Operator: Ladies and gentlemen, good day and welcome to the H1 FY27 earnings conference call for Q-Line Biotech Ltd. As a reminder, all participant lines will be in listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during this conference call, please signal the operator by pressing "*" then "0" on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Ankit Jain from Stellar Investor Relations. Thank you, and over to you, sir.

Ankit Jain – Stellar Investor Relations: Thank you, Abhiraj. Good afternoon, everyone, and thank you for joining us today. To discuss the H1 FY27 business performance, we have with us the senior management team of Q-Line Biotech Ltd., represented by Mr. Saurabh Garg, Chairman and MD; P. S. Prabhakar, Whole-time Director; Ajay Kumar Mohanty, Director and CEO; and Meenal Gupta, CFO. Before we proceed with this call, I would like to mention that some of the statements made on today's call may be forward-looking in nature and involve risks and uncertainties. The company also undertakes no obligation to update any forward-looking statements to reflect developments that occur after the statement is made. Documents relating to the company's financial performance, including the investor presentation and press release, have been uploaded on the stock exchanges and the company's website. I now hand over the conference call to Mr. Ajay. Thank you, and over to you, sir.

Ajay Kumar Mohanty – Director & CEO: Thank you, Ankit. Good afternoon, everyone, and thank you for joining us today. I welcome all our investors, analysts, and shareholders to the H1 FY27 earnings call of Q-Line Biotech Ltd. In our previous earnings call, we spoke about the progress we had made in expanding our manufacturing capabilities, strengthening our product portfolio, and building new growth opportunities across domestic as well as international markets. During H1 FY27, we continued to make progress on these priorities.

While the overall business performance has been steady, we have seen good growth in our reagent and trade market businesses, along with an improvement in operating margins. Let me take you through some of the key business developments during the first half. Our reagent business continued to perform well, registering growth of 19.23% during H1 FY27. This is encouraging, as reagents remain an important part of our business, supported by recurring demand from the installed base of diagnostic instruments. It is very important.

Our trade market business also recorded healthy growth of around 20.16%, reflecting an improvement in transactions across our distribution network and increasing demand for our product portfolio. Our government business remained broadly stable compared to the corresponding period last year. However, instrument revenue declined by 29%, mainly because certain government orders could not be executed on time due to the non-availability of consignees [cut off]

Management: [off-mic discussion] Hello, my phone was switched off. Even then, if the ticket is not done, we will have to go by road.

Ajay Kumar Mohanty – Director & CEO: [line issue] Can I continue?

Operator: Yes, sir, you can go ahead.

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Ajay Kumar Mohanty – Director & CEO: Sorry. This impacted the delivery of the instruments during the period. We are working with the concerned persons to improve execution and ensure timely delivery of these products.

Coming to our manufacturing expansion, Unit 4 in Lucknow remains one of our key growth priorities. The regulatory approval process for the facility took longer than initially expected. However, we have made good progress over the last few weeks. The number of product licenses has increased from 9 as of September 30, and if you see Unit 4 now, there are almost 36 product licenses in Unit 4. Additional product licenses are also under various stages of approval. With a substantial number of approvals now in place, we expect to progressively scale up manufacturing operations and make the facility fully operational during H2 FY27. This facility will strengthen our in-house manufacturing capabilities, allow us to expand our product range, and [trails off]

Management: ...bring demand for diagnostic reagents and testing kits. It will also provide us with the manufacturing infrastructure required to pursue larger institutional and international opportunities.

On the product development front, we have successfully launched many more products. One of the semi-automatic analyzers is the Microlab 300 instrument under the Make in India initiative. It has now been commercialized. Commercial sales have been completed, and we have already successfully sold many units in India.

Furthermore, the hemoglobin meter, or Hb meter, has also been successfully launched. We have received all the NODs from the CDSCO and other government authorities. It has now been commercially launched, and by the end of this month, we are also going to raise the commercial invoices.

We are also working towards commencing our CDMO operations for the manufacturing of Electra Pro M, which is the fully automated biochemistry analyzer under the technology collaboration with Erba Scientific Netherlands, and also the Microlab 300 semi-automated analyzer. Under our exclusive technical collaboration arrangement, these instruments will be exported to our European principal company.

These initiatives will enable us to leverage our manufacturing capabilities to serve international markets while continuing to cater to the requirements of our domestic customers. We intend to significantly step up our business development efforts in this segment to unlock further growth opportunities.

In a significant development, we have recently received confirmation of an export order from the European principal company for Electra Pro M, which is the fully automated analyzer, and Microlab 300, which is a semi-automatic analyzer. The combined order value is around {? 2.3 million Euro ?}.

This marks an important milestone in our CDMO project and CDMO journey and reinforces the potential of our manufacturing capabilities in the international market.

Another important development has been the launch of our new molecular detection kits. These are for Hepatitis B virus, Hepatitis C virus, HIV, and also Triple H. We have also introduced an integrated

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3-in-1 test comprising HIV, HBsAg, and HCV in one testing solution for infectious disease screening in blood banks. This further expands our offering in blood safety, blood banks, and the safe blood bank segment.

In addition, we have launched 8 to 10 new assays across our ELISA and rapid test portfolio, strengthening our product basket and expanding our market reach.

To address the evolving requirements of our key accounts, we have also launched a high-end, high-throughput hematology auto-analyzer to meet the requirements of key accounts and potential customers, enhancing our ability to cater to large-volume laboratories as well as key accounts. These launches represent significant progress in expanding our portfolio across molecular diagnostics, serology, and hematology. They will enable us to address the growing and diverse requirements of blood banks, hospitals, and other healthcare institutions while creating new opportunities for business growth.

In addition, we have received the NOD from CDSCO for a new segment, which is chemiluminescence, and hopefully we are also going to launch it in the last quarter of FY27.

Moving to the international market, we have continued to strengthen our export business with the appointment of people in the international market based in Dubai and catering to the Middle East as well as South Africa. They will focus on the development of new markets and establishing the distribution network.

We have been targeting nearly five-fold growth in export revenue during FY27. However, the current geopolitical situation in West Asia has created certain supply chain and logistics challenges, which may impact the pace of this planned scale-up. While this may result in some near-term delay, our long-term focus on expanding our international presence remains unchanged. We will continue to work closely with our distribution partners and pursue opportunities across international markets as conditions improve.

