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PREVEST/SE/2021-22/10

To,
Department of Corporate Services
BSE Limited
P J Towers, Dalal Street,
Fort, Mumbai-400001

Sub: Transcript of H1 FY 22 Earnings Call Pursuant to Regulation 30 and 46 read with clause 15 of Para A of Schedule III of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

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Respected Sir/Madam

We hereby enclosed the transcript of the H1 FY 22 Earning Call held on Wednesday, December 1, 2021.

We request you to take the same on your records.

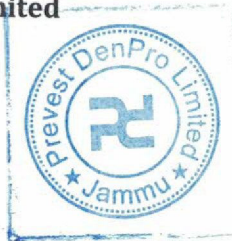
Thank you

For Prevest Denpro Limited

Namrata Modi

Namrata Modi

(Whole Time Director)



Transcript

H1 FY 22 Earnings Conference Call of Prevest Denpro Limited

Event Date / Time : **1st December 2021, 16:00 Hrs IST**

Event Duration : **01 hr 13 min 21 sec**

Presentation Session

Moumita: Ladies and gentlemen, good day and welcome to Prevest Denpro Limited H1 FY 22 earnings conference call hosted by Hem Securities Limited. As a reminder, all participant lines will be in listen only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star and zero on your touch tone screen phone. Please note this conference is being recorded. I would now like to hand over the floor to Miss. Astha Jain Hem Securities Limited. Thank you and over to you ma'am.

Miss. Astha Jain: Good afternoon, ladies and gentlemen. Thank you for joining the Prevest Denpro Limited H1 FY 22 earnings conference call. Joining us on the call today are key members of the management team, Mr. Atul Modi, Chairman and Managing Director, Mrs. Namrata Modi, Executive director, and Vinay Jamwal, financial adviser to the company. We will commence the call with the opening thoughts from the management, post which we will open the forum for the Q&A session where the management we will be glad to respond to any queries that you might have. At this point, I would like to add that some of the session may or discussed on the conference call may be forward looking in nature. The actual results may vary from the forward looking statements. I would now like to hand over the call to Mr. Atul Mode to come in and share his thoughts on the performance and strategic progress made by the company. Thank you and over to you sir.

Mr. Atul Modi: Thank you very much. Good afternoon one and everyone who has joined us today. I take the pleasure of welcoming you all to the H1 financial year 2022 Earnings Conference Call of Prevest Denpro Limited. I hope to all of you are safe and healthy continues to be at our doorstep. Let me start with a brief overview of the company's business and we'll then take you through the financing. After that, we will be happy to take questions you have if any. We are one of [inaudible 00.02.18] manufacture of dental materials, serving the global dental market with a wide range of dental materials used for the diagnosis, prevention and treatment of dental conditions. We manufacture over 100 dental products which find application in various dentistry branches. The company has over 90 International dealers spread across almost all continents of the world ranging from North America, South America, Africa and Asia. We have recently obtained US FDA approval for five products and we are set to enter the US and Canada.

We made a strong start to the financial year 2022. For the half year ended September 30th 2021, we reported revenue of 1775 [inaudible 00.03.23] RITA 764.77 lakhs and profit after tax of rupees 535.31 lakhs. It is also heartening to note that our operating cash flow for half year stood at 410 and a cash of 0.54

with this the FAT ratio of our company stood at 30.15% and RITA ratio of 43.08%. As of September 30, 2021 the net worth of the company today 5076.28 lakh. The return on capital employed for the first half year stood at 14.19% without analyzation. Also, I would like to add that we are a debt free company with a debt equity ratio of 0.03. Coming to the dental industry, I would like to update you all that India has skilled dentists in the world with over three lakh dentists, 5000 Dental laboratories and over 297 Dental Institutions, which makes the Indian Dental Market vast indeed. Furthers market trends predict that India is all set to become the single largest country for dental products and materials. The global dental market has grown at a CAGR of 5 over the last five years with the Asian and Indian markets showing the growth of 10% and 6.3%, respectively. That concludes my opening remarks. And now I would request the moderator to please put the questions from the participants. Thank you very much.

Moumita: Thank you sir. Ladies and gentlemen, we will now begin the question and answer session. If you have a question, please press star and one on your telephone keypad and wait for your turn to ask the question. If you would like to withdraw your request, you may do so by pressing star and one again. Participants are requested to limit their questions to two per person during the initial rounds, and may come back for follow up questions afterwards. Thank you. Ladies and gentlemen, if you have any questions, please press star and one on your telephone keypad.

Our first question comes from Mr. Mukesh Sawla from Sawla Consultancy Services.

Mr. Atul Modi: Yes please.

Mr. Mukesh Sawla: Heartiest congratulations on fairly good numbers in the difficult, challenging time. So sir, my first question is our plant is in Jammu. So, I am sure we must have set up our plant in Jammu due to some tax incentives or some sort of schemes by the state of Jammu and Kashmir. So if you can, you know, guide us what are the benefits of having our planting Jammu and as I noticed that in the current half year, the tax incidence has gone up. So what is the tax incidence likely to continue going forward? So you if you can, please guide us on that and since we are hearing a lot of noise about the violence in Kashmir and all, so are we facing any difficulties of such scenario in Jammu or what is the thought process behind setting up all our plants in Jammu? That is my first question sir.

