February 21, 2022

To,

## **BSE Limited**

Corporate Relationship Department, P.J. Towers, Dalal Street, Fort, Mumbai – 400001 Script Code: 531921

Dear Sir / Madam,

Sub: Transcript of Conference Call with Investors & Analysts held on February 16, 2022.

Pursuant to Regulation 30 and Part A of Schedule III of SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015 and further with reference to our letter dated February, 16, 2022, intimating you about the Conference Call, please find attached the transcript of the aforesaid Conference Call with regard to the unaudited financial results of the Company for the Quarter ended December, 31, 2021.

The above is for your kind information and record.

Thanking you

## For **Prevest Denpro Limited**

ATUL Digitally signed by ATUL MODI Date: 2022.02.21 17:40:26 +05'30'

**Atul Modi** DIN – 00788272

Chairman cum Managing Director.



## "Prevest DenPro Limited Q3 FY-22 Earnings Conference Call"

**February 16, 2022** 







MANAGEMENT: MR. ATUL MODI – CHAIRMAN & MD, PREVEST

**DENPRO LIMITED** 

Ms. NAMRATA MODI – WHOLE-TIME DIRECTOR,

PREVEST DENPRO LIMITED

MR. VINAY JAMWAL - FINANCIAL ADVISOR, PREVEST

**DENPRO LIMITED** 

MODERATOR: Ms. ASTHA JAIN – HEM SECURITIES LIMITED



Moderator:

Ladies and gentlemen good day and welcome to the Q3 FY22 Earnings Conference Call of Prevest DenPro Limited hosted by Hem Securities. 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. At that time should you have a question you are requested to press'\* and '1' on your telephone keypad. Should you need assistance during the conference call please signal an operator by pressing '\*' then '0' on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Ms. Astha Jain from Hem Securities. Thank you and over to you ma'am.

Astha Jain:

Thank you. Good afternoon ladies & gentlemen. Thank you for joining the PrevestDenpro Limited, Q3 FY 22 Earnings Conference Call. Joining us on the call today, are the senior members of the management team, Mr. Atul Modi- Chairman and Managing Director, Mrs. Namrata Modi – Whole Time Director and Mr. Vinay Jamwal – Financial Advisor of the Company.

Before going ahead with conference call, first of all, I proudly announce that the J&K Government has conferred outstanding Entrepreneurship award to the Managing Director Mr. Atul Modi on the eve of Republic Day.

Going ahead, we will commence the call with the opening thoughts from the management team; post which we will open the forum for the Q & A session, where the management will be glad to respond to any queries that you may have.

At this point, I would like to add that some of the statements made or discussed on the conference call may be forward-looking in nature. The actual results may vary from these forward-looking statements. I would now like to hand over the call to Mr. Atul Modi to commence by sharing his thoughts on performance and strategic progress made by the company. Thank you and over to you, Sir!

Atul Modi:

Thank you very much. Good evening ladies and gentlemen. I hope you and everyone in your family is safe and healthy during this difficult time of third wave of Covid-19. I take the pleasure to welcome you to the Q3 and 9M FY2022 Earnings Conference Call of our company.

We have already uploaded our financial statements and brief presentation on BSE and hope you had the opportunity to go through it. Despite the impact of global Covid-19 pandemic and international logistic challenges, our performance was outstanding in the 9 months and 3<sup>rd</sup> Quarter of FY2022. Across all parameters.

I would like to highlight that the demand for our products continues to grow over 30% currently and with our focus on brand promotion, increased sales & distribution network and with the introduction of new products, it is expected to rise sharply in the coming times. Our expansion & modernization of existing factory is progressing satisfactorily. Procurement of



new high-tech equipment is being processed and other required infrastructural changes are being implemented. The research & development center building is ready and procurement process for the equipment has been initiated. We hope that our R&D Center will be operational in Q1FY2023. The new facility for manufacture of oral care, oral hygiene and other products is progressing well and expected to complete in Q1FY2023 and it should be fully operation by Q2FY2023 subject to regulatory approvals.