I would also like to briefly touch upon the proposed acquisition of a company called Himalco Medicare, in which we are going to take over a 70% stake. The board has already given approval for the transaction as part of our inorganic growth strategy.

Himalco has demonstrated good financial growth, with revenue increasing from {? 50.91 ?} crore in 2024 to almost 108 crore in FY26. Profit after tax increased from {? 3 crores ?} to {? 7.9 crores ?}. The proposed acquisition is valued at around {? 26.96 crores ?} and is expected to help streamline our growth structure, improve operational efficiency, and create opportunities for cross-selling and distribution synergies.

Himalco's presence in critical care medical devices and testing, together with our long-established IVD product portfolio, provides an opportunity to create a comprehensive diagnostics and healthcare solutions platform under one umbrella. This integrated approach will enable us to offer a wide range of products and solutions to hospitals, diagnostic centers, and other healthcare institutions.

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To conclude, our focus for the second half of FY27 will be on converting the investments and initiatives undertaken over the last few quarters into business growth. Our key priorities are to scale up the manufacturing unit, namely Unit 4; accelerate growth in the reagent and trade businesses; improve execution of instrument orders; expand our molecular diagnostics portfolio; and strengthen our international and CDMO businesses.

We will also continue to focus on operational efficiency, disciplined capital allocation, and strengthening our overall business platform. We believe the progress made across these areas will help us build a stronger and more diversified business over the coming years.

With this, I would like to hand over the call to CFO Minal Gupta, who will take you through the financial performance of H1 FY27. Thank you very much.

Minal Gupta – CFO: Thank you. Now I will take you through the financial performance for the first half of FY27. Starting with revenue, our revenue from operations for H1 FY27 stood at 152 crores compared to 143 crores in the corresponding period last year, registering growth of 5.83%.

EBITDA for the period increased by 10.02% to 39.57 crores compared to 35.97 crores in H1 FY26. Our EBITDA margin also improved to 26% as against 25.1% in the corresponding period last year, reflecting an improvement of 99 basis points. Our gross margins have also increased from 57.7% in H1 FY26 to 62.6% in H1 FY27. This is primarily due to an increase in our reagent sales. Our reagent sales have increased to 71% as compared to 63% in H1 FY26.

Moving on to the bottom line, our profit after tax was 19.60 crores compared to 21.32 crores in the corresponding period last year. The moderation in PAT was primarily due to higher depreciation and the absence of a one-time tax benefit recorded in the previous year.

Depreciation for H1 FY27 increased to 7.89 crores from 4.09 crores in H1 FY26. This was mainly on account of the capitalization of our Unit 4 facility in Q4 FY26. As the facility progresses towards full operationalization, we expect it to contribute to business growth over time.

Additionally, H1 FY26 included a one-time tax write-back of 1.95 crores, which was not repeated in the current period. Overall, we have delivered growth in revenue and EBITDA, along with an improvement in EBITDA margins.

Going forward, our focus will remain on improving capacity utilization, driving growth in our higher-value reagent business, strengthening operating efficiencies, and maintaining disciplined working capital management.

With this, I would like to conclude my remarks, and we can now open the floor for questions.

Operator: Thank you very much. Ladies and gentlemen, we will now begin the question-and-answer session. Anyone who wishes to ask a question may press star and one on their touchtone telephone. If you wish to remove yourself from the question queue, you may press star and two. Participants are requested to use handsets... [inaudible]

Operator: The first question is from the line of Rahul Jain from Credence Wealth. Please go ahead.

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Rahul Jain – Credence Wealth: Hello? Hello?

Management: Yes, please. Am I audible?

Rahul Jain – Credence Wealth: Yes, yes. Thank you for the opportunity, sir. My first question is regarding the overall top-line guidance. In the previous call, we had spoken about the growth focus in the reagent business and overall top line. You had guided for about 30-35% growth. Given the H1 numbers, where overall revenue growth is about 6% and reagent growth is also around 20%, how should we look at the second half or the full year FY27 in terms of the top line? Are we guiding for this growth, or will we be able to meet this guidance, and what will drive that? That is my first question.

Management {? Ajay ?}: I would like to answer it in a very simplified way. First of all, I will divide this question into 2 or 3 parts. The major components of our business are, basically, the instrument business and reagents. If we also look at instruments, there is the trade market business as well as some project sales.

If you look at our 30% growth commitment, the interesting area of our business is how to generate revenue from reagents, which yield profit for the company. In H1, we grew by 19-20% in our reagent business, which is our important and key area.

Number two, if you look at the other part, which is the trade market, we have also grown in the instrument business. But if you look at opportunity sales as well as project sales, although we have many orders in the pipeline, because of certain limitations in government execution, and although we have many orders in the pipeline and the instruments are almost ready, we still could not install and execute those orders.

So, on one hand, our commitment to maintain growth in reagents, which is a very important element for the company, is something we are very close to achieving. But if you look at the instrument part, we have grown in the trade market, but we are somewhat behind in the execution of projects, although we have the orders in hand.

Another part is the CDMO project. For CDMO, licensing as well as export-related documentation and regulatory approvals are required. There are many additional licenses required for the export of instruments. However, the good news is that a few weeks ago we already received an order of {? 2.3 million dollar ?} for instrumentation.

Therefore, although we could not deliver good instrument numbers in H1, I am very optimistic that in H2 the numbers will definitely be significantly better, both for instruments as well as reagents.

Rahul Jain – Credence Wealth: What kind of growth should we now pencil in for FY27 and FY28, sir, from the overall top line?

Management: I would like to add something here. Generally, in the diagnostic sector, H1 is slightly slow and H2 is always better. That is one factor, and Q3 and Q4 are slightly better for our industry. This is more so because we are in the government sector. Government budgets and other factors are much better in the later part of the year.

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As Ajay said, some of our product launches and certain other activities could not happen in H1, and they have now shifted to H2. Considering that H2 is always better, I think we do see 25-30% growth for the year, year-on-year.

Rahul Jain – Credence Wealth: And FY28?