Mr. Atul Modi: First of all, I would like to inform you that this company is existing in Jammu and Kashmir for the last 21 years and in these 21 years, we have never faced any violence or any, you know, un-peaceful atmosphere in our place of working.

Mr. Mukesh Sawla: Very good.

Mr. Atul Modi: Jammu, we are located in Jammu. Jammu is a very peaceful place. There has never been any occasion of violence in this city. Occasional incidents have happened but, you know, that kind of incidents can happen anywhere in the country or even in the world. So that's not a disturbing factor at all. The company was set up 21 years back, because at that time, some of the raw materials were locally available and the government of Jammu and Kashmir was offering us very good incentives. Other

important things, consideration for setting up the factory was that the Jammu and Kashmir is providing the lowest power rate and the cost of employment is also comparatively low. So other incentives are also available at the time also, incentives are available. Even now, the government is offering new incentives to the companies who are expanding who are diversifying, and those companies who are setting up new facilities. So keeping all those incentives in mind, we have set up our facilities in Jammu and our new expansion and diversification project is also going on in the existing place, because we are entitled for certain incentives. And to know those incentives will definitely improve the profitability and improve our bottom line. So we are here to take all the benefits and, you know, improve our profitability and margins and we are not at all worried. You know, there has never been any concern about the violence or related issues in Jammu.

Mr. Mukesh Sawla: Great. Sir, one thing is certain that management from Bombay to Jammu is also comfortable to you I suppose.

Mr. Atul Modi: See, definitely it is possible, but there is no need at the moment to shift the management from Jammu to Mumbai. It is the most peaceful place and because of, you know, the operational costs are very low here. So, we have to take the maximum benefit of our incentives and operational cost benefit. We have to consider while, you know, setting up the facilities there. So, there is no point and there is no plan to move the management from Jammu to any other place.

Mr. Mukesh Sawla: Okay. Sir, my the second limb of that question was about the incidence, we were in around 20% tax rate in the last year, we can suit up to 26% in the current half year, so what is the rate likely to remain in time to come?

Mr. Atul Modi: For this, I will request our financial advisor, Mr. Vinay Jamwal to answer this question. Mr. Jamwal, please answer this question.

Mr. Vinay Jamwal: Good afternoon everyone.

Mr. Mukesh Sawla: Good afternoon.

Mr. Vinay Jamwal: The profitability is increasing trend and as far the rate of income taxes is concerned, this company have a reduction in the section 80A of the income tax act, and for the last year, it has allowed 10th financial year for welding the incentive meant and after absorbing incentive for last 10 years, now we are taking the tax at the whole rate that is 25% plus 7 surcharge and 4% education cess.

Mr. Mukesh Sawla: So, respectively henceforth we will be having the same tax rates and concerned that we are carrying out will that also qualify for at ADIT?

Mr. Vinay Jamwal: For ATID that will qualify. There is no deduction right now in the industrial undertaking incentives in the J&K state. And that's where the other incentives are concerned, we have a lot more incentives from the state government and the central government that has been in the J&K Industrial Policy 2020 that has already been discussed by Mr. Modi. As far as the income tax is concerned, we are going to pay the tax at the normal rate that we give in the rest of India.

Mr. Mukesh Sawla: Perfect. And my second question sir, we have recently got our plant approved under US FDA norm. So, you said about five products are approved. You may please guide us whether we have started supplying those products to any of the customers in North America and Canada or those things are still under negotiation or pipeline.

Mr. Atul Modi: I already replied to this question. The five products have been cleared by US FDA and they started the process of identifying the customers for these products. We are in discussion with many customers.

Moumita: Ladies and gentleman, please stay connected, while we connect the management team back on the call. We welcome Atul sir back on the call. Atul sir?

Mr. Atul Modi: So, we are discussing with many customers in US and this is a process, we cannot just start selling the products in US. The products have to be evaluated by the customers and users in USA. This process is going on. They have already identified and we are supplied some samples. That process is being carried out. So, we are waiting for, you know, evaluation reports and the feedback from the customers. Because, you know, these are the dental materials, which are going to be used on the human body. The US FDA has cleared, but now the customers also wants to evaluate the product and after evaluation, they will start this ordering process. So, we are very confident that very soon, the orders will start coming and after these five products, we have already applied for approval for another set of 15 products. So, we are very confident in the coming months, our products will be approved by the customer and we will start the process of selling and this will add to our revenue generation in the next financial year. So, the effect will come in the next financial year.

Mr. Mukesh Sawla: Next, financial year. Okay. Just a small last question, we started by our operations since about 1999 and at present, we have a 0.5% of our market share in India. So, sir, what is our internal target to reach for market share in another three years to come?

Mr. Atul Modi: See, now, the company is having a good market position because our direct competition is with the multinational companies. We don't have much competition from the domestic companies, because after having very insignificant, you know, performance and their product range is not comparable with the product range what we have. And as far as the quality is concerned, we have got the best quality certification where we are qualified for export to Europe. We are qualified for export to Saudi Arabia. We have got products approved by US FDA. So, we are very confident our business will grow in the Indian market at a much faster pace in the coming years. And we are expecting you know, even during the pandemic in the last two years, in spite of the hard condition, our businesses continuously growing at the rate of more than 20%. So, we are very confident in the normal situation, our businesses grow much faster, and we will have better revenue, top line will definitely go up in this financial year and in the coming years. So, we are very confident, our businesses grow from 0.5% of market share to a better market share, because, you know, the maximum of the market share is taken by the multinational companies, who have a history of more than 100 years. So, we are competing directly with the multinational companies. Now, we are growing at a much faster pace in India. So, we are very confident that our market share will increase in the coming years.

