



“SastaSundar Ventures Limited
Q3 FY’24 Earnings Conference Call”

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MANAGEMENT: **MR. BANWARI LAL MITTAL -- FOUNDER AND EXECUTIVE CHAIRMAN -- SASTASUNDAR VENTURES LIMITED**
MR. RAVI KANT SHARMA -- FOUNDER AND CHIEF EXECUTIVE OFFICER -- SASTASUNDAR HEALTHBUDDY LIMITED

MODERATOR: **MR. RONAK JAIN -- ORIENT CAPITAL, INVESTOR RELATIONS PARTNER**

Moderator: Ladies and gentlemen, good day and welcome to the SastaSundar Ventures Limited Q3 FY24 earnings conference call. As a reminder, all participant lines will be in the listen-only mode. There will be an opportunity for you to ask questions after the presentation concludes.

Should you need assistance during this conference, please signal an operator by pressing star and then zero on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Ronak Jain from Orient Capital, their Investor Relations Partner. Thank you and over to you, sir.

Ronak Jain: Thank you. Hello everyone and welcome to the Q3 FY24 Earnings Conference Call of SastaSundar Ventures Limited. Today on this call, we have Mr. Banwari Lal Mittal, founder and executive chairman along with Mr. Ravi Kant Sharma, founder and CEO of SastaSundar Healthbuddy Limited. Before we begin the call, I would like to give a short disclaimer. This conference call may contain forward-looking statements about the company which are based on the beliefs, opinions and expectations as of today. Actual results may differ materially.

These statements are not the guarantees of future performance and involve risks and uncertainties that are difficult to predict. A detailed safe harbour statement is given on page 2 of the company's investor presentation which has been uploaded on the stock exchange and the company's website as well.

With this, I will hand over the call to Mr. Banwari Lal Mittal for his opening remarks. Over to you, sir.

Banwari Lal Mittal: Thank you. Good afternoon shareholders. I am BL Mittal, serving as the chairman and executive director of both SastaSundar Ventures Limited and its subsidiary, SastaSundar Healthbuddy Limited. I am pleased to inform you that our comprehensive presentation outlining the company's vision and performance has been made available on the stock exchange platform. Innovation, efficiency and sustainability are core to our approach.

The quarter witnessed 31.1% growth in revenue, reaching INR366.8 crores compared to INR279.8 crores in Q3 FY23. Sequentially, the quarter-on-quarter revenue demonstrated a 3.2% increase. Gross profit for Q3 FY24 was at INR31.1 crores, marking 44.7% growth from INR21.5 crores in Q3 FY23 with gross profit margin standing at 8.5%.

Profit after tax, excluding the share of associates, amounting to INR20.2 crores in Q3 FY24.

Now, turning our attention to nine months FY24, the company achieved year-on-year revenue growth of 45.1%, reaching INR1,052.3 crores. Gross profit for nine months FY24 nearly doubled, reaching INR101.2 crores compared to INR52.8 crores in nine months FY23. Profit after tax for nine months FY24, excluding the share of joint ventures, stood at INR57.8 crores, increased from INR7.1 crores in nine months FY23.

Performance-wise, in the Healthbuddy supply chain segment, revenue reached INR236.7 crores, showcasing a 5% year-on-year growth. We face some challenges in the Healthbuddy supply chain segment because of the overall industry structure of the retail e-pharmacy sector, and we

continue to see the challenges in the coming quarters. However, I would like to inform you with a happy mood that the retailer shakti our B2B business, has shown a remarkable growth, which generated revenue of around INR129.5 crores compared to INR52.4 crores in Q3 FY23, registering growth of 147% year-on-year growth.

And we are pretty sure that in the coming quarters, it is possible to compensate the Healthbuddy supply chain growth issues into the retailer shakti issues. I would also like to update you on the merger part, that because of the technical reasons, the Mitsubishi Corporation's stake in Sastasundar Healthbuddy Limited, the Stock Exchange and SEBI was not ready to consider as a public holding, though Mitsubishi Corporation is a widely known public company, but the guidelines prescribe that those have to be QIB to classify as a public holding.

And as you are aware that Sastasundar Ventures Limited's promoter stake is 73%, while the public holding is only 27%. And therefore, it is required that part of the holding of Mitsubishi and Rohto should be considered as public. So for the time being, they have refused to consider it as a public holding, but I assure all the shareholders that the simplification of this structure is our top priority.