Management: For FY28 also, I think it will be a similar number because, although we have our new plant, at the same time we are entering into new products. We are also now moving into the SKD form of new products.

Although we are manufacturing the instruments, we are also trying to become the go-to supplier for our partners who are moving out of their instrument businesses. However, this instrument business is time-consuming. Once we receive the technology transfers, we have to train on them, and then we have to obtain all the certifications, such as CE certifications. Since we want to go global, every country will have its own certificate. Therefore, it is somewhat time-consuming.

We recently launched Microlab, which was commercialized in October. We were able to sell a few units, and we will be doing significantly more sales for that in H2. Similarly, we have the Hb meters. These are some of the projects on which we have been working for almost 1 or 2 years. However, these are very time-consuming projects.

That is why we are now focusing more on reagents as well. We have developed many more SKUs in reagents, and we entered the molecular segment. Approximately {? 2.5 crores ?} of revenue up to September was from the new reagent business. These products were launched only recently; some were launched in August and some in September. Therefore, we will see traction in revenue from all these verticals in H2.

Our focus is to continue strengthening the products that we develop now. In FY28, we will have higher revenues from the products that we are developing in FY27. At the same time, our focus will continue to be on developing more and more new products in FY28 as well.

Considering how the diagnostic market is expanding, and since developing an instrument from scratch takes a lot of time, we are also moving into the SKD segment. We have Q-Count 3 and Q-Count 5, which are hematology analyzers. We have already launched them in SKD form, and we sold quite a few of these instruments through trade sales in H1 itself.

The autoloader version that we just mentioned, which we are about to launch probably in November, is also the Q-Count 5 autoloader, and that is also SKD. Therefore, for now, we would like to maintain 25-30% growth for FY28 as well.

Rahul Jain – Credence Wealth: That is helpful. Regarding the Himalco acquisition, you have spoken about the top line being around {? 105-108 crores ?} in Himalco. Your initial comments did speak about the products. Can we understand 2 aspects? First, what is the product differentiation between Himalco and Q-Line? Are the products under Himalco completely different from what is being done in Q-Line, or is there some overlap? Second, how do we see growth in Himalco going forward? Also, based on the numbers you have given, it looks like the margins in Himalco might be lower than Q-Line. Will this acquisition, which is almost adding roughly 30% to your top line, be

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margin-dilutive for the company?

Management: I will take your first question. The products are absolutely different. Q-Line is in IVD, which, if I were to explain it in simple terms, involves blood testing, whereas Himalco is in critical care. Himalco supplies all the equipment used in the ICU, such as ventilators and ICU monitors. Therefore, the product portfolios are entirely different.

This was part of our overall management strategy. We want to consolidate the business and bring it under our listed company portfolio. Himalco has demonstrated good growth. Earlier, it had a top line of 58 crores, and now it is at around {? 108 ?} crores. For FY27, the guidance is around {? 130 crores ?}.

That is why we want to channel all the growth under our flagship listed entity. The margins will gradually increase when Himalco achieves economies of scale. At present, it is doing SKD, but it also wants to enter manufacturing. The margins will gradually improve when we have synergies between Q-Line and Himalco. Q-Line will also support Himalco, you know, in...

Rahul Jain - Credence Wealth: ...pending its operations. What are the current EBITDA margins in {? Edelco ?} and the gross margin? What are the EBITDA margins in {? Edelco ?}?

Management: The current EBITDA margins [pause] are around 6 crores for the first half. No, PAT is 3, correct? PAT is 3. They do not have too many loans or much depreciation right now, so they do not have high loans in that respect. EBITDA is about 6 crores, but I can always get back to you with further details on that.

Rahul Jain - Credence Wealth: Sure, sure. That was helpful. Regarding the... [cut off]

Operator: Sorry to interrupt. Ladies and gentlemen, in order to ensure that the management is able to address questions from all participants in the conference, please limit your questions to 2 per participant. The next question is from the line of Priyam Shah from Primetra Asset Managers. Please go ahead.

Priyam Shah - Primetra Asset Managers: Thank you for the opportunity. I wanted to understand how the ramp-up at Unit 4 is happening. What is the capacity utilization? When will we start seeing meaningful numbers from Unit 4, and what kind of numbers, not peak revenue but the expected numbers, do you expect to come from Unit 4 over the next 2 fiscal years?

Management: I would like to answer this question in this way. We have 4 manufacturing units. One is the old unit based in Delhi. The other 3 are in Lucknow.

In Lucknow, there is one manufacturing plant for hematology reagent production, and it has been operating for the last 3 years. Based on our demand, capacity utilization is almost 56-60%. As demand increases, we can definitely use more capacity.

At the same time, we have added some new product lines. As Minal mentioned, for Q-Count 3 and Q-Count 5, we have our own formulations, and we are also manufacturing those reagents here. Therefore, day by day, the capacity utilization of our hematology plant, which is Plant 2, is going to increase. That is the first point.

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Number two, if you look at the instrument manufacturing plant, we have already produced more than 1,400 Electra automated analyzers. We are now adding Microlab 300 here. In addition, as Minal just mentioned, the SKD models of the 3-part and 5-part analyzers for the domestic market as well as exports will also be manufactured here from this month onward.

There are also a few more product lines, such as the Medonic 3-part technology transfer that we received from Boule Medical. We are going to manufacture that instrument in a few weeks. Therefore, if you look at capacity utilization, previously it was more than 50%, but that was due to certain projects.

At this moment, we have an export order in hand from our technology partner in the Netherlands for operations in at least 50-60 countries. We also have a new product line, with around 3-4 models that we are going to manufacture. Therefore, I believe capacity utilization will be around 40-50%, and it will be more than 50%.

Unit 3 is our biggest and state-of-the-art manufacturing plant. It has been built to meet domestic as well as international standards such as WHO, cGMP, and others. We have planned to produce more than 130 products there.

At this moment, if you look at the 6 products from one product group and another product group with 36 product lines, we have received licenses for around 45 product lines in total. However, as you know, we are in in-vitro diagnostics and critical care, so many more approvals are required, and regulatory bodies are involved in issuing the licenses. Before issuing them, they take samples and conduct many tests and evaluations through third parties such as ICMR, NIB, and others. We are working on this, and we are doing it. Therefore, those licenses will definitely be received very soon. They are all in the pipeline.