Mr. Mukesh Sawla: But, at least can we have some range kind of our expectation or our targets, internal targets for five years, down the line, three years down the line.

Mr. Atul Modi: See, we have already given a projection that we should reach to a revenue generation of over 100 crores in the next three to four years.

Mr. Mukesh Sawla: Okay. Fine, thank you so much. All the very best. And, I have a couple of other questions, so I will rejoin with you. Thank you.

Mr. Atul Modi: Anytime. Thank you so much.

Moumita: Thank you sir. Our next question from Mr. Sathwik Jain from Generational Capital. Please go ahead sir.

Mr. Sathwik Jain: Yeah, so first of all, hearty congratulations on the great IPO and being, you know, transparent since your first quarterly results also. So, my first question was regarding the IPO proceeds. So, you know, before the IPO we had around eight crore of growth blocks and the revenue from that 27 crores approximately. So, now this Tyson plan as of 35 crores. So is it safe to assume like you know, we will do 3X asset turnover, ballpark 100 crore revenue from this new CapEx, which we are doing and like what's the timeline for that?

Mr. Atul Modi: I think Mr. Jamwal will give the reply to this query. Mr. Jamwal are you there? Hello

Ms. Astha Jain: One moment sir.

Mr. Vinay Jamwal: Am I audible? Hello

Moumita: You are audible sir.

Mr. Vinay Jamwal: Yeah, audible. Okay. Good evening once again to all of you. The question was regarding Asset Turnover Ratio. Right now, recently, we have a turnover of 39.5 Cr with WD asset about 5.5 Cr. For the current financial year 2021-22, we're expecting a turnover of say 40 Cr and with the additional fixed asset in the form of addition in building plant and machinery and all other assets, we are expecting addition in the in fixed assets of 10 Cr plus additional fix asset, the total investment in fixed assets will be 16 Cr, and we'll compare this with the expected turnover or revenue for this year the asset turnover ratio will come down to 2.48. And moving forward for 2022-23 up to 2025-26, the asset turnover will increase from 2.48 to 3.57 in the coming year 2025-26.

Mr. Sathwik Jain: Okay, perfect, that was very helpful. And the second question was, so sir, since you are like around 67 years old. So, whether any plans for nurturing the next line of management and if say Niharika Modi was more involved in the company. So, you know, we can see further say 5-10 years down the line.

Mr. Vinay Jamwal: Definitely, Niharika Modi will take over at an appropriate time. At the moment, we are managing the business successfully. She's being groomed and she's getting professional experience. And once you know that, the time comes, she will take over. She has experience and she can easily take over the management. At the same time, we are converting our company into a professionally managed company. We are employing more professionals as part of the top management team and also middle level management. So, that process is also going on, employing new talent and you know experienced management teams. So, we are very confident that down the line, Niharika will take over and you know full support from the management team. So, we are creating a professional management team that will take over the business forward. So, this is our plan and, you know, internally every arrangement has been finalized and we are going to induct Niharika at an appropriate time.

Mr. Sathwik Jain Actually that was very helpful, if I could squeeze in one more question. This was just a bookkeeping question. So, despite being a profitable company, I might have missed out any CSR expenditure, which would have been done, because normally 2% is mandated as a CSR expenditure and they were the CSR committee also formed and the other thing was like last year, they were around 3.6 crore debtors of more than six months, but you know, we are not provisional for any debtors.

Mr. Atul Modi: Mr. Jamwal please give reply.

Mr. Vinay Jamwal: Yes, as for the first pattern with queries concerned regarding the CSR, we have made a provision and we have also extended to merge the CSR based upon our net profit for last three years and as far as CSI is concerned, we have made the provision and also made the expenditure and this is based upon a 2% of the last three average net profits of the company.

Mr. Sathwik Jain: Okay, and the second question was regarding, you know debtors that was of more than six months. So, I couldn't find any provisioning for that.

Mr. Vinay Jamwal: Regarding debtors. As far as the debtors are concerned, we have a network of, even say, our sales promotion agents, we have agents all over the country and we are also selling the products internationally also. As far as international buyers are concerned, the payments are very prompt, but now we are also starting for the last say two to three years, the management has come up with a policy to penetrate international market also. And so, we have issue go by the financial for the last couple of years, you will see that the percentage of the national turnover has increased. And so, since we are penetrating with new products and company hasn't ventured into that area, we have to give a little cushion for the further realization and in the coming time, we are very sure that this debtor's collection period will decrease and there is no debtor, which can be considered as a bad debt. As and then, we see this view very seriously and you will find in our financial segment, you will consider that there is a probability of any bad debt. So, we straight away go for that provision thereof and as of now, we don't expect there is any bad debt that can be written off.

Sathwik Jain: Okay sir that was very helpful, all the very best.

Mr. Vinay Jamwal: Thank you very much.

Moumita: Thank you sir. Our next question from Mr. Jayant Mamania from Care PMS. Please go ahead sir.