We are committed to this, and we are in consultation with our advisors and also Stock Exchange and SEBI, and we will find an appropriate legal solution so that it can be done. But I again assure you that we are fully committed for simplification, and I am sure some way we will find out so that the structure can be sustainable. India, as you all are aware, presents a very unique opportunity of the robust framework of healthcare, and we have a very good ecosystem which is efficient, sustainable, and which is very, very innovative.

And therefore, I am pretty sure about this journey of growth, and I am sure that this company will be rewarding shareholders very good. Now, without wasting much of the time, I would like to spare your question and answer session. Please ask the question.

Our CEO, Ravi Kant Sharma, would be happy to answer those. Thank you.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Dixit Kalra from [Cyan West]. Please go ahead.

Dixit Kalra: Hello, sir. Am I audible?

Moderator: Yes, sir.

Dixit Kalra: So, congrats on good numbers in retailer shakti. So, I had a question pertaining to retailer shakti only. So, can you give me some data around whether the growth in our same retailer growth versus the new retailers that we are acquiring year on year or quarter on quarter? Do you have some numbers around that?

Management: Can you please repeat the question?

Dixit Kalra: So, let's say we already have a retailer. The growth in the wallet share of the existing retailer versus the number of new retailers that we are acquiring. So, we are seeing good growth in RetailerShakti.

What part of that growth is the growth in wallet share of existing retailers versus the new retailers that we are acquiring or expanding into new geographies? Do you have some colour around that, some data around that?

Ravi Kant Sharma: Yes. So, I will be taking that question. I am Ravi Kant Sharma, Co-Founder and CEO of Sastasundar Healthbuddy Limited. So, it would be, the growth would be the mix of both coming from the new retailers as well as increasing the wallet size of the retailers as well. Just to give you the numbers during the current quarter close to 11,100 plus unique retailers have given the order and the average invoice value of the retailer was close to 1.33 lakhs. The same number in the last quarter was 9,684 retailers and the average invoice value was 1.27 lakhs. So, as a strategy, we are focusing on, number one, increasing the wallet share of the existing retailers; and number two, continue to add the new retailers.

Dixit Kalra: Yes, that's good. This data will help me. The second is, sir, so our tech platform, the RetailerShakti, so do we have a tech in-house or do we have a consultant view of the third-party model?

Banwari Lal Mittal: We have our tech in-house completely. It's not dependent on outsource. We have our own technology team. Vinay Khaitan is the CTO and we have the full in-house team to develop and management of the tech part.

Dixit Kalra: Okay. And, sir, what new areas have we expanded into in the current quarter or are we looking to expand into the future quarters for RetailerShakti?

Ravi Kant Sharma: So, like the geographical expansion, as we mentioned in the last quarter, we are focusing on expanding the eastern, northeastern and northern markets. And from the geographical perspective, that is the focus area. And in the RetailerShakti, we are doing a lot of experiments, I would say, like working with the trade-generic kind of the concept and how to promote the higher margin product kind of stuff.

So there are a lot of things that we are doing on the RetailerShakti side. Right now, there is not much kind of data set, that has been created till now. But we are hopeful that in the coming quarters, there would be substantial things to be shared on these front.

Dixit Kalra: And, sir, in these markets, do we see any organized wholesaler competition from any other entity? You don't have to name the entity, but do we see a lot of competition here?

Ravi Kant Sharma: So, basically, the market is, if you will look at the pharma supply chain, there is a clear shift that is happening from the unorganized sector to the organized sector. And there are very few players, actually, who are right now operating on the organized side. So, I believe that the size of the cake is very large and can be very easily distributed among the existing organized players, even there is scope for the new players to enter into this space as well.