If you look at capacity utilization at Unit 3, the {? C-42 ?}, which is our biggest and most important plant, 5-6 products have already been manufactured for the last 4 months. From this month onward, we will continue to manufacture around 30 additional products.

Previously, we were manufacturing around 10,000 kits per month, but now we will manufacture around 35,000-40,000 kits per month. However, as you know, we have built the capacity with a forward-looking approach so that we can meet demand from both domestic and international markets.

Commercialization has started, and as we receive the licenses, we are proceeding one by one. Therefore, in FY27, we are definitely going to use this plant on a full-fledged basis. We will generate at least 150-160 crore rupees of business from {? C-42 ?} in Unit 4.

Management: We will be using around 25-30% of the capacity [pause] of Plant A and Plant B and the Unit 4 facility by March 27.

Priyam Shah - Primetra Asset Managers: Okay.

Management: I would also like to add one more thing. Not all the products will be additional products, because, as you know, our original plant is in Delhi, and many products will be replacements. We do not need to continue that plant because it is already old and cannot match

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our vision at all.

Management: A lot of the reagents being manufactured at Bawana are slowly transitioning to Unit 4. As and when we receive the licenses, the products are being transitioned to Unit 4.

Therefore, there will not be that much of a revenue increase purely due to the transition to Unit 4. At the same time, Unit 4 has significantly higher capacity. For example, we are entering the molecular segment, as I just mentioned, and we are also entering the rapid segment because there was a space constraint at the Bawana plant. We are now going to increase rapid production here.

We want to enter the OEM segment for rapid tests, where we want to manufacture pregnancy cards and similar products for other players in the market. Similarly, as we spoke about CDMO on the instrument side, we also want to enter CDMO for the reagent side, where we can manufacture bulk reagents and sell them to other players.

These will be some of the new initiatives that we will undertake from Unit 4 because we have a lot of space, and it is a state-of-the-art manufacturing facility. At the same time, our focus is first to transition everything we are manufacturing at Bawana to this facility. Once that is settled, we will gradually focus more on the new initiatives.

Priyam Shah - Primetra Asset Managers: One very quick follow-up question. When you say CDMO for reagents and CDMO for instruments, what exactly do you mean? It appears more like contract manufacturing and not CDMO. Second, I understand that you are not giving exact guidance, but this year, based on the current situation, FY27 appears muted compared with FY26 in terms of year-on-year growth in absolute numbers. By the time we finish the year, it does not look as though we will beat FY26 by a substantial margin. Are we correct in that thought process, and could you speak about FY28? Thank you.

Management: [pause] I just answered that question regarding the guidance. We mentioned that a lot of our product development went into H2, and H2 will definitely be better. In any case, H2 is always higher; it is almost 60-70% of our revenue for the full year. With all these new product launches and other developments, H2 will definitely be better.

I think I have already spoken about the guidance for FY28 as well. We can move on to the next question.

Operator: Thank you. The next question is from the line of Prateek Giri from Shomlab Research. Please go ahead.

Prateek Giri - Shomlab Research: Hi, I hope I am audible. I have just started covering the company, so I might have a few basic questions. My first question is regarding the government's dependence on machine installation. I believe I heard that, because of a few delays, machine installation was delayed, and that is why [inaudible]

Prateek Giri - Shomlab Research: ...machine revenue is a little lower this quarter, or this half-year. Over the last 1-2 years, I see around 100 crore of annual revenue. How much of it is dependent on government projects?

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Ms. Jain: Almost 50% of it. If we are talking about instrument revenue, it was around 60 crores. The question is about the last 2 years. In FY24-25 and FY25-26, around 50-60 crores of revenue came from government installation of instruments.

Prateek Giri - Shomlab Research: This is helpful. 50-60% is a lot. The second thing I wanted to understand, and I am sure many people may have asked this earlier as well, is that receivables constitute a major portion of our top line. However, reagent sales are higher than machine sales. I understand that receivables may be high for the machine business, but why is this also the case for reagent sales?

Ms. Jain: To explain this, we mostly work on a closed system. Wherever we have installed our machines, only our reagents can be used on those machines. First, we place our instruments with the government, and then we also sell reagents to the government.

Around 60% of our total top line comes from government sales, and the receivable cycle with the government is slightly delayed, at 4-5 months. That is why our receivables are a major part of our top line, and that is why collections are delayed.

Although we are trying to do our part in getting the orders to the government on time, a government order is a comprehensive order for many things. Until and unless you supply everything, and because we also have to meet their requirement that the reagent should have a certain shelf life, there are many conditions that we have to meet. The reagent must have 70% shelf life.

Once all those commitments are met, we start supplying the order. However, when everything is complete, that is when they actually start counting it for the receivable cycle.

At the same time, the steps we are taking include increasing our trade business. You may have heard that our trade business has grown by 20%. Overall, our government business has remained stable, so we are now focusing more and more on increasing the trade business.

Number two, all the CDMO and export initiatives that we undertake will take us away from the government business. Gradually, we are almost at a 50-50% ratio right now, but by March 2027, I think it will be a 40-60% ratio. This assumes that we supply the CDMO orders, exports increase, and the trade business increases further.

As we move into March 2028, we are looking at further reducing the government portion of our business. It will be less than 30-40%. These are the initiatives that management is consciously taking to move slightly away from the government business so that the company's overall cash flow can improve.

Prateek Giri - Shomlab Research: This was a really detailed explanation, and thank you for that. In fact, that was a concern when I was looking at the business, because government receivables will probably always remain a problem despite your promises, in my limited understanding. However, what you said is really encouraging.

Ms. Jain: The exports and CDMO businesses will involve advance payments, which will further help us improve cash flow.

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Prateek Giri – Shomlab Research: Certainly. So, despite changing the mix between government and non-government business, are you saying that the 25-30% growth rate you just identified will be maintained?

Ms. Jain: Yes. This will happen gradually. We made around 15 odd... [hesitates] 1,200 installations for the government last year alone, so we will continue to supply reagents there for the next 5-6 years. We are bound by the contracts.