Mr. Jayant Mamania: My first question is regarding, I wanted to understand the context in which we say that we are leading Indian players in the dental products. If you consider the India's turnover for dental products is 5000 crores and if you consider global turnover which is 1,50,000 crores and ours is only 30 crores. So, in what context we are saying that we are leading player, just wanted to understand our focus area.

Mr. Atul Modi: Okay, leading in the sense that we are the only company in India, which is manufacturing such a wide range of products and the only company in India, which has got, you know, fulfilling international quality standards and ours is the only company in India, which is in the [inaudible 00.26.45] and only Indian company for the dental materials who has got the maximum business revenue generation in India and outside India. We are not comparing ourselves with any multinational company. We are claiming to be the leading manufacturer among the Indian manufacturers. We are not competing or claiming any kind of, you know, comparison with the multinational companies, who are in India, who are holding the maximum business share from the Indian market, but they are not the manufacturers in India, they are the traders in India. So, we cannot compare ourselves with those companies, because they are doing trading in India. They are not doing any manufacturing in India. So, as a manufacturer we are the leading manufacturer. So, we are claiming to be the India's only organized sector manufacturer and we are the India's only leading manufacturer. So, this is our claim. We are not claiming anything more than this.

Mr. Jayant Mamania: Yeah, so I'm based out of Mumbai and we had a channel text with two, three dentists in Mumbai only. So, their feedback was that the previous Denpro's quality is not up to the mark. So, any comment from your side?

Mr. Atul Modi: See in India there are more than 300 dental professionals. So, we cannot say that all the dental professionals will like my product and they will say that previous products are good or bad. We have to only see that we are meeting the international quality standards and we are growing our business in India at a very good rate. And this all speaks that our products quality is good. If the quality is not good the business cannot grow and our businesses is growing that itself is ample proof that our product quality is very good.

Mr. Jayant Mamania: So, your focus is in tier two and tier three towns or we are focused on major cities also.

Mr. Atul Modi: At the moment our focus is on the major cities, because major cities has the maximum consumption of the products there, but we are now penetrating in the tier two and tier three cities, because we know, we as a small company and as small company, we cannot match our resources with the multinational companies, as far as marketing expenses is concerned. We have to manage our marketing with a meager resources. We cannot put all our money into the marketing. So, within our resources, we are trying to expand and

penetrate the market and grow as fast as possible. And we are quite confident that with our current rate of growth and the situation becoming normal, our business growth will be much faster, because now our focus is on brand promotion, because we have a very good product range. We have got a very good quality management system. We have a very good packaging, everything is in order. Now, we need to focus on the brand promotion, brand building. So, that is the focus now, and we are very confident that our business will grow in the tier two and tier three cities also and we heavily investing on building our marketing team, so that we can pilot it faster and reach to the dental professionals in the smaller towns also. So, this is our plan for brand promotion and growth in plants via you know increasing our reach to the customers.

As far as product quality is concerned, I can only say that we has that all the best quality certification, which every international company is having. We have got the same quality. So, keeping that in mind, there should not be any doubt on the quality, but we cannot certify all the dentists maybe some dentists have different opinion and there have some other concerns. Sometimes you know, the dentists, if he is not able to use the product properly, he will put the blame on the product quality. So, there are different situations. So, I don't want to, you know, go deep into this subject of, you know, complaints and quality related issue. I can only say that my business is growing and I am satisfied with the kind of, you know, market feedback we get from our customers. So, that is nothing to worry about the quality of the product.

Mr. Jayant Mamania: Yes, that is useful. Sir, what is our R&D staff strength and strain?

Mr. Atul Modi: See at present, we have very good level of R&D staff. They are PhD in Bharat Pragmatic, PhD in Chemistry and PhD in Dental Dentistry. So, that kind of staff we have employed, but as you know that we have building up a new state of the Art R&D Centre, for which we have taken money in the IPO. When that R&D Centre is ready that will a state of the Art R&D Centre. First of its kind R&D Centre for the dental industry. No Indian company has ever set up Dental Research Centre what we are going to do. So, once the R&D Centre is ready, definitely we are going to employee more people and more qualified talent. So, that you know we can develop the innovative products for the dental application for the coming year for the future. So, this is our plan, we have good dental R&D team at present.

Mr. Jayant Mamania: So, how much do you spend in H1 sir in R&D?

Mr. Atul Modi: Mr. Jamwal do you have the figure on expenditure of R&D.

Mr. Vinay Jamwal: Sir, right now the expenditure that is being done under R&D is only billed for capital nature and the expenditure that is on a

routine basis will commensurate with the earlier, no major expenditure as such has been executed on the revenue side. The reason is that for the expansion and for the additional products, we are in the process of building up a capacity in the terms of coming up with a new building and once the building work is completed, it is almost at the last verge of it, as and when it completes, we will start the equipment's and the R&D expenditure on a routine and regular basis will also commence.

Mr. Jayant Mamania: Sir, we have a research collaboration with prominent academic institutions for exchange of technical knowledge and conducting training and research. Sir, can you tell how it works in terms of the patent or rights.

Mr. Vinay Jamwal: [inaudible 00.00.16] The new product for which the patent has been applied and we are expecting the patent to be granted to us very soon. It is almost on the final stage of the granting of the patent. So, this kind of activity already we are doing. The research work is going on. A new product has been developed and the patent has been applied. The five universities with which we have the research collaboration, they are supporting us in terms of product evaluations, product studies on the product and testing of the product. For these things, we are taking the support from the universities. So, we are submitting our samples to the universities, they are doing the evaluations, they are doing the testing, and then they give us their feedback. And that kind of support we are getting from the university at present.