- Dixit Kalra:** So, you're confident on the growth prospects...?
- Ravi Kant Sharma:** We are.
- Dixit Kalra:** And, sir, we see a lot of gross margin volatility. Is it like there were -- this is a previous inventory that we had that went out at higher prices or what is the reason? Because the last two quarters, we've seen the gross margin trajectory going down.
- Ravi Kant Sharma:** So, as you are aware that we have two verticals of the business line. One is supply chain to the Healthbuddy that are selling on the Flipkart Health platform. And second is the supply chain for the other retailers. The gross margin, the other retailers business is basically a pure B2B business, where the gross margin is relatively lower than your Healthbuddy business. But simultaneously, the good point is that the operational cost of the B2B side is much, much lower as compared to the Healthbuddy supply chain side.
- As we are witnessing a very good growth coming from the RetailerShakti side, just to mention that in the last quarter, the revenue has grown by close to 20% as compared to the previous quarter. So, it is due to the revenue mix of the RetailerShakti and the Healthbuddy supply chain business.
- Dixit Kalra:** Okay. And, sir, purely on the RetailerShakti business, we are profitable or we are just operationally profitable on that side?
- Ravi Kant Sharma:** Operationally, we are profitable at Kolkata and at the other locations also, we are hopeful to become operationally profitable very soon. But there are certain costs, that is centralized fixed cost like our technology development that needs a continuous effort. And then the business development team, that works on the field to grow the business. So, these are basically fixed in nature. And with the volumes coming in, actually, these costs will be recovered very soon.
- Dixit Kalra:** Obviously, the existing warehouses -- they will also add to operational leverage, right?
- Ravi Kant Sharma:** Absolutely right.
- Dixit Kalra:** So, can you give me a percentage utilization of the warehouses, like the capability, the units and how much are we utilizing currently?
- Ravi Kant Sharma:** So, warehouses are basically -- like the maximum cost are the variable cost in terms of the operation. And we hire the people on the basis of the demand that we plan or forecast for the coming months. So, in terms of the utilization of the workforce, I would say it would be close to 100%.
- But in terms of your warehouse facility, the cost is not much in that front. So, maybe we can utilize the same infrastructure for growing the business to 3x or 4x from the current number, but only variable cost would be there.

- Dixit Kalra:** Okay. And, sir, you also mentioned in the starting remarks that there are some challenges in the e-pharmacy business because of which we had some problems with the Healthbuddy side. Can you elaborate on that side? What are those challenges?
- Ravi Kant Sharma:** So, I am sure there are a lot of articles that have been published recently on the e-pharmacy side, and you all must have gone through that. So, these are basically, I think, the industry cycles that happens. And we are hopeful that going forward, actually, there would be stability coming in this industry.
- Banwari Lal Mittal:** This is a natural phenomenon. Earlier, the e-pharmacies were heavily discounting their offers, and then the discounting has gone. Those are now focusing on sustainability. So, it's a question of habit that customers need some time. They hope that again the discount will come, so they defer their purchase decisions.
- But we are quite sure that by the time the customer also understands and they get the value proposition of like getting genuine medicine, getting medicine home delivered, availability. So, those qualitative issues come into focus. But yes, the habit is a substantial part in customer behaviour. And that's why it's an industry phenomenon. And the same challenges we also face in healthcare business.
- Dixit Kalra:** So, you think this is a short-term blip and mostly related to customer behaviour and as trust grows, people will likely order more, right?
- Banwari Lal Mittal:** Yes, right. You are right.
- Dixit Kalra:** Thank you for answering all my questions.
- Banwari Lal Mittal:** Thank you.
- Moderator:** Thank you. The next question is from the line of Mansi Manojkumar Desai from Dalal & Brocha Portfolio Managers. Please go ahead.
- Mansi Desai:** Hello, sir. I just missed out on one number that you gave on the retailers that we had in the last year, same quarter and the average purchase value.
- Ravi Kant Sharma:** Yes, so basically the current quarter close to 11,100 plus unique retailers have ordered and their invoice value was -- average invoice value was INR1.33 lakhs. And the same number in the previous quarter was close to 9,680 plus retailers with average invoice value of INR1.27 lakhs.
- Mansi Desai:** Okay. And just going forward, what is the kind of growth in the retailer addition growth that we could see? Within a quarter, we are seeing roughly around 1,000 retailers adding. How much do we see that going ahead?
- Ravi Kant Sharma:** So, we have recently entered into the newer geographies of northeast, that operation has been started very recently. And we are very hopeful of adding more retailers going forward in the coming quarters. So, the market response for the retailers is very encouraging and highly positive and the acceptability of the retailers towards the value propositions offered by the RetailerShakti

is also very encouraging. So, we are very hopeful and very excited with the opportunity that this particular space offers to us.

Mansi Desai: Okay. And, sir, on the Healthbuddy side, you said that now that the discounting is going down and people are deferring their purchases, but as a company, we always had -- so SastaSundar always had much lower discounting versus the other platforms. So, despite that, are we seeing some difference in the purchases?

Banwari Lal Mittal: Yes, the Healthbuddy side demand generation is not controlled and managed by us. It is the Flipkart health platform. There is a -- Flipkart has their own management and the discounting policy is also not in our hands. But yes, because we at SastaSundar when we were managing it -- we were managing it very efficiently and the discount was also very low. But after Flipkart takeover, the discount increases.

