“Q-Line Biotech Limited

H2 and FY26 Earnings Conference Call”

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Moderator: Ladies and gentlemen, good day and welcome to the H2 and FY26 Earnings Conference Call of Q-Line Biotech Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone. I now hand the conference over to Mr. Ankit Jain from Stellar Investor Relations. Thank you and over to you, sir.

Ankit Jain: Thank you, Danish. Good evening, everyone and thank you for joining us today. To discuss H2 and FY26 business performance, we have with us senior management team of Q-Line Biotech Limited represented by Mr. Saurabh Garg, Chairman and Managing Director; Y.S. Prabhakara, Whole-Time Director; Ajay Kumar Mahanty, CEO; and Ms. Meenal Gupta, CFO. Before we proceed with this call, I would like to mention that some of the statements made in today's call may be forward-looking in nature and may involve risk and uncertainty.

The company also undertakes no obligation to update any forward-looking statements to reflect the developments that occur after the statement is made. Documents relating to the company's financial performance, including the investor presentation, has been uploaded on the stock exchange and company's website. I now hand over the conference call to Mr. Ajay. Thank you and over to you, sir.

Ajay Mahanty: Yes, thank you. Thank you very much. Good evening, everyone and thank you for joining us today. On behalf of the management team, I welcome all our investors, analysts, stakeholders, shareholders to the FY26 earning call of Q-Line Biotech Limited. Financial year 26 has been one of the most defining years in our journey, not only from a financial standpoint, but more importantly from the standpoint of strategic transformation of this company.

This is an important milestone in our journey and I would like to begin by thanking everyone who has placed their trust and confidence in our company. For many participants on this call, this may be the first opportunity to understand our business directly from the management team. So, before discussing our performances, I would like to spend few minutes explaining who we are, what we do, and where we see the future opportunity.

Q-Line operates in in-vitro diagnostics or IVD industry. Whenever a patient undergoes a blood test, diabetic test, liver function test, infection screening or any other laboratory investigations, there are diagnostics reagents, instruments and consumables working behind the scene to generate those results. We are part of that ecosystem. Over the last three decades, India has witnessed tremendous progress in the healthcare infrastructure.

However, a large portion of the diagnostic products used in the country continue to be imported. At the same time, healthcare awareness is increasing, preventive healthcare is becoming more common, lifestyle diseases are rising, and diagnostic testing volume continue to grow year after year. We believe diagnostics will remain one of the fastest growing segments within healthcare because every treatment begins from an accurate diagnosis.

This creates a significant long-term opportunity for companies that can develop, manufacture and supply high-quality diagnostic solution locally. This is exactly where Q-Line is positioned.

Today, we are building an integrated diagnostic platform with capabilities across reagents, diagnostics instruments, consumables and services. What makes our business particularly attractive is the recurring nature of demand.

While instrument are installed once, reagent are consumed every single day. Every new instrument installed creates a long-term opportunity for recurring reagent sale. This creates a razor-blade business model that help build visibility and sustainability in revenue. Today, reagent contributes nearly 70% of our revenue and remain the foundation of our business.

Over the years, our strategy has been very clear: move up the value chain, increase domestic manufacturing, reduce dependency on import and create intellectual property and manufacturing capabilities within India. FY26 was a landmark year in the journey. The successful commissioning and capitalization of our largest manufacturing facility in Lucknow mark a major milestone for the company.

This facility significantly expand our manufacturing footprint and strengthen our ability to develop and produce diagnostic products locally. During the year, sales of manufactured reagents increased nearly 70%, validating our strategy of increasing in-house production and value addition.

One of the most exciting development for us has been the progress in our diagnostic instrument business. Our Selectra Pro M fully automated biochemistry analyzer, which entered commercially commercial production only a little over two years ago, has now it crossed the installation base is more than 1,550 instruments. Every instrument that gets installed not only contributes to equipment revenue but also create a recurring stream of reagent consumption for years to come. This growing installation base gives us confidence in the sustainability of our future growth.

We also successfully commercialized our electrolyte analyzer during the year and continue to make strong progress across our product development pipeline. We expect a launch of Microlab 300 during FY27 and continue advancing multiple analyzer platform currently under development. Our ambition is not simply to participate in the diagnostic market, but to become one of the India leading indigenous diagnostic technology and manufacturing companies.

Another area that excite us is the international expansion. During FY26, we strengthen our global business development efforts through the appointment of an international business manager based at Dubai and entered into distribution partnership across several countries. While exporting currently it contribute a small portion of revenue, we see significant opportunity across emerging market where there is growing demand for reliable and cost-effective diagnostic solution.

We are also laying the foundation of our CDMO business. Globally, many diagnostic companies prefer asset-light model and seek reliable manufacturing partner. With our expanding manufacturing capacities, technology partnership and quality system, we believe Q-Line can participate meaningfully in the opportunity over the coming years.

Alongside growth, we remain equally focused on strengthening governance and institutional process. As a newly listed company, we have initiated ERP implementation across the organization and engaged PwC to strengthen our internal control and governance framework. We are committed to building a company that is not only scalable but also transparent, compliant and professionally managed.

Looking ahead, we believe we are entering one of the most exciting phase in our company's history. We have expanded manufacturing capacity, we have a growing installation base of instrument, we have a strong recurring revenue engine through reagents, we have multiple products under development, we are expanding internationally and we are creating new opportunity through CDMO manufacturing.

Most importantly, all of these growing drivers are supported by the long-term structural trend in the healthcare and diagnostic industry. Based on our current business momentum and growth initiative, we are targeting revenue growth of approximately 30% to 35% of FY27, while maintaining a strong focus on profitability and also capital efficiency. Our vision remain very simple: to build a globally respected Indian diagnostic company driven by innovation, manufacturing excellence and customer trust.

We are still at the beginning of our journey and we believe the opportunity ahead are significantly larger than what we have achieved so far. I'd like to thank our employees, customers, partners, shareholders and all the stakeholders for being a part of this journey. With that, I will now hand over the call to our CFO, Meenal Gupta, who will take you through the financial performance. Thank you very much.