However, we are gradually trying to focus new business on other areas. We will have to honor the existing government business and continue to serve it. As the top line grows and the numbers increase, we are trying to generate growth from other verticals and shift our strategy.

Prateek Giri – Shomlab Research: Wonderful. This is very helpful. I will join the queue again. Thank you.

Ms. Jain: Thank you.

Operator: Thank you. The next question is from the line of DJ from Safir Capital. Please go ahead.

DJ – Safir Capital: Thank you for taking my question. From Unit 4, how much revenue can we expect in FY28?

Management: In FY26, we will be able to manufacture all the Class B products, which will be around 100 crores in a year, or around 55 crores by March 31. After that, in FY28, it will be more than 120 crores at a minimum. If we receive the licenses for Class C and Class D, it will reach around 250-300 crores.

Ms. Jain: Basically, most of our reagent revenue will shift to Unit 4 by FY28. If I take the numbers from last year, out of total reagent revenue of 232 crores, around 60 crores was from hematology reagents, and the remaining amount was clinical chemistry, which was around 180 crores.

All of that, plus the new products that we introduce, means we will be doing almost 250 crores of reagent business from Unit 4 in FY28.

DJ – Safir Capital: What is the reason behind the margin dip quarter-on-quarter, and when do we expect it to stabilize?

Ms. Jain: I am sorry, I could not hear your question clearly. Can you repeat it?

DJ – Safir Capital: What is the reason behind the margin dip quarter-on-quarter, and when do we expect it to stabilize?

Ms. Jain: The reason the margins have dipped is that Unit 4 was capitalized in, uh, FY... [hesitates] Q4 of FY26. There is an impact due to the depreciation of Unit 4 and some of its operating expenses.

However, at the EBITDA level, we have grown, and the gross margin has also grown. There is 10% growth in EBITDA.

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Another point I would like to make is that, after receiving the IPO funds, we were able to repay a sizable amount of our loans. The loans were paid off in June and July, and there were also some foreclosure charges. Therefore, the benefits that we were supposed to receive from the reduction in interest costs have not clearly been reflected in the H1 numbers.

When we move into H2, there will be clear savings in interest costs of almost 4-5 crores. This will balance the increase arising from Unit 4 depreciation. Therefore, when we look at the H2 numbers and FY27 as a whole, the numbers and margins will look much better.

DJ - Safir Capital: We can expect EBITDA of around 31-32% for this year?

Ms. Jain: [hesitates] We had EBITDA of 28% last year, so we expect to maintain that. As of now, we also have EBITDA of 26%.

DJ - Safir Capital: Okay, so your 2.3 million [cut off]

Operator: Sorry to interrupt, Ms. Jain. May we request that you return to the question queue for a follow-up question? Thank you. The next question is from the line of Vedant Rathi from Blue Square. Please go ahead.

Vedant Rathi - Blue Square: Hello, hello, team. Thank you very much for the opportunity. Based on the comments I have heard so far regarding revenue growth and the management guidance for PAT margins, I believe we should comfortably achieve revenue of...

Management: ...more than 420-430 crores for FY27. If I believe that we will maintain our current EBITDA margins at a steady-state level of 28% for the year, as well as PAT margins of 15-16%, can we say that we will probably comfortably achieve roughly 70 crores in PAT this year?

Ajay: [pause] I think so, because, as you know, EBITDA and PAT growth are both dependent on the reagent business. We are doing well in the reagent business, and we also look forward to a better H2. Therefore, both will definitely be achieved, from the EBITDA perspective as well as the PAT perspective.

Vedant Rathi - Blue Square: Understood. On the second part, regarding our margin profile, I believe you mentioned that we will gradually transition toward more private-sector opportunities. You also mentioned that government versus private would be 40:60 in our FY27 order book.

My question is: what kind of product mix are we looking at for FY27? Do we expect any margin accretion as a result of the change in product mix? I believe instruments would be a higher-margin business, although please correct me if that is not the case. Or will we continue to maintain the 60% reagent business from a product revenue perspective?

Ajay: [hesitates] If you look at our instruments, they generate very low profitability. However, instruments are the drivers of the reagent business. The new products we launched, namely Q-Count 3, Q-Count 5, and the high-end hematology analyzer for key accounts, use reagents that we produce here in India.

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Since we produce the reagents here, we can retain a profit of around 3x-4x. Therefore, we are not very concerned about EBITDA, PAT, and profitability. However, some instruments may generate 5-10% profit from the instrument sale. In some cases, we may also have to enter into lease agreements with key corporate accounts to obtain high workloads.

This will also drive our reagent business and the growth of the reagent business, which is our key objective.

Vedant Rathi – Blue Square: Could you repeat that last part? I missed it, Ajay.

Ajay: If you look at the diagnostic industry, key accounts with more than 200-300 samples per day could include, for example, Thyrocare, Dr. Lal, or Medall and {? Tata 1mg ?}.

What we do in those accounts is place the instruments and enter into a contract based on a commitment for reagent business. They have to continue purchasing reagents from us, for example, at around {? 2 lakh rupees per month ?} for the instruments.

Such accounts are good from a sustainability perspective and also from a profitability perspective. Initially, we did not have such equipment. However, after launching high-end equipment such as {? HLCX-400 ?}, the autoloader hematology 5-part analyzer, and the HPLC system, the reagent business will definitely increase.

Vedant Rathi – Blue Square: Understood. My last question is: as we shift more toward the private sector, how much improvement can we see in working capital days by the end of FY27?

Management: [pause] Since we are transitioning right now, by FY27 I would say there could be an improvement of around 30 days. As we continue the transition and all our initiatives, such as CDMO and exports, really take off, which will happen more in FY28, our working capital should come down to around the standard 2-3 months seen in the diagnostics industry.

In the diagnostic industry, working capital for reagents is about 60 days. For instruments, as Ajay was explaining, large players such as Siemens and Abbott place their instruments free of cost in laboratory chains such as Dr. Lal. However, we end up selling our instruments, and the instrument is a capital expenditure for our customers. Therefore, we provide a slightly longer credit period of 3-4 months, whereas for reagents we provide 60 days.

As we move more toward private sales, the working capital cycle should be somewhere between 60 and 90 days, compared with the current 4-5 months.