And that may be a cause because now by virtue of reduction in discount, we have seen that there is demand slowdown. And as you have seen in the last quarter result also, the growth is not in the expected line. And -- but nothing to worry about. We are fully geared up to make up that by your RetailerShakti and we have continued to increase our focus and energy to RetailerShakti so that the aggregate level, the growth comes back.

Mansi Desai: Okay, sir. So, anything on the diagnostic side that you would like to say that in terms of growth, what's really happening there? The numbers continue to be quite low.

Banwari Lal Mittal: Diagnostic side, we open this diagnostic to utilize Our Health Buddy network. But because of the transition from SastaSundar to the Flipkart Health, that networking benefit or integrated B2C platform benefit is no more under our control and management. The diagnostic side, we see a great opportunity, but we have to find a very innovative, sustainable, competitive advantage.

And we are working something very innovative in technology side. And this quarter, I am not able to give you the clear roadmap how the diagnostic will scale up, what kind of the future we look into, because we are still working on it. And I'm sure in next six months, we'll be able to give you the clear picture about our diagnostic business.

Mansi Desai: All right, sir. Thank you so much and congrats on good numbers.

Moderator: Thank you. The next question is from the line of Manav Vijay from Deep Financial Consultants. Please go ahead.

Manav Vijay: So first of all, if you can help us to understand on the Health Buddy side. So now, because of the change in the management, the growth has slowed down. So how should we think about this going forward? Because for last three quarters, almost I would say four quarters, the top line is flat. So going forward, should we assume that the incremental efforts that the management will put in would be on the RetailerShakti and not on the Health Buddy side?

Banwari Lal Mittal: Yes, you are true. So I mean, since it's not only going future, but after our strategic tie up with Flipkart Group, it was already on to the RetailerShakti because from FKH's platform supply

side, there is nothing to do from our side except management of procurement and bringing efficiency in the supply side that we are fully equipped and geared up.

So now we are reorganizing the entire efforts towards RetailerShakti and going forward, the critical focus area will be the Retailer Shakti and we are working upon a framework of the business organization where more than 60%-70% of our revenue and profitability comes from Retailer Shakti.

Manav Vijay:

And sir, in your Health Buddy business, you had already reached a certain 10% kind of a gross margin, whereas in the Retailer Shakti, the margins were slightly lower. Now in this quarter, when the Health Buddy has gone down in terms of, let's say, overall contribution to the sales, we have seen a dip on the gross margin side as well. Now Retailer Shakti will take some time to move up in terms of sales.

So let's say till that time, Retailer Shakti overtakes the Health Buddy sales. Till that time, can we expect 10% kind of a gross margin that you were doing earlier or we will see slightly lower gross margin, sir?

Banwari Lal Mittal:

10% gross margin for a near term for next two-three quarters looks not possible. But if you see, if you take a two-year perspective, then I am pretty sure that the margin will improve substantially and this particular program in Health Buddy side looks not that kind of permanent. But we will sort out this and we are pretty sure that the gross margin will also improve substantially because of the incremental procurement margin.

So there could be, we are expecting at least 3%-4% increment in our procurement margin by virtue of increase in volume in RetailerShakti and thereby increase in the gross margin. But 10% in next two quarters looks not achievable.

Manav Vijay:

Okay. Sir, my next question is regarding the other income that you have posted in this quarter. So I believe that at the end of March, you had a cash balance of around INR400 crores. This quarter, I think the cash balance moves roughly INR490 crores or so.

Last full year, we had a total other income of INR26 crores. This quarter, we had a total other income of around, I believe, INR29 crores. If you can just help to understand how this other income is coming, sir, that would be really helpful.

Banwari Lal Mittal:

Other income is coming from the treasury functions. So the treasury functions are the two parts. One, the treasury lying into the Health Buddy business another, treasury lying into the Financial Services business. So Financial Services business, we have certain income from our erstwhile PMS services. So this extra profit is coming from that vertical.

Manav Vijay:

So sir, if you can help us to understand how should we project this number because this number on the base that you have seems to be very, very high. And plus this number is also volatile. So if you can help us to understand how should we project this number.

