issue of fooding and the issue of shelter is almost sorted out. And because practically, every state is giving money in women's bank account.

And that womens's bank account is 10% of that money is coming into the medicine market. And out of that, around 25% to 30% is coming into the trade generic market where you have the brand on generic, but not popular brand. So JITO, we are positioning at not generic, generic, but as a trade generic so that we have the brand identity so that people can sell and simultaneously, it is cheaper.

So I think India will have a huge amount of demand for pharmaceutical products because 80 crores people who are not going into the medicine market, going to public hospital takes their whole one day. And you see, I'm giving one example, very, very interesting data to all of you is that suppose I'm a gig worker. If I go to public hospital, say, I save for my medicine INR300, but my whole day is gone.

So my wage is INR700 earning that has gone into toss. So I make loss at INR400. But once I have a home delivered JITO medicine, I can go on my duty. I'm a diabetic person. So the reason is that the time cost of Indians has increased from earlier. And they understand that what is the time cost is. So -- and where the JITO fits into that it is delivered at home every month, and they can take care of their chronic disease.

Praneeth Bommisetti: Understood, sir. Actually, tailwinds are very high, and we're also executing very well.

Banwari Lal Mittal: And you see -- you can take the tailwind. You see the growth rate in Jharkhand.

Moderator: We have the next question from the line of Sai Kiran Pulavarthi from Pulavarthi Finserv.

Sai Kiran Pulavarthi: So Mittal, we just trying to understand in terms of your guidance on the top line, you have been delivering much higher than 30% in the last, what I can say a few quarters. Are you being

conservative or what could be the realistic number or this kind of a high growth might taper down as we move forward?

Banwari Lal Mittal: No, I think I would invite your kind attention to the fact that last year, we grew by only around 20%. So this high growth, you can take some part of comparison from last year because we had the demand last year, but because of our fulfillment center in West Bengal, that growth compromised. So average out it is 33%.

So some quarter, there will be high growth. Some quarters, there will be reasonable growth. But on an average, we see that we are targeting 30% compounded growth. Some quarters may be less, some quarter may be more. But you should frame your business model by around 30% only.

Sai Kiran Pulavarthi: Got it, sir. And in terms of the cost growth, actually, if you look at your employee costs are growing somewhere around 27%, 28% and the expenses are growing at around 20%. How do you see these numbers going forward? And that too, this growth is without getting new fulfillment centers getting opened. So how should one think about in terms of the cost as we move forward?

Banwari Lal Mittal: The cost -- I tell you that cost is a factor that we are very, very conscious. And I must tell you that cost-wise, we are the most disciplined in the country. And because at initial, Odisha market, we are serving from Calcutta right now, but the market is only for total sales, 1% is only from Odisha. So we have gone there. We have set up office, tested the market, taken the license. And now we are building warehouse, that save a lot of cost, that experiment.

So in next 6 months, 20,000 square feet model, smaller warehouse will come in all the places, 3, 4 places. And then we will build 1 lakh square feet at each space. So the point is that we are -- this is a very -- I would advise you to give a slide of capital consumption that at a very, very less capital we build this company. And as you must notice, we have given it.

Sai Kiran Pulavarthi: Agreed, sir. Agreed. So in terms of capital efficiency, you are one of the best. I'm just trying to understand how the cost growth will be there as we build the business. At gross margin level, op leverage is very much clear. You mentioned that you how your gross margin was removed.

Banwari Lal Mittal: As the scale is going on, cost is reducing. So the scale will reduce the cost. So that is automatic. And as we scale faster, our corporate costs in percentage terms come lower, technology terms, it comes very lower. And then going forward, say, right now, we are -- we have developed the AI RetailAir. So now from next year, we will get the revenue from retailers. So the cost is again monetized.

This -- you must see the SastaSundar Health & Happiness podcast. So there are a lot of content and a lot of doctors are coming now, pharmaceutical companies want to engage those doctors who are coming into podcast and they cannot advertise otherwise their medicine, but they can engage their customers about educating their medicine. So these are the unique initiatives which we have taken. And the cost definitely will -- as you see the mark from last 3, 4 quarters, the cost will further cut down as a percentage of the revenue.

Moderator: We have the next question from the line of Preet Shah

Preet Shah: Mittal, sir, many congratulations on strong set of top line. Sir, my question is on retailer. So this is something very good initiative. So like how is the initial market feedback? And how do we see the adoption rate for this product? Because I believe the existing pharma stores must be having some sort of a system, right? So do we have any strategy to push our this RetailAir in the market?

Banwari Lal Mittal: Yes. So RetailAir, we have already launched. And I must tell you that since we launched because the product is really from last 3 months, we were educating our RetailAir. And -- and this is exactly the adoption first strategy that it is mobile, it is sales first, so they don't need to put figures. So habit formation is very, very easy. It is very easy to use also.