Meenal Gupta: Thank you, Ajay sir. Good evening, our shareholders. Kindly accept my sincere gratitude on behalf of our company for attending this first earnings call. FY26 was a year of strong growth accompanied by significant improvement in profitability and operating leverage. Our consolidated revenue from operations increased to INR341.7 crores in FY26 from INR313.1 crores in FY25, representing a growth of approximately 9%.

While revenue growth was moderate, the quality of revenue improved substantially due to a higher contribution from domestically manufactured products, particularly reagents. Gross profit increased by 24% year-on-year to INR207.6 crores. Gross margin expanded significantly from 53.3% in FY25 to 60.8% in FY26, an improvement of approximately 750 basis points.

The expansion was primarily driven by three factors: first, higher sales of manufactured reagents; second, improved product mix; and third, better manufacturing efficiencies and operating leverage. As a result of these improvements, EBITDA increased by 39% to INR98.1 crores compared to INR70.6 crores in FY25. EBITDA margin improved from 22.5% to 28.7%, reflecting the benefits of a manufacturing-led strategy.

Profit after tax increased sharply to INR55.7 crores compared to INR19.2 crores in the previous year. PAT margin improved from 6.1% to 16.3%. It is important to note that FY25 profitability was impacted by extraordinary and prior period expenses. Excluding these effects, FY26 still reflects a strong improvement in underlying earnings quality.

Looking at the business mix, reagents continue to be the primary growth driver and accounted for nearly 70% of our total revenue. This remains a highly attractive segment because of its recurring demand characteristics and strong margins. From a balance sheet perspective, our net worth increased to approximately INR246 crores at the end of FY26.

We continue to maintain a comfortable capital structure while investing in manufacturing expansion, product development and infrastructure creation. During the year, we commissioned our fourth manufacturing facility and continued investment in capacity expansion, automation and product development. These investments are expected to support future growth and improve on operating leverage over the medium term.

Moving to exports, revenue from international markets stood at approximately INR1.2 crores during FY26. While this contribution remains small today, we have built the foundation for future growth through distributor appointments and market development initiatives.

For FY27, our priorities will include increasing utilization of our manufacturing facilities, commercialization of additional products from unit number 4, launching new diagnostic instruments, expanding exports and maintaining disciplined cost management. Based on the current visibility, we are targeting revenue growth of approximately 30% to 35% while continuing to focus on profitability and return ratios. As a new listed company, we are committed to maintain transparency, strengthening governance standards and delivering sustainable long-term growth.

With that, I would like to conclude my remarks. Thank you for continued support and confidence in Q-Line Biotech. I would now hand over the call to Danish and we can open the floor for questions. Thank you so much.

Moderator: Thank you, Meenal ma'am. Ladies and gentlemen, we will now begin with a question-and-answer session. The first question comes from the line of Prashant Sharma with Hem Securities. Please go ahead.

Prashant Sharma: Yes, good evening, everyone. My first question is, FY26 EBITDA margin expanded sharply to 28.7% driven by higher sales of manufactured reagents and improved product mix. So, what proportion of reagent revenue is currently manufactured in-house versus traded? And what margin trajectory do you expect over the next two to three years as Unit 4 ramps up and new reagents approval come through?

Meenal Gupta: Yes. So, the manufactured reagents has grown about 70% in the current year. And in the manufactured reagent category, our margin, gross margin is about 60% to 65%. And as Unit 4 ramps up, so we will be in Phase-1 shifting all the clinical chemistry reagents from our old facility in Delhi to the Unit 4 in Lucknow. So, this is Phase-1 where all the clinical chemistry reagents will move in.

In Phase-2, we will be adding rapid molecular and other streams. And we expect that about by the end of this year, we will be able to utilize about 25% to you know 30% of the capacity that we have in Unit 4. And as per the FY27, you know, growth guidance, we kind of expect a similar increase. So, last year our reagents revenue grew by 35%. So, we are expecting a 30% to 35% increase in the reagent revenue current year also.

Prashant Sharma: Okay. And what is the product mix in respect of manufacturing and trading in reagents vertical?

Meenal Gupta: So we are manufacturing about 70% and trading is only about 30%.

Prashant Sharma: Okay. My next question is, since the installed base of Selectra Pro M analyzer has crossed 1,550 units, so what is the annual reagent consumption generated per installed analyzer? And what is the typical payback period and lifetime customer value from an analyzer placement?

Ajay Mahanty: Yes. So, can I give this answer?

Meenal Gupta: Yes, please.

Ajay Mahanty: Yes. So far, last year we have successfully installed more than 450 unit in market and at this moment if you see we have almost covered more than 1,500. And as per the you can say track record as well as the workload in the hospital, we are expecting 100 to 150 sample per day. And per instrument, the average consumption would be 25,000 to 30,000 per month. So, one instrument life is almost 8 to 10 years we are expecting and this is the life of the instrument.

So, last year also we have received the additional business around INR20 crores to INR25 crores and after this installation definitely we are expecting similar growth. One thing it is of course these instruments are installed in the primary health center as well as community health center where different type of -- you can say installation training and other things are required for the initial level.

So, our team is working very hard for the successful installation as well as validation processes. So, we are expecting I mean 25,000 to 30,000 at least per instrument that is the additional business in FY27.

Meenal Gupta: Yes, I would also like to add something here that so though we have already reached the installation base of 1,550, but like Ajay sir mentioned, so the active installation, you know, where we were getting active reagent orders were around 450 till the last financial year.

And as these instruments have been involved, you know, in the CHCs and the PHCs, so, our team is getting up to speed and making other installation and other centers active. So, we believe that a lot of more installations will become active in the current year and hence there will be, corresponding increase in reagent revenue from these installations.

Ajay Mahanty: Meenal, can I add a minute?

Meenal Gupta: Sure, sir.

Ajay Mahanty: Yes, the question lifetime value if I can interpret, so the short answer is, take approximately 25,000 of average reagents per machine per month, which is about INR3 lakhs. Through the economic life of about 10 years means it's almost about INR30 lakhs. So, that is the kind of a revenue potential that we have.