I would also like give you an overview of dental market:

Some of the primary factors that have positive influence in the growth of dental industry include rising causes of oral diseases, increasing per capita income, rising awareness about oral health and increasing government spending on dental health services. As per the WHO data globally 3.5 billion people are affected by oral diseases which are predominantly caries of permanent teeth, periodontal disease and oral cancer and therefore need for dental treatments is growing. Besides the dental diseases, there is a growing demand for cosmetic dentistry which is another promising area of business for dental industry. The dental industry has therefore a very bright future with steady and sustainable growth. With the implementation of expansion of our existing business and diversification into oral hygiene, oral care and biomaterials project, we believe that we will be able to cater to the dental professionals with a much larger product portfolio covering all major segments of dentistry.

Lastly, I would like to assure all of you that with our own state-of-the-art research center, collaboration with various dental institutions, eminent advisory board and newer innovative high-quality products to be introduced in new future, our company is well on track to achieve its transformational goal. Thank you once again.

Now I will hand over to Mrs. Namrata Modi – Executive Director & CFO to give you an update related to the financial performance. Over to Mrs. Namrata Modi.

Namrata Modi:

Thank you Mr. Modi Good evening ladies & gentlemen. I am starting with financial results. During the first Nine months of FY 2022, we have reported a revenue of Rs. 2,954.18 lakhs, EBIDTA of Rs. 1,291.28 lakhs and PAT of Rs. 910.64 lakhs. The PAT margin of our Company stood at 30.83% and EBITDA margin of 43.71%. for Q3 FY 2022.

In the 9 months of FY 2022, our Export business has grown by 84% and domestic business has registered a growth of 42% over previous year. The growth in export business is attributed to entry into 5 new countries namely Saudi Arabia, Colombia, Netherland, Malaysia and Senegal and increased marketing efforts have resulted in impressive growth in the domestic business. It is evident from our financial figures that both top-line and bottom-line registered impressive YoY growth and we are confident of maintaining the same momentum in the coming years.

With a strong business fundamental and receding Covid-19 wave we have a positive outlookand very optimistic view for good performance in last quarter of FY2022.





Once again I thank you all and now we can start with Question&Answer session.Over to Astha.

**Moderator:** 

Thank you very much. Ladies and gentleman, we will now begin the question and answer session. The first question is from the line of Satwik Jain from Generational Capital.

Satwik Jain:

I was just going through the financial statements. Currently we have like 8-9 crores of assets and we are doing 11 crores quarterly run rate in turnover implying an annual run rate of 45 crores turnover if we go by the same rate. That broadly takes us to 5 times asset turnover. Now I was just calculating and you can correct me if I was wrong. We are doing a 16 crores odd CAPEX. So, implying the same run rate, can we add around 90 to 100 crores from the new capacity taking the total turnover to 140 to 150 crores? So that was my first question.

Atul Modi:

I will request our financial advisor, Chartered Accountant Mr. Vinay Jamwal to answer this query.

Vinay Jamwal:

Good evening to everyone. Just a reply to your query, start from your first question that is we are working at a CAPEX, we have a CAPEX of 8 Cr and we achieved a turnover of 11 Cr and which will move further. On yearly basis we are expected you to have a capacity turnover of 45 Cr. For the current year that is 2022 we are growing at asset turnover of around 5% but with the installation of a new plant and machinery and along with the building, the CAPEXwill definitely increase. And further maintainability of that asset turnover ratio, we will achieve the same turnover ratio within 4 to 5 years, we will reach at the same asset turnover.

Satwik Jain:

That was helpful. So in next 4 to 5 years we can expect the full functioning and utilization of the new CAPEX which we are doing if I am right.

**Vinay Jamwal:** 

Yes, by the end of 4-5 years we are going to achieve a maximum capacity utilization of the existing as well as the proposed installation, expansion of existing unit as well as the installation of the new unit.

**Moderator:** 

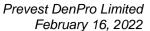
The next question is from the line of Pranay Jain from Deal Well Capital.

**Pranay Jain:** 

I have a couple of questions. One being since our export thrust is getting stronger and our domestic visibility is also increasing. Over the next 2 years what is the overall revenue that we can look forward to? If you could share some idea of what our export pie can be in 2 years' time from the present level?