- Banwari Lal Mittal:** So in the next year, we can safely presume that around 10% yield we will get into our treasury functions. So around INR500 crores treasury we have. So between INR40 crores to INR50 crores will be other income next year, full year.
- Manav Vijay:** And apart from this, the PMS portfolio that you have, you expect some income from that as well, sir?
- Banwari Lal Mittal:** So that is inclusive. So large part of the portfolio is into the debt part. And so debt part is fixed deposit bonds. There we are expecting yield of around 8% because next year we are expecting some slowdown in interest rate curve also. So 2% may be added by the Financial Services business. So aggregate level, I am assuming that around 10% yield we should get on our liquidity.
- Manav Vijay:** Okay. And now, sir, considering the fact that the construct of the business will slightly change between your Health Buddy and your RS business, so is there a cost angle that you can bring in? So you have an employee and other expenditure cost of around INR35 crores for a quarter. Can this number be managed for the stable sales or you believe that this number will continue to remain the way it is?
- Ravi Kant Sharma:** So basically, see, going forward, with Retailer Shakti growth, we would not be getting much of the expenses coming on the P&L side for the growth that we are forecasting for next two to three quarters. And with the kind of stability or the forecast of the Health Buddy supply chain business, we can expect that in the coming quarters, not maybe in the March, but in the coming quarters, this number may come down.
- So like INR35 crores of the cost, that you are seeing right now on the quarterly numbers, it may come down in the coming quarters actually.
- Manav Vijay:** Okay. Thank you. And all the best, sir.
- Moderator:** Thank you. The next question is from the line of Harsh Bhatia from Bandhan Asset Management Company. Please go ahead.
- Harsh Bhatia:** Sir, just two quick questions. Are we sharing the Health Buddy partners, the number of partners that we have on ground right now? Or the last time we spoke, it was around 600, if I'm not wrong.
- Banwari Lal Mittal:** Can you repeat the question it was not clear?
- Harsh Bhatia:** Yes, the number of Health Buddy partners as of now and what was it last quarter? Like are we sharing those numbers?
- Banwari Lal Mittal:** The number of Health Buddy we have not shared because this comes under a joint venture agreement with Flipkart Health. So by agreement, we can't share as a part of one partner only.
- Harsh Bhatia:** Okay. Fair enough. And what is your take or view on the discounting behaviour in the market as of today? Like are things improving or are there still certain outliers which are behaving

irrationally in the market in terms of the discounting in particular? So anything that you can help us with?

Banwari Lal Mittal: Yes, this is a very clear cut shift now. So the entire start-up ecosystem including e-pharmacy has shifted from a purely growth perspective to a sustainability growth perspective. So every company is now working more towards sustainability and the growth, instead of 10%-20% month-to-month growth, they are now looking for 20%-30% year-on-year growth.

So the sustainability is key for everyone, including Flipkart Health. And the entire industry has come down to a discount of around 15% base discount. And they all stand together at 15%. But customer behaviour will take a certain amount of time. So the growth is compromised, but sustainability is taking power over the blended, one-base growth.

So it will take some amount of time before the customer's behaviour changes, but yes, the industry is certainly poised for change towards more sustainability rather than one-base growth.

Harsh Bhatia: And lastly, in terms of the number of retailers that you highlighted in the early part of the call, I think so from 9,600, we have somewhere around 11,000 retailers who are placing the orders, with slight increase in the average order value or invoice value. Is there any particular region that is contributing to the incremental growth, or it would be fair to say that West Bengal, for example, would be the primary driver in this sense, from a quarter-to-quarter perspective?

Ravi Kant Sharma: Yes, so I would say that is the advantage of the kind of business model that we are building in Retailer Shakti, where once the retailer has been on-boarded, the retailer is required to do everything online digitally with us. And once you have the retailers on-boarded digitally with you, you can work on a lot of things to increase the wallet size of the retailers by applying the predictive analytics in terms of the past purchase behaviour of the retailers, any extra margin products that has been given by the companies, any offers.

So all this plays a very, very critical role, and we are doing a lot of work on the technology side on how to engage the retailers digitally and how to increase their wallet share. And we are hopeful to increase this number in the coming quarters.

Harsh Bhatia: Yes, so my question was more pertaining to the fact that regionally or geographically, this incremental movement that is coming from one particular geography in the sense that West Bengal is the primary driver, or...

Ravi Kant Sharma: It's spread across, actually.

Harsh Bhatia: Okay, all right. Thank you.

Moderator: Thank you. The next question is from the line of Vishal Manchanda from Systematix. Please go ahead.

Vishal Manchanda: Thanks for the opportunity, and good afternoon, everyone. Sir, will you be able to kind of break up your revenue? How much was it from West Bengal, and how much was it outside of West Bengal?