Prashant Sharma: Per analyzer, right?

Meenal Gupta: Yes, per analyzer.

Ajay Mahanty: Per analyzer, correct.

Prashant Sharma: Sir, does it vary as per analyzer or is it like a standard thing with each category of analyzer?

Ajay Mahanty: Significant variance will be there, whether you talk about urine analyzer to a clinical chemistry immunology, there will be tremendous variations.

Prashant Sharma: But it falls in this range only, 25,000 to 30,000 right?

Ajay Mahanty: No, no. Hematology will typically be about 4,000 a month of reagent sales for the classical three-part analyzer. And urine will be even half of that, whereas an immunology could be into multiple lakhs each month. So, it's very difficult to give one number.

Prashant Sharma: Okay. Understood, sir. Multiple lakhs for which category of analyzer, sir? Could you repeat it?

Ajay Mahanty: Clear kind of immunology.

Prashant Sharma: Immunology analyzer, okay.

Ajay Mahanty: In addition to it, one thing I would like to add here, actually this is what we are telling about the only one equipment which is automated biochemistry analyzer what we are producing here in India. In addition to it, if you see we have around 25 to 30 type of different type of models for different type of test performances, okay. It may be you can even in the clinical chemistry we have also different models for the high throughput.

And every year we used to put more than 1,200 to 1,300 new installation base. It is in trade market, lab chain, as well as hospitals and many things. Yes, this is the you can say the growth we are expecting only not from the Selectra, also we have put many instrument also in the market.

It may be of Hematology analyzer, of five-part differential, which is a revenue generator. And our focus is on that also Hematology and successfully we are growing by more than 50% to 55% in reagent business at this moment and highly potential business for us.

Prashant Sharma: Understood. Sir, so what is our target for next two to three years related to installation of these analyzers, let's say 500 to 600 each year or sir what is your internal targets?

Ajay Mahanty: Yes, if you see the target of our equipment, basically equipment we are using for the generation of revenue for the reagents, okay. Instrument actually in many company they put this instrument at free of cost in the market, you can say on lease basis. But anyhow we are able to sell this instrument at least to we recover the hardware investment from the market. Somehow also we are also some places we are also putting on the lease basis.

But if you see the instrument whatever we have already installed in last two years we got an opportunity for the seeding, we have successfully installed more than 1,500 units, also another 300 to 400 units we are going to install in this financial year.

In addition to it, if you see we have also great opportunity to export this instrument to the overseas market. So, in India we are expecting you can say 1,500 to 1,800 sum total number it can be -- you can say clinical chemistry Selectra, also the Hematology, and also that the huge potentiality of the overseas market. So, sum total the number if you see it is more than 2,000 instead of 1,200, 1,500 what we are doing it. In coming year it will be more than 2,000 that is the minimum number.

Prashant Sharma: Okay, sir. Sir, my last question is, sir management expects export to grow nearly 5x in FY27. So, is also going entry into the CDMO business. So, can you provide the current export order pipeline or expected contribution from CDMO revenues over the next two to three years and the key milestones that we should track to assess this execution?

Ajay Mahanty: Yes, if you see just recently just last year we entered into the export market and successfully we have registered our product and fulfilled the compliance and regulatory aspect of some country like Middle East as well as Africa as well as Mauritius.

And also we have started exporting to some of the country and we did the revenue generation. In addition to it, if you see the business whatever we earn that is more around INR1.2 crores, but we are expecting more than 5x in coming year 2027. But, if you see the CDMO business that will be totally you can say it will be additional business and we have good understanding as well as we have some negotiation going on the pricing. And that also budget we have taken at least I think it is around more than more than 0.5 million that is that will be the additional business from the CDMO business. Around 1 million…

Meenal Gupta: So, around INR10 crores. So, I'll just add on here, so the exports that we are mentioning are not 5x projection that we are given does not include the CDMO business. So, that is purely the exports where we will be exporting to other countries like Mauritius, South Africa or African places, whereas CDMO we expect, we are in the negotiation stage right currently and we expect some traction over here in Q3 and Q4.

And since this is the first year in the current financial year, we expect it to kind of reach about INR10 crores in the current year. And once we start obviously then it will go grow from there further.

Prashant Sharma: Okay, so INR10 crores is the target for this year, right?

Meenal Gupta: Yes.

Prashant Sharma: Okay, ma'am. That's all from my side. I will call back in queue.

Moderator: Thank you. The next question comes from the line of Disha with Sapphire Capital. Please go ahead.

Disha: Hello. Am I audible, sir?

Moderator: Yes, Disha you are. Please go ahead.

Disha: Yes, thank you so much, sir for this opportunity. Couple of questions, sir. Firstly, in the second half if we see year-on-year we've registered a de-growth of about 8.6%. So, what is led to that and what's the typical seasonality that we see in the business going ahead?

Meenal Gupta: So, the seasonality are H1 is a slightly lower and H2 is slightly higher. So, from an overall perspective we kind of do about a 40% of a total revenue in H1 and the remaining 60% we do in H2. And sorry, you were saying that we've kind of dropped in the H2, right?

Disha: Right, yes.

Meenal Gupta: Yes. So, actually in FY25, we had an opportunity for seeding some instruments and at a larger level. So, the seeding of instrument is at times cyclic in nature. So, there has been a slight kind of a dip in the instrument revenue as we compare from FY25 to FY26. But as we've been talking that, so 1,550 is the base for Selectra instrument and we also added 1,053 hematology analyzers.

So, in total, we've added an installed base of 2,500 instruments by the end of last year. And in FY26 only our reagent revenue kind of grew by 35% due to this increase installed base. And so in FY27 also we expect, our reagent revenue to grow on the similar lines. So, this installed base is going to help us, provide us recurring revenue over the next 8 to 10 years like it was explained the life of the instrument is 8 to 10 years.

And the instrument so though we will do an average, you know, 1,500 to 2,000 instrument placements including both trade and government at an annual level, but FY25 was slightly exceptional. We got some additional orders and since instrument is like a seeding, so at times the revenue from instrument is cyclic. So, in one year you see slightly up and in the other year you could see a see a slight dip.