Mr. Jayant Mamania: Okay. Thank you. That's all from me. All the best.

Mr. Vinay Jamwal: Thank you so much. Yeah.

Moumita: Thank you sir. The next question from Mr. Sameer Palore from AUM fund advisors. Please go ahead sir.

Mr. Sameer Palore: Congratulations on a good set of numbers. Sir, if you can just give us some idea on a year-to-year basis how does this six-month compared to the last six months any seasonality in the business and how you see the next six months for your business.

Mr. Atul Modi: Mr. Jamwal, please you the figures.

Mr. Vinay Jamwal: Yeah, I can get the figures. As far as the system figures of the current year is concerned, we are already shared with all the investors the revenue from operations for the first six crores. The current year is 17.75 crore. If we compare this revenue with the previous year, relevant corresponding period of six months, you may have granted these six months for the year 2020 from April to September 2020, the period was covered with the COVID-19. At that point of time our company was working. And at that point of

time, the turnover was not up to that mark. It was ending about 10 or 11 Cr of turnover. And the second half the turnover picked and we achieved a turnover 29.51 Cr. And in the current financial year, for the first six months ending September 21, we have achieved a turnover of 17.75 CR which has already been shared with the investors.

Mr. Sameer Palore: Okay, and this has nothing to do with any kind of seasonality in the business. It was just COVID last year and you expect the growth to be sort of along the same lines as you done in the first six months?

Mr. Atul Modi: See we have in spite of the COVID, there was lock down for sometime. We covered up after the locked down the business shot up, it grew very fast. And overall, the year end was with about 22% growth last financial year. This financial year also our business is growing and we have seen that there is a growth of about 20% in spite of two months lockdown the business has grown. And then in the next six months, September onwards, we are expecting a much better growth and we can close this year with a much better top line.

Mr. Sameer Palore: Okay, and my next question was you talked about US FDA approval for five of your products. So if we can just talk about what are your sort of specific targets for the US market with these five products, maybe in the next six months and then the next year as well.

Mr. Atul Modi: See five products, we got the US FDA approval. After approval, we have started locating the buyers for our products in the US market. Because there are a lot of, you know, business opportunities in US for these five products. So, we are in talks with many US based customers. We exhibited our products in the recently held exhibition in the Germany. There also we met many US based marketing companies. So, they have shown keen interest to market our products in US and we are looking for a good company who can do national level marketing. And we have shortlisted three companies and we have submitted our samples to them. They are evaluating the samples because, you know, it's a very long process, sample evaluation it has to be approved from the patient and then it has to be observed about its effectiveness on the patient. So, this is not a one day job. So, they are taking time to evaluate. Once the evaluation process is over, then, you know, the marketing activity will start. We are very confident that these five products and further products, which we have already applied for US FDA clearance. Once we get the US FDA clearance for those products, all products have are very bright future in the US market. US market is a very high price market. We are expecting very good revenue generation from the US market. But it will take some time to get the products approved. After approval this process of marketing will start. So, already the work is going on. And we are very confident that revenue growth will be there from the US in the next financial year. It will be reflected in the next financial year. So, it needs another three months' time to get the products evaluated approved,

negotiations and all you know designing packaging designed everything has to be done. So, next financial year its effect will come in the revenue.

Mr. Sameer Palore: Okay, thank you for that.

Moumita: Thank you sir. The next question from Anshul Mittal from Care PMS. Please go ahead sir.

Mr. Anshul Mittal: Hello. Actually I wanted to ask what is the reason of this declining utilization level, since last two years from 96% to 76% as of this year.

Mr. Atul Modi: The declining capacity actually the capacity is in metric ton. Yeah, the utilization has gone down. It has gone down because the products which was not in good demand, but heavyweight in terms of weight. So, we have discontinued the manufacturing of those products and those products have been replaced by high value added products. So, the product number is gone down, because the products which were heavy weight, that we have discontinued and those products have been replaced by high value products. So, the capacity for those products has been you know, which was utilized for making those products has been free now for utilizing the high value products. So, that is why the capacity utilization is low, but the business volume, the value has gone up, because we have replaced those products with value added products. So high value products.

Mr. Anshul Mittal: So did we face any inventory loss for those discontinued products.

Mr. Atul Modi: No, because that was a planned move. So, we planned in such a way that whatever inventory we had, we consumed everything over the last two years. And then we switched over to the high value products because, you know, we have to see that we only produce those products which can generate more revenue. Why do we invest in producing the products, which are not generating adequate profits. So, it is better we discontinue and make the products which are generating more profits. So, that was the planned move. So, this is just to you know, utilize the capacity for making high value products.

Mr. Anshul Mittal: Okay

Moumita: Mr. Mittal, I'm really sorry to interrupt sir. If you don't mind coming back in the queue for more questions, sir.

Mr. Anshul Mittal: Okay, no problem.

Moumita: Thank you Mr. Mittal. Sir, our next question from Mr. Bismith Naik from RW advisors, please go ahead sir.

Mr. Bismith Naik: Thank you. So, first is your DRSP, there is an item called freights income and other income under other income, would you please explain the nature of it.