- Ravi Kant Sharma:** So we are not giving the breakdown the geography-wise, but this is a good point. We will think of providing those information, in the coming quarters.
- Vishal Manchanda:** Okay. And on the Health Buddy, like you don't give out the number, but directionally are you expanding the number of health, directly expanding the network, or you have stalled because of the growth issues?
- Banwari Lal Mittal:** No, we are expanding, but the growth rate is not up to the desired and projected level. So we don't say that we have stalled adding the Health Buddy. Health Buddy's are being added, but we can definitely say because this discount shift from one-way discount to sustainable discount may take a certain amount of time. So the Health Buddy's are being added continuously, but not to that speed as we expected earlier.
- Vishal Manchanda:** Okay. Sir, on RetailerShakti, we have been adding retailers to our network. Is there also a dropout that you are seeing? A percentage of retailers not actively participating in your business, or that's not the case?
- Ravi Kant Sharma:** So in Retailer Shakti, we are supplying to the retailers only against advance payment or the cash on delivery kind of stuff, whereas the retailers have the opportunity or already have engagement with the other distributors who are providing the credit to them. So in terms of the dropout, there may be cases where the retailers have dropped out due to the credit facility kind of stuff.
- But still, the kind of value that we are providing to the retailers in terms of the availability of all the products at one platform, in terms of the margin transparency, we see that the retailers come back as well. They are dropping out for certain months and then again come back to the platform.
- Vishal Manchanda:** Okay. And apart from the regular margins that you -- So basically, you kind of supply the retailers at a given price and they get a markup, they take a markup on that. But is there also an incentive that you have for annual volumes that they do with you, apart from the regular markup that they earn from the business, earn on the drugs?
- Ravi Kant Sharma:** Yes, so there are a lot of promotional schemes or offers that continue to run during the entire year for the retailers on the basis of their past volume or on the basis of the committed volume during the month. So the marketing team comes out with this kind of offer continuously.
- Ronak Jain:** Okay. And on the gross margins, can you share what is the retailer shakti gross margin?
- Ravi Kant Sharma:** So again, this is a very good question and we would plan basically to include the breakdown of the gross margin in the coming quarter's presentation.
- Ronak Jain:** Right, sir. I think that is all from my side. Thank you very much.
- Moderator:** Thank you. The next question is from the line of Neelam Punjabi from Perpetuity Ventures. Please go ahead.
- Neelam Punjabi:** Thank you for the opportunity. First of all, congratulations on some good set of numbers. So my first question is on the working capital cycle. So we've done a phenomenal job of reducing the

cycle from 54 days a year back to almost 31 days currently. My question is, are we confident of sustaining this number going forward, 31 days of working capital?

Ravi Kant Sharma: So, thanks Neelam. You can forecast that the working capital percentage to the revenue would be close to 10%-odd. Definitely the finance team has done a good job and our COO has done a very good job of controlling the inventory and we have been basically able to bring them down from 10% to 9%. But I would suggest that 10% would be something that we should aim for actually or you can plan for the future.

Neelam Punjabi: Got it. My second question is on the Healthbuddy business. You mentioned that with discounting going down, our growth has been impacted. However, my question is that, is this impact only on growth or has it also been on the gross margin in the Healthbuddy supply chain business?

Ravi Kant Sharma: There was no impact on the gross margin percentage for the Healthbuddy business. The impact was on the, in terms of the growth. And as the gross margin is the blended gross margin of RetailerShakti and the Healthbuddy business, that's why we are seeing the, you can say that the downtick on the gross margin side.

Neelam Punjabi: Got it. Okay, understood. So, on gross margin, so I wanted to understand that what is the kind of gross margin expansion that we can achieve next year? You mentioned that with scale we can extract almost 400 basis points of gross margin. Can we achieve something like 100 basis points in fiscal year '25?

Ravi Kant Sharma: Right now, it would be very difficult for us to give you any indication of the gross margin improvement that can be planned for the coming year. But I would like to highlight one important point here. We are definitely seeing that there is a gross margin drop, blended gross margin drop, I would say, in our results.

But simultaneously, the cost of operation of the RetailerShakti, that is our B2B platform, is much, much lower in comparison to the cost of operation of the Healthbuddy supply chain business. Since the drop has happened recently, and in the volume, that's why you are not seeing the impact of the cost reduction on the quarterly results. In the, maybe in the June quarter result, the current cost of INR35-odd crores that has been there in the December 2023 quarter result, it will come down in the June quarter, this number.