Disha: Okay, okay. So, currently we have a base of 2,500 instruments. What is the total overall number of instruments that we'll be adding this year and what will be the target 2 years down the line?

Meenal Gupta: No, this 2,500 has been added, in the last 2 years. Overall till date, Ajay sir can also add in, we will have a base of some 17,000 instruments. So, since the inception, when Q-Line has started doing business, so earlier we were trading, we were importing instruments and placing them. Now, we have also started manufacturing. So, as of now we will have a total base of 16,000 to 17,000 instruments till date. And this year also, we just discussed about 2,000 instruments we plan to add.

Ajay Mahanty: Yes, basically we have the installation base more than you can say 15,000 installation of different type of analyzer which is contributing the reagent business. And as I told that every year we put more than 1,200 to 1,300 instrument in the market, government as well as private. But fortunately we got a good you can say MoU contract from the government to strengthen their government you can say laboratory system.

And it was an opportunity for us. We didn't had to invest, rather they pay us, they paid us against those instruments. So, it was an you can say additional installation base which can increase our you can say not only the hardware installation base, I mean instrument installation base, but it is the growth factor and which can be you can say maintain for at least for upcoming 7 to 8 years, 10 years time or if you see the diagnostic market it is growing by 8% to 9%, okay?

And because of this type of opportunity we are able to grow by 35% to 40% in the reagent business at this moment. And of course the order in the pipeline what we have the analyzer that will also give the substantial support for the additional reagent business.

Our main business objective is to get the more reagent business actually, not to put more number of not to sell hardware more, but of course both are you can say part and parcel. Without analyzer we cannot drive the reagent business. So, it was a great opportunity to put more number of instrument.

Disha: Right, right. Okay, okay. Now, my question is for the manufacturing business. So, at currently our capacity, what sort of peak revenue can we do from our current existing capacity at peak optimum utilization?

Ajay Mahanty: Yes, if you see the as I told that our important as well as our objective is to produce more number of reagents which will produce more I mean say profitability for the company. And that's why we have established this type of facility here. Previously we were not able to meet the requirement of you can say cGMP as well as WHO PQ and that type of international standards.

And also if you see the potentiality for the OEM as well as CDMO also it was limitation for us. But with existing facility you can say at this moment we can meet out all type of standards, quality, everything. Also there the possibility and potentiality to produce more quantities which is demanded by the market by our new installation base.

Also it opens the door for many company for the CDMO as well as OEM business for the reagent business. So, at this moment as Meenal ji she told that initially this year FY27 will be able to use at least 25% to 27% of the capacity. But as all the diagnostic those are regulated products, definitely the infrastructure and other thing that gets many type of standard specification.

So, our facility we believe without addition without adding any additional capital, so what the business we are doing it, maybe at least 3x to 4x business we can do with the same facility. So, the growth will be remain there, it will be at least -- it will be at least 2x to 3x of the market growth and also the opportunity whatever we are going to get definitely our infrastructure it will meet the requirements.

Disha: Okay. My next question, sir, was on the margins for the manufacturing and the trading business. What is the margin differential that you see in manufacturing EBITDA for manufacturing and trading and how do we see the mix going ahead because we kind of focus more on manufacturing so what will be the target mix for FY27 and FY28?

Ajay Mahanty: Yes, if you see the instrument as well as reagents, okay. And reagent business those are the cumulative yield of the installation, okay? Every year we put the instrument and at the end of the day definitely we are expecting the reagents. The good combination should be 60% to 65%, even 70% should be the consumable business and 30% to 35% should be the instrument business because instrument business doesn't need any yield any profitability more. It is the driving element.

And if you see -- yes, of course the same thing we have maintained in our product matrix. Our contribution if you see 65% to 68% it is from the reagent business and 35% to 38% from the instrument business. So, scientifically we have actually defined what type of product we need to promote and what type of even product matrix we need to keep.

And if you see the product whatever we are manufacturing, this is our own intellectual property, this is our own innovation and these are our own indigenous production. So, definitely the you are not only confidence on the quality, also we are able to maintain the good profitability. So, if you see the product matrix high yielding profit I mean product that is around 60% to 65% that is our objective and that we have maintained. And the driving force is basically instrument as well as low profit margin, that is 30% to 35%. And we have maintained the same till date.

Disha: My question was on the manufacturing...

Meenal Gupta: Can I will just tell you. So, when on the manufacturing side our margins range from 60% to 65%. So, I'm talking about reagents. However, for the traded reagents the margins are about 50%. And for instrument manufacturing the margins are around 15% to 20% because instruments are mostly seen as, seeding opportunities. And generally in the diagnostic industries instruments are placed free of cost. So, our blended margin, comes at about 52% to 55%. So, this is how it kind of looks like.

Disha: Okay, okay. That is it from my side. Thank you.

Moderator: Thank you, Disha. The next question comes from the line of Hitesh Randhawa with Quest Capital Markets Limited. Please go ahead.

Hitesh Randhawa: Yes, hi. Thanks for the opportunity. So, my first question was around the EBITDA margins and working capital days. So, say kind of in terms of EBITDA margins what should we expect the normalized EBITDA margins to be going ahead, specifically for FY27 and going ahead? And the other question is around working capital days.

So, basically or say kind of if I see your receivable days, I think they are 134 days actually for FY26. So, what kind of trajectory would the working capital days take and what is the maybe the normalized receivable days that we can expect going ahead?

Meenal Gupta: Yes. So, from a working capital standpoint we expect about a 100 days on the working capital days. And if I talk about the receivable days, so currently I think our receivables are somewhere between 120 to 150. So like I said that over here the diagnostic industry we have two components.

We have instruments and then we have reagents. So, generally in the industry people kind of place the instruments free of cost, whereas we kind of end up selling our instruments whether it is to the government or to our distributors and we recover the cost of our instruments. We don't end up making a lot of capital commitment there.