Vedant Rathi – Blue Square: Thank you very much. I will be back in the queue.

Operator: Thank you. The next question is from the line of Madhav from Trinity Capital. Please go ahead.

Madhav – Trinity Capital: Am I audible?

Ajay: Yes, yes, please.

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Madhav – Trinity Capital: My question is regarding the decline in instrument revenue due to the non-availability of consignees. Will we receive that revenue in H2? Will the sale be deferred, or will we not receive it at all?

Ajay: I would like to answer it this way. Regarding instrument sales, we have some government orders that are already pending and ready, but we have not executed them yet. There is a possibility of executing them in H2.

In addition, we have received orders for the same models from overseas. Therefore, that number will increase; there is no doubt about it. We are trying our best, although there are also many adverse situations because elections are approaching and there are other issues. Still, we are trying to obtain the consignee list.

If we can obtain it, the growth will be manifold. Otherwise, we also have many alternative plans. In Uttar Pradesh, it is going to be an election year.

Madhav – Trinity Capital: Secondly, you have confidently mentioned that we will achieve a top line of 400-420 crores in the second half of FY27. Do you see any challenges or risks in that? We had already guided for 30-35% growth, but we have delivered only around 5% growth, which is very low. How confident are we of achieving a 400 crore revenue target?

Ajay: [pause] We are very confident because the situation has now improved both here and overseas. In the overseas market, we have already received an order of more than 2.3 million. We have also registered our products in more than 10-11 countries, including Saudi Arabia, Iran, and others.

We are waiting for some improvement in the situation, but we have already completed product registrations, appointed distributors, and completed many other activities. Even if the situation is delayed, we have alternative plans.

We are going to install and launch many new products here, such as chemiluminescence, which is a very large market. Almost 25% of the total IVD market is controlled by chemiluminescence.

Fortunately, we completed all the required activities and received the NOC from CDSCO for more than 25-30 products. We are waiting for a few approvals from CDSCO for the instrument. Therefore, we are very confident about the 400 crore number. There is no doubt about it.

Madhav – Trinity Capital: My best wishes and regards to the management. Thank you.

Ajay: Thank you.

Operator: Thank you. The next question is from the line of Saurabh Kumar from Scientific Investing. Please go ahead.

Saurabh Kumar – Scientific Investing: My question is on the government side. What is the usual working capital requirement in terms of receivables for the government business?

Management: [pause] It is generally 4-5 months.

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Saurabh Kumar – Scientific Investing: On the reagent side, I want to understand the lumpiness of the business in reagents as well as devices. My understanding is that reagents should be a much more consistent business in terms of revenue predictability, but what...

Ajay: Yes, you are absolutely correct. If you look at reagent consistency, you will find it every month and every year. That is why the growth in reagents is already there.

Management: However, situations may arise sometimes. We may receive more opportunities for placing equipment, and sometimes fewer opportunities, depending on the government's budget availability or other factors.

Otherwise, there is good consistency in the trade market. However, with the state and central governments, budget allocations and many other factors come into play. Therefore, there may be some inconsistency in instruments.

But if you look at reagents, there is consistency, and there will continue to be consistency in the future as well.

Saurabh Kumar – Scientific Investing: My understanding is that as we continue selling more and more instruments, the share of reagents will keep growing. Five years down the line, where do you see reagents as a share of revenue? In the reagent business, how much could be government versus private? I am not looking for an exact number, just guidance on where we would like to end up and how the reagent business would be distributed between government and private markets.

Management: [pause] Usually, if you look at the reagent business, it will contribute around 65–70%. That is the ideal situation for the industry and for the requirements of the organization.

As I keep saying, reagents are the only area of interest for any company to earn profit, ensure sustainability, and achieve many other objectives. Therefore, 65–70% will come from the reagent business alone.

Saurabh Kumar – Scientific Investing: Do you have any idea where we could end up in terms of government versus private reagent business in the long run?

Management: At this moment, government accounts are somewhat larger, such as medical colleges where there are more patients. In the private sector, there are more small accounts, such as individual pathology laboratories or laboratory chains. However, the accounts and sizes are larger in the government sector.

At this moment, the mix is 60–40. As we increase our base in key accounts and corporate accounts by adding different types of high-end equipment, it will become 50–50.

Then, with the addition of exports and key accounts, the trade market and CDMO together should account for more than 60%.

Saurabh Kumar – Scientific Investing: My last question, and please pardon me as I am new to the company and still learning. Many molecular diagnostics players focus on a particular area. Some focus on oncology diagnostics and reagents, while others focus on tuberculosis. Is there a key focus

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area for us in terms of the medical segment we are targeting?

Management: We are working very strongly and at the foundational level in the molecular segment. We are not only developing the kits; we are also manufacturing the components of the kits.

At this moment, we have divided the business into 3 segments. In the first segment, we have targeted infectious diseases, where more than 120-130 blood banks are already our customers. For this segment, we have developed our Triple H test, which comprises HIV, HBsAg, and HCV.

For patient monitoring, we have also developed quantitative molecular kits. These are used for treatment, so that a caregiver can monitor how the patient's condition is improving day by day. These include our HCV and HBV tests. We have successfully commercialized them and received all the {? NOL ?} from the authorities.

We are also working on exporting these kits to Egypt and other countries, and we have completed registrations for some products.

In addition, we have developed tuberculosis kits. However, the Government of India has many rules, regulations, and requirements for tuberculosis testing based on the chances of contamination and other factors. We are working very strongly and aggressively on these projects.

In addition to infectious markers, we are also working on cancer markers. These include blood cancer, breast cancer, and colon cancer tests, and we have already started working on them.

For organ transplantation, we are working on HLA, or human leukocyte antigen. These products are under validation at different institutions. Therefore, our molecular market is going to become very large very soon.

We have just entered with high-value products. Very soon, we are coming out with more than 25-30 parameters for India, as well as dedicated projects for a respiratory panel and a tuberculosis panel, which will be a complete tuberculosis solution and not just a single product.

In addition, for women, we have completed the HPV, or human papillomavirus, product from our side. This includes types 16 and 18, as well as 12 high-risk types.