**Atul Modi:** 

Myself Atul Modi, I am the Managing Director. I will give you the reply to this query. Our export business is growing, our domestic business is also growing. Our export business has grown by about 60% in this last quarter, the third quarterand the overall export growth in this nine month is around 80%. We are maintaining the same growth. We are hoping that we can maintain the same growth. In the next 2 years we should be touching something around 60-65 Cr, above 60 Cr, with export and domestic sale because both the domestic and export business





is growing. We are very confident that our journey will continue and our exports will grow, our domestic businesses also grow in the same proportion. Maybe we can hope for a better growth because we have been passing through the COVID pandemic in the last couple of years. In spite of COVID pandemic and the other challenges related to COVID our company has performed extremely well. We are very happy with our performance in the last 1 year. So this growth journey will continue and our business will continue to grow in the domestic market and then the export market.

**Pranay Jain:** 

With regards to the export side, can you give us an idea which would be the new market that we would have entered in FY23 and also a sense on which are the margin accretive products, either in development or those which are near to launch that we are going to bring to market, domestically and overseas in the next 12 to 15 months?

Atul Modi:

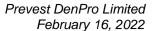
One thing I want to inform all the investors and the analysts who are present here, that our company has recently received MDSAP certification. Our company is the only company of India in the dental manufacturing which has been accredited with this certification. This certification opens our doors for Canada, Brazil and Australian market. So far, we have not been able to export to these countries because we were not having this certification. We have received this certification. Our thrust in the financial year 2023 is America, Canada, Brazil and Australia. So, these are very promising markets. These are very high-priced markets. We are hoping to enter these markets. In 2023 these markets are going to add to our revenue and also improve our profitability because these are very high value, high price markets. Our thrust will be export to these countries because in other countries we have already established our business network and products have been very well accepted. We have very strong dealers in about 80 countries are already established. With annual business growth coming from these countries around 20%-25% so that will continue. But our focus will be on Saudi Arabia because we got the recent certification approvals from Saudi FDA. So, our focus will be Saudi Arabian market. It's a huge market. Our focus will be on the US market, our focus will be on the Brazilian market, our focus will be on the Canadian market. That is the area where we are going to focus in the next financial year.

Pranay Jain:

With these certifications have you also most of the ground work that's required whether it is in terms of marketing presence or distribution tie-ups or that is something which is still happening at the moment?

**Atul Modi:** 

We are already started this ground work. We already started talking to many of the customers in these countries. We have already submitted our samples to some companies. We are also planning to visit these countries in this 2023. We are now planning to exhibit our products in the important international trade fare in Brazil, in Canada, in other countries to showcase our products, to be present there so that we can have a direct customer contact and build our business in these countries at easy and faster rate. Already we have lined up our participation in 4 international exhibitions in 2023, that will generate business from these countries.





**Pranay Jain:** 

Just had a small point since most of our CAPEX is getting completed and coming on stream in a couple of quarters and growth is now going to maintain its momentum, profitability will pick up. What is the shareholder return objective that we have in mind, whether it is through dividend payment or otherwise going forward from next year?

Atul Modi:

We have not yet decided anything on this part. Definitely we are waiting for the end of this financial year. After having the annual financial reports, results then we will decide about the dividend and rewards to the shareholders but at the moment I cannot give any commitment because we are still in the middle of the financial year. So let the financial year close, let's see the end of the financial year and our results for this quarter and then we will decide how to reward the investors.

**Moderator:** 

The next question is from the line of Ankit Gupta from Bamboo Capital.

**Ankit Gupta:** 

Wanted to clarify one point, you told next year you are targeting 60-65 crores of revenue, is it?

**Atul Modi:** 

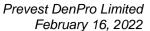
This year we are expecting to be around 40 Cr and if we continue with the same rate of growth or better growth, so definitely our next year performance will be much-much better than this year. Look at this year, our growth is around 33%. We maintained the same growth, so you can work out our next year's annual expected business.

**Ankit Gupta:** 

Just wanted to understand, the approvals that we have like USFDA and MDSAP, normally in pharma companies we have seen that getting USFDA approval requires lot of stringent instructions and the plant maintenance has to be very good, you have to follow certain procedures. So how is it like that and for dentistry products if you can talk a bit about that?