Neelam Punjabi: Got it. Okay.

Ravi Kant Sharma: So, there would not be much impact on the EBITDA side of the business.

Neelam Punjabi: Understood. So, my next question.

Ravi Kant Sharma: If we just see that the gross margin was down by close to 1.2% or 1.3%, the EBITDA impact was also to the same extent in the December quarter result. But the kind of cost reduction that would be implemented and the benefit that would come, it would, the impact on EBITDA would be much, much lower as compared to the impact on the gross margin percentage.

- Neelam Punjabi:** Got it. Okay. So, my next question is on the RetailerShakti. So, you mentioned that we have about 11,100 retailers that are transacting in Shakti. Can we achieve about 15,000 actively transacting retailers by the end of this fiscal?
- Ravi Kant Sharma:** We are, to be very precise, we are targeting close to this number for the current quarter. And for that, the entire team is working.
- Neelam Punjabi:** Got it. And so, what would be a three-year target for this number for the Retailer Shakti platform?
- Ravi Kant Sharma:** Right now, it's very difficult for us to give any future guidance on the Retailer Shakti business side or any other business side.
- Neelam Punjabi:** Okay. For the Retailer Shakti business, we had some plans of offering credit to the retailers. When do you plan to start this and will it impact us significantly?
- Ravi Kant Sharma:** So, right now also, we are giving credit to certain retailers after doing the credit history verification and to the large retailers, I would say, having certain chain of stores in particular cities. But we are also in discussion with FinTech companies, NBFCs, and the bank if there can be any kind of product that can be developed together where the risk on the credit side is taken care of by the financier.
- And through technology, it's a seamless transition for the retailers as well. So, we are exploring the opportunity on this side. And once any concrete things are being finalized, we would be happy to share with all.
- Neelam Punjabi:** Got it. That's all from my end. Thank you.
- Ravi Kant Sharma:** Thank you, Neelam.
- Moderator:** Thank you. The next question is from the line of Rishikesh from RoboCapital. Please go ahead.
- Rishikesh:** Hi. Thank you for the opportunity. So, my first question is with respect to the warehouses. How many warehouses do you have currently and what's the plan going ahead with respect to warehouse expansion?
- Ravi Kant Sharma:** So, in terms of the warehouse expansion, we are not seeing any opportunity right now for the expansion of the warehouse in the next one or two quarters right now. So, we would continue to basically work with the existing warehouses. We have seven warehouses and the existing warehouses would be enough to take care of the growth opportunity that we have planned for the coming one or two years.
- Rishikesh:** Okay. And with respect to the RetailerShakti, the retailers you said they have an average order value and what would that person be of their total requirement broadly?
- Ravi Kant Sharma:** Very difficult because the different retailers have different kind of the sales volume. But I would say that the wallet share right now that we are taking from the retailers would be very, very

miniscule. There are two kind of retailers if we divide. One would be the larger retailers and second would be your average mom-and-pop store. So, the percentage share of mom-and-pop store is very, very miniscule right now with us.

Rishikesh: Okay. And also lastly, if you could just give a broad indication, what kind of revenue growth are you looking for in the near term, one or two quarters and what is the idea of broadly planned for two to three years?

Ravi Kant Sharma: As a policy actually we don't give any guidance for the future in terms of the revenue or the profitability. So, I am sorry we would not be able to share anything on that front. Okay.

Rishikesh: No problem. Thank you.

Moderator: Thank you. We have the next question from the line of Manav Vijay from Deep Financial Consultants. Please go ahead.

Manav Vijay: Yes. Thank you very much, sir, again. First question is regarding the Healthbuddy. So, the decline that we have seen on a quarter -on quarter basis, you believe that going forward we should not see any kind of a decline in this sales or considering the challenges at the industry level, this number can come down further?

Ravi Kant Sharma: So, Mr. Manav, it would be very difficult for us to give any indication of the future volumes. As I said earlier during the call, there are a lot of articles that have been published on the e-pharmacy industry recently and you can refer to that in terms of the future growth or the plan. But very difficult for us to share any indication on that side.

Manav Vijay: Sure. So, on the Retailer Shakti side, you have shared the average invoice value of INR1.3 lakh for quarter three and INR1.27 for quarter two. Is it possible to share what was the number for FY'23?

Ravi Kant Sharma: FY'23, I have to dig out that number actually. So, definitely we can share later on that.