Mr. Atul Modi: Mr. Jamwal please take this question.

Mr. Vinay Jamwal: Yes, I will explain. Freight income that has included as a revenue to the company is that freight, which we charge from our buyer. That is included in the invoice itself. So, it hasn't differentiated from the sale to show the clear picture. It's a better presentation sort of that anybody who is going through financial using as a public document should understand the basic ingredients what are the composition of the revenue. So, sales have been differentiated and freight income has been shown as an additional you can see, it's a separate, it shows the data the user has a financial statement.

Mr. Bismith Naik: If we ship a product worth 100 rupees and it costs us 10 rupees. We are basically taking it from them and showing it as an under other income.

Mr. Atul Modi: Mr. Jamwal, I'll give an example, suppose when we make this Performa invoice, we charge certain amount of pay from the customers. And it is not everything is prepaid. Now, for example, the customer pays us ten rupees for the freight cost and by negotiating with these paid forwarding companies, airlines and shipping companies, we negotiate with them for nine rupee, the one rupee is the profit that we generate from the freight, so that is the freight income. I think Mr. Jamwal...

Mr. Vinay Jamwal: I just want to add one more thing to it sir. So, what Mr. Modi has told you is perfectly okay, but just one additional amendment is that, if this not matching of the freight, this is basically broad freight that has been received from the buyer. And what actually we pay receipt that as shown in the freight expenditure and then other expenditures. The reason of showing, both the expenditure as well as the income on gross basis and this is again for the better presentation and also from the GST point of view. We are showing both the income as well as expenditure on account of freight on gross basis.

Mr. Bismith Naik: Understood, but this has only come up post-COVID. Pre-COVID statement, correct me if I wrong, but they do not have the line item under the other income. Whether you are showing it differently or whether just nothing else.

Mr. Atul Modi: Yeah, somehow that maybe consider yes, we have shown that freight on net basis. At that point of time, then the net expenditure should have been shown, but now we have made a consistent policy that is

consistent on these lines of showing the both expenditure and income on a gross basis.

Mr. Bismith Naik: Okay. And one more on the financial statements on these. The revised salary of 12 lakh per month is being paid out to Atul and Namrata ma'am right now. From April of this year, correct.

Mr. Vinay Jamwal: Yes.

Mr. Bismith Naik: Okay. And post opening up, I think we have for the last one to two years, we have seen benefits from reduced exhibition and transport expenses etc. So, as and when that comes back, what kind of margin maintenance, anything that you can throw some light on.

Mr. Vinay Jamwal: Yes. Mr. Modi you want to answer or I continue

Mr. Atul Modi: No, please go ahead.

Mr. Vinay Jamwal: Okay, when you are planning with respect to the remuneration to the directors and that has already been replied and 16 days with respect to your expenditure and exhibition expenditures. As far as, we have a market, which is expanding almost in India as well as the Western countries. So, during COVID all the exhibitions that were supposed to be continued by the promoters of the technical service company could not happen due to the COVID. So, that expenditure was very low that was only possible that in expenditure that were incurred on account of a National Exhibition and that was 100% at a National Level Exhibition. So, we cannot basically correlate the time due to the reduction of expenditure and exhibition to the increase of remuneration of the directors. Since, for the last three to four years, we are constantly increasing the remuneration of the directors, promoters due to the reason that they are the persons, who are managing the company from the very inception and they are into the technicalities of the company in terms of research and development, in terms of innovating new products, going further marketing. Everything is laying under the control of these two people. This is a basic reason why it is done and this question basically was also asked by the Income Tax Department during the scrutiny proceedings. And, they were also satisfied with the commensurate increase in salary with respect to the work that they're doing for the benefit of the company.

Mr. Bismith Naik: So, considering your response to the sustainable tax rate for the first question. The current tax margin for H1 FY22 can be maintained or should we see some decline over the next two to three years.

Mr. Atul Modi: On which aspect?

Mr. Bismith Naik: Tax margin or pre-tax margin.

Mr. Atul Modi: PBT margin issued by the half yearly results and you compare with the previous corresponding year or other previous year itself. There is a substantial increase in the PBT as well as PAT. And, we basically have during this year, PAT is 43.08% and PBT has also increased to 35% as we compared with the last year and although the PBT is 35% for the first six months. And for the next six months, we are expecting this on the same line.

Mr. Bismith Naik: Okay, Mr. Modi, just one a clarification, so correct me if I'm wrong. So, we do R&D, we develop our new products, we own the chemistry and then we create some samples, produce sample and give it out to dental school. They come back with feedback and then we apply for patent and everything. Is that correct?