Atul Modi:

We have a very strong regulatory team. We have 5 dental professionals working in our factory full-time. They are trained for the regulatory compliances, they have been provided training, different types of trainings to comply to the regulatory requirements of different countries. They are complying with the USFDA requirements. They are complying with the Canadian requirements; they are complying with the Brazilian regulatory requirements. They're also complying with the USFDA requirements. The requirements are very stringent for all these countries but we have the capabilities to comply under and our facility is world-class. So, it is very impressive factory. We are complying to all regulatory requirements of every country. We have complied to the MDSAP regulatory requirements and other company is the first company in India. There are very few companies worldwide who have been accredited with MDSAP certificate. That's a big achievement for our company. Our company is a first company in India which has got the Saudi FDA clearance also. So, we are now exporting. We have already started export to Saudi Arabia and we have very high hope some Saudi market because our products are very well accepted in the Saudi market. In the last couple of months, we have already done about 62 lakhs of business in Saudi Arabia. Recently our marketing team attended a dental exhibition in Saudi Arabia where they came in contact with many dental professionals who are so excited to see the products from India. We are very confident that our business in Saudi will be very good in the coming years. Similarly, as we have complied with





all regulatory requirements in different countries, it is only possible if we have a strong regulatory team. We have a regulatory team which is headed by a very highly qualified dental professional, he is highly trained in the regulatory affairs. He is also a PhD scientist. So, it's under his control. All regulatory compliances are being fulfilled and complied and USFDA clearances have been obtained. We are waiting for clearance for another about 15 products which are expected very soon. We willhave a very good portfolio of products for the US market. The next growth for the Prevest will be from these countries, from Canadian, from the American countries and from Saudi Arabia. We are very confident of growth journey, will be export business will grow much faster in the next financial year.

**Ankit Gupta:** 

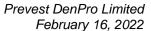
My question was on the new facility that we are setting up and we're entering into sanitizers, disinfectants, mouth washes and mouth rinses and other oral gels for the dental treatment. Just wanted to understand rationale behind getting into sanitizer, disinfectants and mouth washes and mouth rinses? This area has become very crowded and specially sanitizer.

**Atul Modi:** 

Sanitizeis only a one product which is there but our focus is not on sanitizer because we are setting up the facility which can manufacture sanitizer. That is why we have included sanitizer also in our product lines. Our focus is not on sanitizer, our focus is on disinfectants for medical devices. These are very special type of disinfectants, not the normal disinfectants which are used in household or for others. These are very high quality of disinfectants which are used for cleaning, for the treatment of the medical devices. Every dental office, every dental clinic requires a disinfection. So, as we are into the dental business, we are making products which are used by the dental professionals for the treatment or for the disinfection of the dental clinic. The mouthwashes and mouth rinses, they come as a preventive treatment. They are part of the prevention of the dental diseases. Most of the dental diseases I've explained in my address that, the most of the dental diseases come from the caries of the permanent teeth and periodontal diseases. Periodontal diseases are the diseases of the gums and for prevention of these disease, we are making very innovative high quality mouth washes and mouth rinses and some oral gels. Those will be something new for Indian market, it is not normal Listerine or other types of mouthwashes. We are coming out with our own, research department is developing very innovative and a different type of mouth washes and mouth gels which are not currently available in the Indian market, those are available onlyin the European market and the US market. We are focusing on very different range of mouthwashes and mouth rinses and oral care products. So, one part of our business is for the treatment of the dental diseases, now the other part of the business where we are entering is for the prevention of the disease. We are covering the entire spectrum of the dental treatment and oral care. This is in line with our existing business. I think that we will have a very good product portfolio in the coming years and the next financial year. That will be very attractive. When the projects are ready will showcase the products. I am very sure that you will be excited to see the products which we are going to make.

**Ankit Gupta:** 

My last question was on EBITDA margin. If you look at our EBITDA margins, I used to see that base would be around 13%-15% or 18% or 20% kind of margins. We have seen our





margins have increased substantially to 33% or in fact 44% in none months of FY22. If you can talk about what has led to this significant improvement in margins over the past many years and how sustainable are the margins?

**Atul Modi:** 

Mr. Jamwal will give you the reply. He is our financial advisor; he is chartered accountant. Mr. Jamwal will give you the reply to this query.