So, hence a slightly longer receivable days could be visible because of that angle. However, now continuously as we've kind of becoming listed and we are focusing more on a more operational operating leverage and efficiency in capital utilization. So, going forward we expect to maintain the receivable cycle within 90 to 120 days. So, up to 120 days. So, that is it.

And the EBITDA margins will continue as we've seen in the last financial year because as we spoke that we are expecting a large reagent revenue. And when we look at the reagents, especially the manufactured reagents, our margins are about 60% to 65%. And overall when we look it at the big picture where we also include the traded product and instrument segments, so we expect the EBITDA margins to kind of remain slightly better as we saw in FY26 because we expect about a 35% to 40% increase in our reagent revenue. And that will come from manufactured reagents.

Hitesh Randhawa: Sure, thank you. And say kind of talking about the concentration of revenue, so I think 77% of our revenues come from UP. So, my question is what percentage of revenue comes from say kind of government business and what percentage comes from private entity? And if 77% comes from UP and again say kind of if entire or most of it is in the government side, say kind of what trajectory do we see going ahead in terms of say kind of this concentration coming down?

Meenal Gupta: Yes. So, about 65% is B2G and 35% is trade. And so we kind of do business through our distributors. So, one of our large distributor is kind of based in UP and so we end up billing, everything to that distributor and hence the concentration shows typically in the state of UP. However, the distributor further supplies to the government in the state of Bihar, in West Bengal, in Odisha and Haryana and new states are also coming up.

But since we do all of our billing through the distributor, so the concentration is shown as UP. And in terms of how we kind of see this going forward is, so we've just spoken about how we are trying to increase our exports, number one. Number two, we will be also adding onto the CDMO part of our business.

Number three we are going to add a lot of new products in our portfolio. That is going to be both on the instrument side and on the reagent side as well. So, once we have more and more products in our portfolio, we believe that the trade revenue would also see a significant increase, which is 35% currently because a customer is already there.

I'm already supplying say two, three kinds of reagents in a laboratory and then I just have to add more products with the same customer. So, going forward we probably see that this concentration between B2G and others should look around by the end of 28 we should be 50-50 as of now. However, if we are really kind of able to do exceedingly well on the CDMO front and the export, then this can further reduce, but as of now the management visibility that it will go to 50-50.

Hitesh Randhawa: Okay, sure. Thank you. And say kind of when you spoke about distributors, say kind of are all our sales to external distributors or say kind of are we kind of selling to related party promoter entity as well, which is outside of the listed entity and they are acting as distributor? Is something of those something of that sort is an arrangement as well?

Meenal Gupta: Yes. So, one of our distributor, the one where we operate in UP is a related party, it's a promoter entity. But yes the nature of the business is that we operate through distributors and all the other distributors are normal entities, but yes one of our largest distributor is a related party.

Ajay Mahanty: Yes. In addition to it, one thing I would like to add here, that we have more than 75 distributor in all over India, starting from Jammu Kashmir to Northeast to South India, Kerala, Trivandrum, Maharashtra. But one good opportunity that in UP actually the distributor actually they are not into the product sell.

They have different type of actually you can say contract with many public sector, like running the lab as well as PPP model. So, this is one type of you can say this is not the -- you can say common product sell, otherwise Q-Line could have sell directly. It is an opportunity I believe also because this is the PPP model as well as public different type of actually lab operation model.

Meenal Gupta: Yes. So, our promoter entity basically is a service entity. And so if I were to explain it a little further, so we have private labs and we have government labs. So, the way you have a Dr. Lal or any other lab, they buy their reagents from many IVD manufacturers like Q-Line Biotech. However, the lab is run either by them or a private player. Similarly, in the government our related party, they run the lab for the government and they buy the reagents and instruments from us and they provide turnkey and end-to-end solutions to the government hospitals and labs. Yes. So, it's like an opportunity for us.

Hitesh Randhawa: Sure, thank you. And just talking about related party, say kind of are there any corporate guarantees that we have extended to related parties and if yes, then maybe what's that amount and maybe again say what's the future trajectory or plans on that going ahead?

Meenal Gupta: See, there were some few corporate guarantees which were extended on behalf of related parties in the past. There were also some for an associate entity also. So, we are already in the process of kindly as of now process of we've informed the various bankers and the financial people involved there in order to kind of close those corporate guarantees.

And in future in any case as part of our IPO proceeds also we're also kind of repaying a lot of debt at Q-Line also. So, corporate guarantees we expect them to be very minimal for Q-Line as is on its own and also for any other, related party or that we will not be giving any corporate guarantees in future. And if anything is still in place, we are already in the process of kindly winding up on that. We've already informed the relevant bankers. Yes.

Hitesh Randhawa: Any timelines, ma'am?

Meenal Gupta: I'm not sure about the timelines now, but I can always get back to you on that. But we've already started the process of currently wrapping them up.

Hitesh Randhawa: Sure, thank you, ma'am. I'll come back in the queue. Thank you.

Moderator: Thank you. The next question comes from the line of Manan Shah with Moneybee Investment Advisor. Please go ahead.

Manan Shah: Yes. Hi, thank you for the opportunity. I wanted to understand the unit 4 capacity seem fairly large against our other three units capacity. So, in revenue terms, what sort of capacity have we built at unit 4?

Meenal Gupta: So, in revenue terms we can go 3x, 4x of our current revenue in terms of the reagent business and the CDMO business from unit 4.

Manan Shah: Okay. Well, that is a fairly large number. So, I mean then what sort of -- what is giving you the confidence that we will be able to scale the reagent business from the current level to say 3-4x and over what time frame do you think you can reach that sort of a number then?

Meenal Gupta: So, maybe by FY30. Yes. Ajay sir can add here.

Ajay Mahanty: Yes. I'll like to add here. Actually, if you see we are manufacturing some of the reagents here at Delhi, most of the reagents at Delhi at this moment regarding the clinical chemistry as well as rapid and ELISA. And successfully we have qualified the criteria to bid in the public tender. Public tender means they need at least 3 years of your market standing experience, okay?

And also we have started getting the orders from the government. And the order we get usually that is in millions. So, in present facility I don't think we'll be able to meet out the requirement. So, definitely the way we are you can say getting the response and we are already qualified in many participants to participate in many public sector you can say entity, public procurement center.