Mr. Atul Modi: Yes. Exactly. See, all products are not patentable. It's not that everything, which you make is patented or there's only one product for which we have applied for the patent. There are many products, which are the products of many companies are making, which we were not making earlier and we are now developing. Those are not, you know, new innovative products, those are the products, which are used by dental professionals for many years, but our company was not into manufacturing of those products, or the lack of the technical know-how. So, we have developed those products. Whenever we develop a new product, it's not a new product, it's a new product of our company, but not a new product for the market. So, when we develop a product, we have to get the product evaluated and tested by some institutions. And first we do the testing in our factory and once we are satisfied that this product will perform very well, then we give it to different universities and we get their feedback and once they are satisfied and once their reports are perfectly alright, then we start the commercial production of those products. But, now our company, because we are now expanding and we are now going for a new R&D Centre. We are employing technical people to carry on the research. So, we are now focusing on the new innovative products, which can be patented, which will be the first time, you know, manufactured in India or anywhere in the world. So, now we are identifying those products and one product, which was identified one year back and developed, it has been successfully developed and tested and approved. And now we have applied for the patent of that product. Once the patent is granted then the commercial production will start. And then that product is a very high value added because that's the first time some company will be launching that product in the market. So, our focus is now on, you know, shifting from the conventional products to the innovative new products. So, this is our growth plan. That is why we are focusing on research and development activity that we should have an independent state of the art research centre, fully equipped, and so that we can develop more innovative new products, which can, you know, really drive the company in new faster speed. So, we'll continue to make the conventional products, then you know, the profitability is still we can maintain the same level of profitability. But we are maintaining it at present. But we want to increase our

profitability, we want to grow faster. So, for that we have to develop new innovative products, for which we are going to set up a good R&D Centre and already we have employed people and are working with our existing infrastructure and two products have been developed, one has already been applied for patenting and other product's patent, I think is going on. So, this is our present R&D activity. We are developing conventional products also and we are also developing new products. So that, we can have more product range and new product first time manufactured products and the conventional products which other international companies are manufacturing, but we are not manufacturing or nobody's manufacturing in India. So, we are having you know that kind of growth policy and R&D plan.

Mr. Bismith Naik: Okay, so, one last question. Now it is clear we are expecting 40 crore of revenue for FY-22 and what would be our North-East-West-South mix for India?

Mr. Atul Modi: Sorry, I couldn't get you, 40 crore is okay because already we have achieved 17 point something in the first half. So, we are very confident that we lost two months in the first six months, two months we lost due to COVID lockdown and in spite of that, we have reached to 17.5. So, with next six months growth we can easily cross 40 that is our target for this financial year. And other than that, what was your query?

Mr. Bismith Naik: North-East-West-South distribution mix for India this financial year.

Mr. Atul Modi: See, we are making all our efforts, we have not identified any particular area of our growth. We want to grow in all North-West-South-East. Presently our presence is a bit less in the East and we will be focusing on the Eastern part. But we want it all around the globe, not just globe all over India. So, we are employing more people for the marketing team, we are increasing our sales force. So that, we can reach out to all the corners of the country. And we are also trying to be more active on social media so that we can reach out to the dentist and through our brand building. So, that's the focus on marketing.

Mr. Bismith Naik: Okay, thank you.

Moumita: Thank you sir. the next question from Mr. Aman Vij from Astute investment. Please go ahead sir.

Mr. Aman Vij: Good evening. My first question is on the mix of products. So, when we reach say 100 crore sales in the next three to four years. So, basically what kind of domestic sales versus export sales we can see as well as what can be the contribution from US and Canada?

Mr. Atul Modi: See at present and for mainly last five years, we have maintained a balance of 60% export and 40% domestic. We want to continue our growth plan growth plan for the export as well as domestic because we cannot ignore the export market. The prices are better in the export market revenue generation and you know the profitability and the value addition is more from the export. So, that is again a thrust area for us. We have to see all round growth, we have to expand our business in the international market. We have to expand our business in the domestic markets with all efforts we have seen that our business is continuously growing in the international market also above 20%, Indian market also it is above 20%. We are expecting that business. So, we are quite confident that we'll be able to maintain the 60-40 ratio, because this kind of business model is very good for our company. The 60% revenue is coming from the export and 40% from the domestic. And 60% we get a better price and because domestic market because India is a very price sensitive market. So, we have to have our prices a little lower than the international market. The export and domestic model is very successful so far and maintain same ratio of 60-40% with 2% up and down this side that side. The growth has to continue in the export growth has to continue in the domestic market. And our business is growing in this financial year also we are doing very well in the export market and very well in the domestic market. New countries, we are adding new countries. You know, other than USA and Canada, our business is growing in the European countries. This year, we have added new country in the Europe. So, we are continuously, you know, in the export market also we are adding new countries, our existing customers, they are also growing at a better rate in this financial year. So, they are also well settled with our products, they are our distributor for many years. They have established themselves, they have established the products in their countries. So, the situation now is that the company has built its name, company has built its product range. Now, the company has to only focus on the brand promotion and innovative product development. So, that's our growth plan. So, these are the key growth drivers, the new innovative products US FDA approval, US market, international market and growth in the domestic market, brand promotion. So, we are going to focus on these activities.

Mr. Aman Vij: Sir, what can be the US and Canada sales out of the 60 crore export sales, which we are targeting?

Mr. Atul Modi: At the moment, we cannot give any figures because you know it's just the beginning. We are just at the sampling stage, we got the approvals. Now, after approvals, some of the customers are global customers, you know, they have international marketing chains. So, we are talking to them, we cannot just spell out any figures at the moment. It will take some time to consolidate to understand the market and what kind of market response we get from the US market. US FDA has given that approval, but now the approval has to come from the customers, or the users. So, we are waiting for their feedback. Once we get a positive feedback, then we'll be able to figure out the numbers. And once we have shortlisted, the suppliers, we get to have a contract with a

supplier. Once that stage comes we'll be able to give some figures maybe another three months' time. By the end of this financial year, many things will be clear and those projections can be discussed in the next financial year that how much business is going to come from the US market, from the Canada and from other new countries where we are we are going to start our business. At the president we are talking that wherever we are selling with our 20-25-30% growth, we can reach 100 crore level very safely with our diversified activities, existing products. And you know what we are making a present.