Some of the tests are challenging because obtaining samples and completing validation is difficult. These tests are very sensitive and critical. Considering the importance and criticality of these tests, our scientific team and regulatory team are working on them. We are definitely going to do very good work in this molecular segment very soon.

Saurabh Kumar - Scientific Investing: Thank you very much to both of you. I wish you all the best. Thank you.

Operator: Thank you. The next question is from the line of Nihar from Spongol Advisors. Please go ahead. Mr. Nihar, your line has been unmuted. Please go ahead with the question. As there is no response, we will move ahead to the next question. The next question is from the line of Atul Jobie from Prostarity Wealth. Please go ahead.

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Atul Jobie – Prostarity Wealth: Thank you for the opportunity. Can you give some idea of the growth of instrument sales going forward over the next 2–3 years? If instrument sales are growing at a slower pace compared to reagents, how are you planning to maintain reagent growth of 30%?

Management: [pause] I can answer this question from my perspective, although we may need to discuss it internally once again. [hesitates] Our area of interest is not instrument sales. Our area of interest is reagent sales.

In the instrument business, if you look at the industry, whether it is a corporate hospital or a company such as Tata 1mg or Dr. Lal or Thyrocare, there is a lease concept. The lease concept means rental agreements and commitments, rather than hardware sales.

However, we received opportunities from different state governments, and instead of making the investment ourselves, we sold the equipment. In the future, in our trade market, we will continue to sell small equipment.

To obtain better benefits from reagents, our focus will shift to key accounts, where profitability and consistency will be higher. Therefore, I do not think instrument hardware sales in India will grow significantly.

Of course, we have received CDMO opportunities. One company in the Netherlands may continue to contribute to more than 50–60 countries. Another company is going to sign a CDMO project for another new model.

Therefore, the instrument business will definitely be larger in the overseas market. In India, our focus is more on consumable business and key accounts. Instrument hardware sales will grow, but our expectation and requirement is primarily growth in reagents.

Atul Jobie – Prostarity Wealth: Can you give us a number for the expected growth in instrument sales?

Management: In terms of the number of instruments, the number may definitely increase. However, in terms of value, compared with last year, there may not be any growth at this moment. There may be slight growth in instrument hardware sales, but it will be stable. There will not be significant growth.

There will not be very high growth because last year we executed that government order. If we add instrument exports, the CDMO business, trade sales of instruments, and the pending government orders, we believe that instrument sales should remain stable compared with last year.

Atul Jobie – Prostarity Wealth: Can you also give some idea of how much revenue depends on government business and tenders? I believe you sell to the government mainly through 2 channels: through 5 public pharmacies via your distributors and through direct tenders. What proportion comes through direct tenders?

Management: If you look at direct tenders, Q-Line is currently selling to many central government organizations, such as the Indian Army and institutions such as ICMR. We are also selling to state governments such as West Bengal and Odisha, and even [inaudible]

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Management: ...in many cases, we bid directly because there is a requirement for manufacturers to participate. However, this does not apply to very large equipment tenders. These are mainly tenders for reagents, testing kits, and ELISA kits.

From a dependency perspective, our dependence on the government at this moment is around 55-60%. The corporate business and the remaining portion come from the trade market.

Atul Jobie - Prostarity Wealth: If you put numbers to that, would it be less than 50%? Sorry to interrupt, Mr. Joshi. Please let me know if I could ask a follow-up question.

Management: [pause] Hello.

Operator: The next question is from the line of Kartik Gandhi from HPLG. Please go ahead.

Kartik Gandhi - HPLG: Hi, sir. Am I audible?

Management: Yes, Kartik.

Kartik Gandhi - HPLG: We initially spoke about manufacturing the reagents ourselves, and the majority of the reagent components are imported. What is the progress on that?

Management: [pause] There are basically 4-5 types of reagents. For hematology reagents, all the fine chemicals are sourced from India. For clinical chemistry, around 60% of the chemical salts and solvents are sourced from India.

However, some critical materials such as enzymes, substrates, and proteins are sourced from Japan, Switzerland, China, and the US. We have started working on developing these materials ourselves. We have also developed 4 products in-house using these critical raw materials, and we have started using them.

We still have many tests to complete. At this moment, in terms of value, 60-65% consists of these critical components, while the remaining 40% is sourced from India.

Kartik Gandhi - HPLG: What is the probable timeline for this? If we are testing in-house, by when can we become completely in-house?

Management: For Class B products, which are not very critical and are non-infectious, if production is ready, the license may be obtained within 3 months, or 90-120 days.

However, if it is a critical parameter such as tuberculosis or a cancer marker, those kits need to be tested through a Government of India laboratory, or the government will test them from its side. That may take around 6 months.

For non-critical parameters, it may take 120 days, and for critical parameters it may take 4-6 months.

Kartik Gandhi - HPLG: The second question is about the CDMO manufacturing that we are expected to do for foreign companies. What will be the unit economics? Will we be selling the equipment again at a very low cost, with the reagent business being the major driver, or will it be

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something else?

Management: [pause] In CDMO, the volume will definitely be larger because we are not selling through retail. The margin will be there because most of the CDMO projects are from overseas, and we expect at least a 25-30% margin on the instruments.

Kartik Gandhi - HPLG: Is that gross margin or EBITDA?

Management: Gross margin. Gross margin.

Kartik Gandhi - HPLG: The reagents for these machines will also be provided by our company, correct? This is just a follow-up question.

Management: [pause] At this moment, it is only the instruments. In the future, we will definitely also supply the reagents. As of now, it will be only instruments, not reagents.

Kartik Gandhi - HPLG: Then why do we call it CDMO? Isn't it contract manufacturing?

Management: [pause] Exactly. There are 2 aspects. In one project, they had the technology, and we manufactured it here; that is contract manufacturing. In another project, they had a concept, and we developed it here. That product is going to be launched soon, and that is our CDMO project.

Management: Design and development.

Management: Yes, yes.

Kartik Gandhi - HPLG: Thank you.

Operator: The next question is from the line of Ishaan from APL Capital. Please go ahead.