So, we are expecting that yes, definitely we'll be able to utilize the capacity. And clinical chemistry that is the rapid range of product which goes always in millions. And at this moment we are unable to do it. So, in next 2 to 3 years definitely the quantity we are producing here at Delhi, I think it is not 3x, it will be at least 6x to 7x.

And in form of the some of the reagents which doesn't need any highly you can say space or something else, but yes of course those are high value products. And it will be the product mix clinical chemistry, ELISA, rapid, molecular, also some of the new products we have already recently we have developed.

Our sickle cell product also we have received the license from the CDSCO at this moment for the you can say global screening program we can participate. Also recently also we participate. we got the award from the malaria screening program in all over India. So, yes, of course the facility I think now it seems bigger, but it will be the smaller in next two three years. We'll be able to utilize this.

Manan Shah: Okay, understood. And the growth in your reagents, is it contingent on the growth of your devices as well because I believe they would be under the closed system or there are other drivers also to the reagents growth?

Ajay Mahanty: Yes, 75% to 80% of our business are the closed system. We put the device instrument and definitely we'll get the reagent business for at least for 8 to 10 years. But if you see the point of care type of product what we are focusing at this moment, it may be the rapid cards, glucometer, Hb meter and bedside testing.

Those don't need any you can say Hi-Fi and laboratory based devices. But that business volume if you see, that is also equivalent with compared to your conventional as well as automated you can say analyzer based reagent business, consumable business as well as this one. So, we are focusing on that also.

And yes, of course it is not always device dependency, like as I told that the screening program for the sickle cell, even malaria, even for the sexual transmitted disease, okay. Those don't need any special type of devices. Openly they can test in microbiology lab and other labs. So, we are already we have started supplying to NCDC, even the government of India, even the ICMR. So, yes, that type of scale up, it will be there in our new facility. It doesn't need any special equipment for that.

Manan Shah: Okay. And my last question was on the CWIP side. So, since we've already capitalized the Unit 4, we still have around 15 odd crores in the CWIP. So, what is this or is there any more capex that we are doing or which is yet to be capitalized?

Meenal Gupta: Yes, actually there was another plant, you know, that CWIP is towards that. So, we've done some basic, you know, structural thing there, but currently we probably have, you know, all the capex for the, you know, growth for the next two three years. So, we don't expect a large, you know, major chunk of capex, you know, to happen between the next two years.

So we might be using that kind of a facility as a warehouse for now. But yes, however depending upon how our CDMO business kind of grows. So, if we were to get, you know, CDMO opportunities for large equipment, then we might need additional space and depending upon that we will develop that facility. Yes, but for now we don't see any major capex.

Manan Shah: Okay, so that would be typically a fifth unit for you then, right?

Meenal Gupta: Yes, yes, but yes, but as of now we kind of plan to use it as a warehouse, yes. So, some small here and there, but we don't expect major capex, yes. Thank you.

Manan Shah: Okay, thank you.

Moderator: Thank you. The next question comes from the line of Maitri with Sapphire Capital. Please go ahead.

Maitri: Yes, hello. Am I audible?

Meenal Gupta: Yes.

Ajay Mahanty: Yes.

Maitri: Yes, hello. Good evening. Firstly on the reagents side, so currently we are producing close to 70% of reagents in-house and we're expecting close to 65%, 70% of our revenues coming from reagents. So, how do you see the in-house manufacturing of reagents kind of growing and do you see it completely phasing out of the trading mix with the new Unit 4 starting?

Ajay Mahanty: Yes, in fact I'd like to answer this question. Basically, previously if you see 100% reagents we were trading only, we were importing from different countries. And at this moment if you see when we started manufacturing indigenously here in India, still there are some you can say contract as well as preference of customers that they need this one.

If you see our, except equipment, we are unable to you can say make all the equipment here, but in the reagent most of the reagents, most of the reagents we are manufacturing already. But you can say the reagents why we are importing, some of the customers they are preferring, some of the contract we have with the government, we have to cater that.

So, and also it is not bad because if we have the product and people and customers are willing to pay, it is fine. So, indigenous as well as trading product both are contributing good margin in our product basket. Yes, of course that's why we have mentioned importation of trading. But gradually it is going to be very less actually. It is already less, but maybe so far we will continue till our customer demands or maybe some contracts are there.

Maitri: Got it, got it. And on the trading business from the instrument, so you mentioned that the instrument manufacturing has close to 15%, 20% gross margins. So, the instrument trading business, what sort of gross margins do you have there?

Ajay Mahanty: Yes, in the instrument if you see we have as I told we have around 30 type of instrument. Some of the instrument those are small equipment like that price range from INR1 lakh to INR1,50,000 to INR2 lakhs, even INR3 lakhs. Small equipment people are waiting to buy and we are selling them. And also we are able to maintain some profit.

But wherever the workload is more of a customer, they always demand at free of cost or cost to cost the equipment. And also at the same time we also feel that yes, if they are taking the equipment and we are getting them getting one opportunity to get the reagent business at least for 8 to 10 years.

So, in smaller equipment we are able to keep the margin of at least 20% to 25%, but for bigger instrument most of the company they are giving on lease basis. At least we are able to recovery our, you can say hardware cost, I mean instrument cost. That is the one thing. But in the future I think whenever we will start exporting this CDMO as well as other thing, we'll be able to maintain good margin on the hardware also, instrument also.

Maitri: Got it, got it.

Moderator: Thank you.

Maitri: Yes, hello. Am I audible?

Moderator: Yes.

Maitri: Yes, sorry. On the, so the trading and the manufacturing mix currently this year we have close to 67% of manufacturing revenue both from instruments and reagents and close to 33% trading revenue. Going ahead, what do you see this revenue kind of mix changing?

Ajay Mahanty: I believe in most, many instruments are in the pipeline and as we are getting the NOD from CDSCO, we are launching one by one product. And as you know, the electrolyte analyzer what I told in my presentation that previously we were importing, but at this moment we have successfully designed, developed and now commercialized.