Manav Vijay: Okay. My third and last question to you, sir. Now, you are sitting on a substantial amount of cash balance. So, does your agreement with Flipkart does it allow you to start an offline presence or under the agreement you are not allowed?

Banwari Lal Mittal: No, there is no debar under the agreement. We can start the offline business. But right now, we don't see any competitive advantage of going offline. So, rather than going offline business, we would like to focus more on RetailerShakti. There is no plans but there is no agreement of stopping going offline.

Manav Vijay: Okay. Sir, in that case, since the amount of capex that you need in business is minimal, plus also the burn is not going to be there at all. So, let's say any kind of a usage that you can provide us for the cash that you have on the balance sheet?

Banwari Lal Mittal: Yes, we are working upon it. Unfortunately, this simplification of the structure got delayed because of the technical reasons. So, once the simplification comes, then the distribution of cash

or further utilization of the cash, we can decide upon. So, the first step is to simplify the structure because the cash is lying into subsidiary company, not into the holding company where all the shareholders have the equal interest. So, the first part is to bring all the shareholders at one level and then to plan for the liquidity.

Manav Vijay: Okay. And sir, last quarter you had mentioned to us that this entire restructuring process will take around 15 to 18 months. Now, with this application getting rejected. So we should stick to the same timeline? Or we should expect that this timeline gets further pushed into let's say maybe FY'26?

Banwari Lal Mittal: Yes, definitely the timeline has to be extended because now any application can only be filed after the 24th finalization of the accounting. So, we expect that by end of the May, we can take up any further scheme and after filing, it takes around one year's time frame. So, definitely before 31st March'25, we don't expect any final outcome.

So, it should come in FY25-26.

Manav Vijay: Sure. Thank you. All the best.

Moderator: The next question is from the line of Alkesh Jain, an individual investor. Please go ahead.

Alkesh Jain: Yes, hello.

Banwari Lal Mittal: Yes, Mr. Jain.

Alkesh Jain: Yes, am I audible? I would like to know that we are constantly in the last 2 to 3 quarters, we have a INR360 crores run rate. When do you expect we go to that INR500 crores run rate?

Banwari Lal Mittal: That's a good question. This much I can tell you that we are all working very hard to achieve that and I'm sure soon we will be showing those kinds of numbers. But your company is working very hard to achieve that and that is fully achievable.

Alkesh Jain: Secondly, I would like to ask you then when can we expect to turn cash positive?

Banwari Lal Mittal: Operational positive?

Alkesh Jain: Yes.

Banwari Lal Mittal: Next year we expect that to be operational positive.

Alkesh Jain: And in the last call you said that the next 2 quarters is going to be consolidation. Do you think that the consolidation phase is over for the company or we are still in that process?

Banwari Lal Mittal: We have understood that there is a consolidation and we are now finally taking effective steps to downsize the cost cutting. So the growth momentum in the e-pharmacy segment we were seeing last year and we projected and had certain particular costs ready for that growth momentum but unfortunately that was not played out. So we are in the process to cut down the cost.

So the EBITDA for the next year will be more positive than the projected because of the cost cut down and substantial growth in RetailerShakti. We firmly believe that next year we should end with EBITDA positive result.

Alkesh Jain: So what do you think that the growth engine for SastaSundar is going to be? Retail Shakti or the health buddy tie up with Flipkart?

Banwari Lal Mittal: I think the growth engine will be RetailShakti. It's clear.

Alkesh Jain: And how do you plan to utilize the cash which is lying in the balance sheet?

Banwari Lal Mittal: The plan, the utilization of the cash is only possible once the simplification is completed because right now suppose if we plan for utilization then the options are very very limited because the cash is in to subsidiary company. So from subsidiary company has to come down to holding company. It's a very tax inefficient structure.

So the first focus is to plan the simplification and get it executed and then we can plan for the liquidity utilization.

Alkesh Jain: Thank you so much. Thank you very much. Thank you.

Moderator: Thank you. I would now like to hand the conference over to the management for closing comments. Over to you sir.

Ravi Kant Sharma: So thank you so much everyone for joining our Q3 FY 2024 conference call. We are very happy to answer your queries and look forward to have more interactions in the coming future. Thank you so much.

Banwari Lal Mittal: Thank you. Thanks a lot.

Moderator: Thank you. On behalf of SastaSundar Ventures Limited that concludes this conference. Thank you for joining us. You may now disconnect your lines.