Ishaan - APL Capital: My understanding is that once a machine is installed, the rates for the reagents are largely fixed. However, we still see a realization differential between our reagents. Realization per kit has moved from 1,500 to around 1,350, and similarly, our hematology kit realization has varied somewhat. Does that mean the new reagents have been sold at lower prices? That is my understanding. Could you provide some guidance on that?

Management: [pause] We have different types of equipment and different types of testing kits. For example, if you sell an electrolyte analyzer, the reagent will be different and the pricing will be different according to the industry.

The price of molecular kits will be different, and the price of clinical chemistry kits will also be different. We are not selling the new products at lower prices. Our profits are definitely better in the new products because the technology is new, the sources of materials are new, and this is a new concept.

However, everything depends on the workload of the hospital or laboratory. If a laboratory has 30 samples, 100 samples, or 200 samples, the type of customer segmentation and where we place the equipment are very important in terms of total addressable market as well as {? fame ?}.

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Management: Key accounts, yes.

Ishaan – APL Capital: Previously, on the last conference call, you mentioned that we had approximately 16,000–17,000 machines installed, of which only some were active. Could you give us an understanding of how many installed machines have been converted into active machines this half, and how many more installed machines could be converted into active, revenue-generating closed-architecture machines?

Management: [pause] As I told you earlier, every year we place around 1,200 instruments. We have been placing these instruments since 2014–15.

The life of an instrument is around 7–8 years. If you look at the model and the number of models, we are providing a complete laboratory solution. We have clinical chemistry, hematology, coagulation, and electrolyte equipment. There are more than 30 types of instruments.

Some instruments can be placed in key accounts where the workload is more than 200 samples per day. Some instruments can be placed in small accounts, and there are also different types of tests.

Whenever we sell equipment in the trade market, it is installed within 30–40 days, and all the training is completed. There can be some delay in the public segment, where location, electricity, testing, training, and other approvals may be required.

We experienced this in projects in West Bengal, Uttar Pradesh, and Odisha. Our Uttar Pradesh project was delayed because it was a very large project with more than {? thousand consignee ?} locations.

Otherwise, in the trade market, the instrument becomes active within 1 month. At this moment, you are correct that there are around 16,000 installations. Hematology accounts for around 8,000–9,000, fully automatic instruments account for around 3,000, and we also have small equipment such as Mispa-i300, InnoLite, and InnoLab. The remaining installations comprise coagulation and other equipment.

Thank you very much for reconnecting me using the same number. Thank you.

Ishaan – APL Capital: You're welcome. That's it from my end.

Operator: The next question is from the line of Purva Shah from Group First Fund. Please go ahead.

Purva Shah – Group First Fund: Hello, am I audible?

Management: Yes, please.

Purva Shah – Group First Fund: Thank you for the opportunity. My questions have largely been answered, but I have a question regarding related-party transactions. What is our current revenue from POCTG Services?

Management: [pause] Compared with last year, the percentage of revenue coming from POCTG has decreased. Until last year, it was around 65–70%, and now we are at 55–60%.

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We are doing more and more direct sales to the government as well. Wherever the criteria require a manufacturer to quote, we are trying to win those contracts and tenders in Q-Line directly.

That is one part. Secondly, trade sales have increased, and gradually we will increase exports and the other verticals. Therefore, the percentage of POCT sales will gradually decrease.

As we mentioned earlier, we are trying to reduce overall government sales. We are also working to ensure that whatever government sales we undertake are gradually and slowly made directly to Q-Line.

Purva Shah – Group First Fund: Understood. So, you are saying that the revenue from POCT will decline.

Management: Revenue will not decline. I am saying that it will shift. If I say that I will do 400 crores, I will do 400 crores, but that revenue will start coming directly to Q-Line. Q-Line will bill the government directly. The amount billed through POCT will reduce, but revenue will not decline.

Purva Shah – Group First Fund: Are you comfortable with the payment terms that the government will have?

Management: [pause] We have already discussed this. In government business, the receivables cycle is 4-5 months, whether it is through POCT or directly with Q-Line.

Having said that, I explained earlier during the call that management is changing its strategy because of this. We are trying to increase private sales. We are trying to add instruments that we can place in larger laboratory chains and key accounts such as {? Dr. Lal ?}.

We also have initiatives such as CDMO and exports, where we will receive advance payments. In exports, one generally takes at least 50% as an advance.

In general, we are working on 2 things. First, we do not want our current revenue to suddenly decline, so we are moving from POCT to Q-Line. This will ease the related-party issue. Second, we are strategizing to move more toward private sales.

Whatever growth we are trying to achieve, we are trying to generate it from non-government sales. Gradually, as we move toward FY28 and FY29, the mix should be around 30% government and 70% private, similar to other diagnostic players in the market and the IVD industry. That is what we see from an FY29 perspective, but we plan to move there gradually.

Purva Shah – Group First Fund: Understood. From a visibility perspective, what kind of order book and project visibility does POCT have right now?

Management: What type of products? Sorry. [off-mic discussion] Projects?

Purva Shah – Group First Fund: What kind of project visibility does POCT have right now?

Management: [pause] POCT projects may be available because POCT deals with more than 25-30 companies. It is not only a distributor of Q-Line Biotech.

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As you know, POCT undertakes many turnkey projects and specifically operates the entire laboratory of an institution or hospital. Wherever this type of PPP model exists, we will definitely continue through POCT.

I am not sure exactly how many projects there are. Otherwise, we have already started participating directly in tenders and will continue to sell directly to institutions.

Purva Shah – Group First Fund: Is there any timeline visibility? Do they have projects until FY28, or until H1 FY28?

Operator: Mr. Shah? Hello? Sorry to interrupt, Mr. Shah. Due to time constraints, we will take that as the last question for the day. I would now like to hand the conference over to management for closing comments.

Management: Thank you all for taking the time to be a part of our H1 FY27 earnings call. For any further queries or doubts, please write to us or to our investor relations team at Stellar IR Advisors, and we will get back to you as best as possible. Thank you, everyone, once again, for taking the time.

Operator: Thank you very much. On behalf of Q-Line Biotech Ltd., that concludes this conference. Thank you for joining us, and you may now disconnect your lines.

Note: {? ... ?} indicates a figure or name where audio clarity was insufficient for confident transcription. Verify against the source audio or the company's published filings.

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