So, we have also many equipment are in the pipeline, our engineers are working hard. As we, as we'll get the you can say approval as well as NOD from all the departments, starting from in-house as well as external agency like your you can say BIS or CDSCO and other thing, definitely we'll, we are going to replace most of the equipment by indigenous products and we'll do it.

Maitri: That is great. And on the CDMO side, could you explain like the opportunity we have for the next two three years? Yes, just some colour on that?

Y.S. Prabhakara: Yes, can I take that?

Ajay Mahanty: Yes, please.

Y.S. Prabhakara: See, ma'am, by the end of 2023 actually we had sown the seeds of this operation or conceived this idea. Then what we initially did was a successful tech transfer with one of the European companies and that led us to completely re-engineering a very complex fully automated clinical chemistry analyzer. Its brand name is Selectra Pro M.

Now, this instrument, just to give you some dynamics, has some 1,700 moving parts and has about six to seven large sub-assemblies. Now, the throughput of this is about 200 tests per hour. So, what we did was successfully do this instrument completely re-engineer here and then build and thus sell the 1,550 what you saw earlier.

Now, this has given us the confidence to actually export it back to the principals, which will be one of the classic cases of the CDMO. So, we are in the advanced stages of discussions and negotiations with them. Now, they actually have the opportunity to sell this across about 55 plus countries globally where they are operating for last six seven decades.

Secondly, looking at the horizon, we have two or three more similarly from the tech transfer route and two or three from our own in-house based products. So, one is called the Microlab 300, which is semi-automatic, Medonic M20, is a hematology analyzer, then we also have AC1, Innolite and Q-Count and so on.

So, these multiple three to five instruments if you look at, these actually will be able to give us the capability both from re-export to the principal or be a OEM ourselves. So, this is how we look at it. Just to give you some numbers, in this year we look at an opportunity of about INR10 crores from the CDMO route by either of these two options as I said above. And this will only grow as we consolidate because this is actually the first true year of doing such CDMO exports.

Maitri: Correct. So, the margins here will substantially increase from what we are getting in the domestic markets. Is that understanding correct?

Y.S. Prabhakara: Margins will grow up by about 10 percentage points or so. So, like Meenal ma'am said about 10% to 15% we retain as gross margin in the domestic for the instruments, whereas that could be easily 25% plus we see depending upon how our negotiations we are able to master.

Maitri: Okay. And we'll also be selling the reagents there or is it just the OEM the just the equipment sales?

Y.S. Prabhakara: That's actually a very good question, ma'am. That actually, that a window is open for us. Lot of these European large companies today do not want to manufacture reagents anymore. So, we do have a good opportunity there, which we will try and encash.

Maitri: Okay, got it. Got it. Got it. Yes, okay. Thank you so much and all the best.

Y.S. Prabhakara: Thank you.

Moderator: Thank you. The next question comes from the line of Hiren Modi with Balkrishna Family Office. Please go ahead.

Hiren Modi: Thank you for giving me the opportunity. Am I audible, sir?

Ajay Mahanty: Yes, please.

Hiren Modi: Thank you for giving me the opportunity, sir. And congratulations for the great listing, sir. Sir, I want to know a little broader view. Sir, how are we looking towards a company as we are having the two specialty, one is reagents and another one is the instrumentation that we do, diagnostic instruments that we do.

Sir, going ahead in a broader way, are we going to much more expand or make some other R&D in the high-end diagnostic instruments that market is totally captured by the global players? So, are we in future or maybe any kind of ambition you are having, sir? Just a broader view on this particular point, sir.

Ajay Mahanty: Saurabh, would you like to answer please?

Saurabh Garg: Yes, if you see in global player and in the larger sense larger sense they are not our competitors because they are having a very big automation system and high degree of automation and tier-1 and tier-2 they are focusing upon very big load customers.

But our segmentation is, our segmentation of the market is that we are giving the we are focusing upon stand-alone system, not as well as competitors are giving track system, totally, total automation without human intervention fully automatic track system is there. This is costing about more than INR10 crore. The system is that.

This is a very highly equipped, highly equipped system. But we are also in the market of the big lab and small lab and large lab. They are having a stand-alone system like a fully Biochemistry analyzer, spin cell counter and electrolyte analyzer. These instruments are in our target and we are trying to manufacture of this instrument, manufacturing of this instrument, manufacturing of the reagent. So, so there is a huge opportunity for the scale up for the for the small lower instrument from 50, 30 test per day to 400 test per day per day.

So, it is a very huge opportunity for us. So, we are also restricted at least for three to four year to capture this opportunity to stand-alone instrument and as our CEO Ajay Mahanty very well said, we have point of care there is the market for the point-of-care market, rapid market and there is the market for the instrument and which having a closed system reagent, which is the very big market and it is the catering the market of 60% to 70% of the market share if you see in the totality.

So, now we are very much focused and driving very focussedly to the market. We are not distracting jumping and hunky monkey jumping. So, we'll focus and we will do this type of way.

Ajay Mahanty: Yes. In addition to Saurabh ji statement, one thing I would like to add here, we are very much well focused about the research and development. We have our own R&D center that is the DSIR approved. And we have the many you can say scientists are working for the backward integration, starting from you can say the critical materials like the raw materials also we have started manufacturing.

Also, the formulation, it maybe we are not here at this moment in the molecular segment, but yes, we have successfully launched six products just last quarter also we have started getting some orders. So, and also in addition to it we have different type of laboratory and industry collaboration, industry and academic collaboration. We have three more IIT center where we have our own incubation center and also National Institute of Immunology also, we have our own people and we have the incubation center.

So, we are scientifically if you see, we are working very strongly and you can say very deep level. But yes, of course so far, the instrument as Saurabh ji told that very for very high-end equipment maybe the infrastructure as well as ecosystem and many more things that should not be our priority at this moment and there are ample market which needs our product. Yes.

Hiren Modi: Okay. Sir, our diagnostics instrument, what is the ticket size, what is the price of a product, of what range to what enterprises, sir?