And it will change the life, average inventory, they are keeping of 40 days, they are taking credit. So why don't -- we eliminate the credit taking. We bring down 40 days inventory to 10 days, make the retailers order automatic from their RetailAir. So their working capital is reduced to 25% of your existing capital.

These are such a larger benefited tool and very easy to adopt. So I think in the next quarter, we will be able to tell you the adoption more precisely because just this quarter, we have launched and this is under trial phase. Next quarter earnings call, I'll give you some very good data to state upon the success of RetailAir.

Preet Shah: Agreed, agreed, sir. Yes, because I also see a great potential here, and this is going to be like vertical and horizontal integration for our business. So yes, all the best with this new initiative.

Mittal, sir, the second question that I have, what I observed, the investments have declined by almost INR70 crores during this first half of '27. So is it possible to provide any sort of reconciliation of this movement like what we did with this?

Banwari Lal Mittal: No. Some part of the investments, we are utilizing it for our building fulfillment center. So we have acquired infrastructure. We have built up, say, Noida center. So we have invested INR7 crores into Noida. We have upgraded our Kolkata warehouse and have put up capital in signing up with the state government for new warehouse. So these are the continuous investment that happen because the treasury is for investment only.

Preet Shah: Okay. Okay. Got it. Got it, sir. And Mittal, sir, are we leasing the warehouses all the upcoming or we are planning to buy the land and then putting up this highly automated warehouses?

Banwari Lal Mittal: No, it is mixed because buying the land and building our warehouse is a long-term process, but those have to be because the getting pharma-grade warehouses capabilities in India are limited. So -- and then changing it from a running pharmaceutical warehouse to another warehouse is also very limited because most of the state requires RCC framed warehouse and those has to be temperature controlled. So we have the mixed approach.

We -- in some states, we have acquired land from government, but we are acquiring land only by signing MOU with the state government so that we get land at concession rate, and we also

get incentive to build. They have visited our model in West Bengal. And the West Bengal models, we employ 3,200 people in West Bengal. We practically sold this health issue in West Bengal. We are one of the largest player who accepted large number of FDI. So they are very exciting to see, and they are signing up some MOU.

So we are getting land and we have started building like Udaipur, we have our own land there. We are building our own premises there. So these are the initiatives we have taken. But in long term, say, for next 10 years, it is better to build our own warehouse at a strategic location.

Preet Shah: Okay. Got it. Got it, sir. And sir, the last question is again on the merger demerger. So now I understand that the SEBI approval will be in place somewhere December this year. So does that mean like the NCLT process will also be delayed with the same month or like that process...

Banwari Lal Mittal: No, no, we are ready for the NCLT application. So once we get the approval from SEBI, observation letter from SEBI in next 15 days from the date we get approval, we'll file with the NCLT. And NCLT typically takes 4 to 6 months' time.

So I think -- but it will be effective from 1st April 2026. So if it happens around June or before 15th of April, then we can result announce -- yearly result announce of the same company. Let's see, but we are moving in a very positive direction. We have done what we should do. Now it's up to regulator.

Moderator: Ladies and gentlemen, we will take the last question from Abhishek Singhal from Perpetuity Ventures.

Abhishek Singhal: Just one -- at least 1 or 2 questions around the growth specifically on the top line side, sir. So we have these 3 major geographies. One is, of course, West Bengal, the other is the Assam Northeastern side and the third one being the Noida. So as you see your growth playing out, can you give some perspective around how the growth is split between these 3 geographies?

And also on the fourth side, which is expansion into other states. We'll give us some perspective around where you are seeing profitable growth and which part of the growth in these new geographies are investment growth, so might be actually dilutive on your overall, I would say, your EBITDA margin side?

Banwari Lal Mittal: So the growth-wise, every market will play the growth because say the product like RetailAir, it will increase the wallet share from the existing customer. So RetailAir is now also one factor of the growth. And the new markets obviously are from Odisha, from Jharkhand, from Bihar, from Uttar Pradesh, Rajasthan, these are the new markets.

And -- but the factor into our estimate for the profitability is already factored into our budget. So those -- as you see, the entire cost of new market will also be absorbed by the mature markets, which are contributing to profitability. So each market will grow, and we see a substantial portion. But obviously, in the new market, growth rate will be higher because the base is low. But in absolute terms, we get the highest growth from existing markets that is West Bengal, Assam, Uttar Pradesh.

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

Banwari Lal Mittal: So thank you very much for your patience hearing and keep faith in us. Thank you so much.

Moderator: Thank you. On behalf of Health X Platform Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.