Mr. Aman Vij: Second question is on the domestic market, if we can talk about our reach, in terms of how many dentists we are able to reach, what is our target and also if you can explain. There are the big MNC players, Dentsply, N-Vista. So, how do we compete with these guys. Because their reach will be much more. A dentist will be more comfortable in recommending a MNC brand. So, if you can talk these two things...

Mr. Atul Modi: That is the reason that in spite of such a good product range, we still have such a low business from the Indian market. Because we are competing with the multinational Dentsply and other companies who have more than 100 years of history and who are multinational big corporations. So, we cannot match our resources with them. But as of now, those hurdles, those challenges. Our business is growing in India while their business is not growing. They are growing, but their business is not growing in India. They are doing business, may be they have a growth of 2%-3% annually. But our company has a growth of more than 20%. So, this speaks well about acceptability of the products. Dentsply, if they are selling 100 crores, they will grow at a rate of 2% every year. But our company is a small company, so we are growing at a 25-30%. We are expecting a growth of more than 30% in this year. So, see the kind of growth we have. But still we cannot match their business, because they are into Indian market for ages. And their products are known worldwide. It is not only the quality which matters, it's the brand equity that matters. You know, you buy a Mercedes, you buy a Tata. So, if I'm given a choice, I'll put my hand on Mercedes and not on Tata. This is kind of feeling everyone has in India. Because everybody wants a German product, nobody wants Indian product. In spite of all those challenges, we're growing at a very good pace. Our growth is fantastic, we are growing at more than 25%, we are expecting growth of more than 30%. So, this kind of growth is a very satisfying growth for our company. And we are very confident that our growth will continue to be like this in the coming years also.

Mr. Aman Vij: One clarification, Dentsply sales will be 1000 crore right? 20% of 5000 crore is Indian market, if I'm not wrong.

Mr. Atul Modi: I want to give one explanation to you, Dentsply is not making the materials, they only sell the equipment's also. See, we are only into the materials business. Dentsply total business may be 1000 crores, but out of

that the materials business will not be more than 150 crores, 1000 crore business is coming from equipment's, materials and other things, which our company does not manufacture. We only manufacture the materials, consumables. So, our comparison with Dentsply is not at all justified. We have to see the only material manufacturing companies, who are selling only materials. All multi-national companies, they are trading companies in India. None of the companies are manufacturing any products in India. Except a few companies, they are buying bulk and just doing the packing in India, they are not the real manufacturers. We don't call the re-packers as the manufacturers. No company in India is manufacturing. So, we are comparing us with the trading companies. I don't want you know, that kind of comparison. We have to have the comparison with the manufacturing companies. Dentsply sells 1000 items. They sell 1000 items. Because they are sourcing products from various companies from all over the world and they are selling. We compare ourselves with the materials only, which is more than 150 crores.

Mr. Aman Vij: So yeah, on material side specifically, what is the out of the 5000 crore market most of them will be [inaudible 00. 34:52] if I'm not wrong. So, what is the consumable market?

Mr. Atul Modi: Consumable market will not be more than 1500 crores. May be about 1000 crore is the consumable, the material.

Mr. Aman Vij: Who are the big players in materials also will be the big MNCs.

Mr. Atul Modi: See, all these companies, Dentsply, Ivoclar, 3M. 3M is a very big company. But 3M is part of the dental material is very...

Moumita: Ladies and gentlemen please stay connected, while we connect Atul sir back on the call.

Mr. Aman Vij: You were explaining the overall market consumable with 1500 crore...

Mr. Atul Modi: Out of 1500, that is the materials market. So, every company in India is trading with materials and equipment's. So, this is only selling materials. So, we cannot take this as a figure for comparison, because they're selling equipment's also.

Mr. Aman Vij: In terms of the reach if you can talk about. What is our reach in terms of dental and what is our targeted reach.

Mr. Atul Modi: So, we're not dealing directly with the dentists. Our business is D2D. So, we're dealing with the dealers and distributors. Every dealer, distributor, in his own area, he's got the reach of dental professionals,

dentists. We do not have the exact number of the dentists which the dealer is having in his range. So, exact number of the dentists we do not have because we are not directly dealing with them.

Moumita: I'm really sorry to interrupt Mr. Vij. Due to time constraint, we would have to skip this question, sir.

Mr. Aman Vij: No issues, thank you.

Moumita: Ladies and gentlemen, due to time constraint, that would be the last question for this call. I would now like to hand over the floor to Ms. Astha Jain from Hem Securities Ltd for closing comments.

Ms. Astha Jain: On behalf of Hem Securities Ltd, I thank Prevest Denpro for giving us a detailed insight on the result and the time we spent on the call. I would also like to thank all the participants for joining this call. It was an extremely fruitful discussion. Thank you all for being on the call. Now, I would like to hand over to the moderator.

Moumita: Thank you, ma'am. Ladies and gentlemen, with this we conclude the conference call. Thank you joining. You may all disconnect your lines now. Thank you and have a good evening everyone.

Note:

1. This document has been edited to improve readability.
2. Blanks in this transcript represent inaudible or incomprehensible words.