Ajay Mahanty: In instrument actually what product the product what we have at this moment starting from you can say INR1 lakh to INR18 lakh for equipment. For example, semi-auto analyzer where people do the you can say laboratory, small laboratory, okay. Technician based or small laboratory having maybe 30, 40 sample. And also, we have that similar instrument also the Hematology analyzer maybe around INR3.5 lakh. And also, fully auto analyzer starting from INR10 lakh to INR18 lakh, INR20 lakh. So, we have different type of models.

Hiren Modi: So, in maybe in next span of two to three years, sir, how many new models you are targeting to add more or any technical tie-up or something, sir, yes, on cards or?

Ajay Mahanty: Yes, if you see honestly, we are not developing any new technology and new molecules, but at the same time we are first of all our priority is to make here in India, okay. The instrument our import dependency that we want to reduce and that's why we are doing the technology collaboration. And the semi-auto analyzer, even the Hematology analyzer, those are the bread and butter for our company and successfully we have already completed the technology transfer and those products we are going to manufacture here in India.

And if you see the new product development designing, yes, there are some pipeline, but we are not you can say at this moment some of the research people they are working on the designing of the software. Some models are already in the pipeline for our own innovation.

Hiren Modi: Okay. And sir what is the R&D spend we did for FY26?

Ajay Mahanty: R&D spend in the two level actually if you see one is our biological background another is our equipment. In yes, last year we did more than INR2.5 crores that is in the biological segment and equipment we have our own tool room as well as R&D people. That we have invested some amount maybe around 0.5 million maybe totally. But I mean around INR5 crores, but every year we are spending more than you can say INR2.5 crores to INR3 crores on R&D.

Hiren Modi: On the cumulative on both the things, right, sir?

Ajay Mahanty: Yes, yes, yes.

Moderator: Thank you. The next question comes from the line of Nipurn Khemka with CD Research. Please go ahead.

Nipurn Khemka: Yes, hi. So, my first question was with regards to how compatible are our reagents with other companies' instruments?

Ajay Mahanty: Yes, if you see the technically as I told that some of the reagents they that needs the equipment and some reagents those doesn't need any equipment, okay? So far if you see the clinical chemistry, maybe whatever reagents we are producing, we are making it validation as per the our equipment, the path length as well as OD limit and many more things. So, these are the technical product line and which see the you can say compatibility as well as you can say many more things.

But any person if they want, maybe they can try to validate in their equipment, but so far no one actually prefer to go for any this type of testing because it needs lots of actually you can say approval as well as other things. And remaining things if you see that Hematology reagents, those are totally 100% closed system, that is not that will be meant for our equipment's only. And RT-PCR, yes, RT-PCR if you see the kits those are you can -- that can be run in Thermo Fisher, that QIAGEN and many more models. Those are the open system reagent. And yes.

Nipurn Khemka: Okay. No, but I was asking like you explained like with our instrument, but I am talking about let's say I buy somebody else's medical devices and then I want to use Q-Line's reagent. So, can I use that or do I have to like or can I do not use them?

Ajay Mahanty: Yes, we have the open reagent, they can use it in their systems like semi-auto analyzer they can use our reagents. Those are the generic reagents we have some brand, we have some products also they can use.

Nipurn Khemka: Okay, okay. And like just on a broader scale, what do you think is our right to win because our margins are probably very lucrative enough for the large businesses to see this as an opportunity and we do not have the technology in-house. So, after let's say a decade if the European partner let's say do not renew our license, so what will be the moat for us right now?

Ajay Mahanty: No, if you see the interesting thing that is the reagents, all the reagents we have developed by ourselves, those are our intellectual property and no reagents we are we have taken in technology transfer. So far if you see the highly you can say expensive and very high value product also that also product we have developed now indigenously. We will be the first one to develop this one, chemiluminescence.

Those products also we have developed. So, we are not dependent on third party, but so far if you see the instrument, yes, we have taken the technology transfer from the instrument, but those instruments are designed, developed, everything from here only. So, our dependency is no more with any other company. It is self-sustainable.

Nipurn Khemka: Okay. And how will you scale geographically like we are very much concentrated in the northern region like close to 80%. So, how do you think going forward with this model of distributors, how scalable is this model?

Ajay Mahanty: Yes, if you see actually previously, we started our company, you know, in North India and we are the we are representing some overseas company of Europe for North India, the eastern part of India Eastern part of India and gradually we expanded to Western part as well as South part. But so far at this moment if you see since long time, we are supplying our products to South India through the distributors.

We didn't had any own manpower like sales as well as service, but we have good presence. If you see in some of the laboratory chain we have more than 125, 130 centers also we cater. And at this moment, yes, from 2026 we have started direct operation in South part of India as well as Western part of India and also, we have started appointing people in overseas also, starting Dubai and overseas also. So, all over India we have started covering and also global market is our target now. It is not we are not limiting ourselves in 1.3 billion, our target is to reach to 6 billion population overwise worldwide.

Nipurn Khemka: Okay. And lastly, can I make a request like we a facility like the unit 4 facility is live I believe. So, can we plant like can we schedule some plant visit or something for the analyst to come and see what the facilities are and how things work there if possible?

Ajay Mahanty: You are always most welcome and we appreciate actually seeing is believing and we look forward our investor they should be I mean they should see and they should actually feel how we are adding the technology and value of each and every product and developing the quality of life of the individuals. So, it will be a great opportunity and great honor to welcome you here.

Nipurn Khemka: Okay, okay. Thank you, thank you. That's all. Yes.

Moderator: Thank you. As there are no further questions from the participants, I would like to hand the conference over to the management for the closing remarks. Thank you and over to you team.

Meenal Gupta: Yes. Thank you all for taking out time to be part of our FY26 earnings call. For any further queries or doubts, feel free to write to us or our investor relations team at Stellar IR Advisors and we'll get back to you as soon as possible. Thank you all once again.

Moderator: Thank you, ma'am. Ladies and gentlemen, on behalf of -- thank you, sir. Ladies and gentlemen, on behalf of Q-Line Biotech Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.

Ajay Mahanty: Thank you. Thank you very much.

SAURABH GARG

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