Vinay Jamwal:

I am CA Vinay Jamwal. As per your query is concerned, our performance in the current and the just concluded quarter is fantastic in spite of the fact that we are going through the COVID pandemic. As far as the performance margins are concerned, in the last quarter we increased, in the last financial year our margin was around 33%. Now we have achieved a margin of net profit margin of 43%. This has been achieved due to the product that we have sold during this quarter which is high margin product, the margin on this product is quite high as compared to the products that we were selling 1 year ago. If we move to the coming year, what we are doing we are expanding the existing product line also in addition to the new line. With this expansion and with the addition of new product line, our margins will further increase which will be based on a couple of factors. One is that, as already discussed by the Chairman and Managing Director that we are entering into new business area which are not catered in the earlier year, from there the export margin will increase and our profitability margin is very good and it will be considered as high margin we are expecting and we are getting from the export sales. If you go back this quarter, you will see that the percentage composition in this sale as far as export is concerned is around 63%. That doesn't mean that we are not catching to the domestic market also but we have very good orders in hand as far as the export is concerned. The profitability will increase bit by a good margin. We also expect that the profitable margins will further increase in the years to come. Moreover, our percentage sales as far as domestic market is concerned will also be improving at a good rate since we are into launching our dealership network in India also. We expect a very good margin in the years to come. Thank you.

**Ankit Gupta:** 

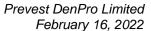
Just a follow-up on it, do you think the margins of 43%-44% are very high best of the companies don't do this kind of margin, so had doubt about the sustainability of this kind of margin. EBITDA margins of 43%-45% are unheard of even in large pharma companies or even in companies in patented products.

Vinay Jamwal:

Mr. Atul Modi, who is the CMD will answer to this query.

Atul Modi:

You cannot compare our products with the pharma products. Our products are very specialized products. These are value added products. These are formulations which have been developed in house in the last 20 years and these products are very specialized products. You cannot compare the profit margin of pharma products with dental products. We are maintaining this profitability, right from the beginning our profit margins have been consistently good and they're growing because our overall business is growing. So, the profitability is also growing. It is very evident if you look at our balance sheet that our raw material consumption and our other expenses and our net profit is very evident that our profitability is very good and it can be





maintained. It has been already being maintained for many years. If you look at last 5 years figure, our profit margins have been growing every year. It has been consistently growing and we are confident that the margins will continue to grow further.

**Moderator:** 

The next question is from the line of Dhruv Dedha from Jay RamStockbrokers.

Dhruy Dedha:

My first question is what is the current installed capacity and what will be the capacity coming up in the next couple of years say ending FY23 and FY24? The rationale for asking this question is, after getting the certifications we can see that there is a lot of demand coming in for Prevest but do we exactly have the capacity to produce this or will Prevest be going for contract manufacturing or are you looking for some inorganic opportunities?

**Atul Modi:** 

I want to tell you that our installed capacity is 150 metric tons and we have utilized about 85% capacity. From this IPO we have taken about Rs. 2 crores for the modernization and expansion of our existing capacity. In my address I have already informed that we are going ahead with the expansion of our existing factory. Already we have ordered the new high-tech equipment which will enhance our manufacturing capacity, so that we can cater to the growing market demands. We are very conscious about the business growth, that the business is growing and the business will grow further in the coming years. We have to have enough capacity for the next 4 to 5 years. Keeping that thing in mind we have kept the provision of funds in the IPO for the modernization and expansion of our existing business and that expansion is going on and it will be completed by the first quarter of 2023. With this additional capacity will be sufficient for the next 4 to 5 years and we can easily cater to the requirements of the next 4 to 5 years. Another important thing is that this capacity is based on our single shift basis. If the demand is further increased, we have the option of operating our factory on a second shift or on an extended shift. So that option is also there. But at present we are comfortable with working in single shift and we are able to fulfill the market requirements. Withadditional capacity which we are creating we will easily cater to the market requirements for the next 4 to 5 years. We don't have any intention to go for the contract manufacturing because these are the trade secrets, the formulations which we have developed we don't want to disclose. We want to maintain the manufacturing activity within our premises, within our control. We can manage with the capacity already we have and the capacity which we are going to build.

**Dhruv Dedha:** 

Are you looking for any inorganic opportunities and what will be the capacity addition which we'll be putting up at the end of FY23 in volume term?

**Atul Modi:** 

Inorganic acquisition, we don't see any business of that type available in India for acquiring because we don't have any company which is of that standard in the dental business. We're don't see any opportunity in India. We are looking for the opportunity outside India. If there's an opportunity to acquire any business, we will see if overseas any opportunity exists, we will consider that. But India because the dental industry is a very small industry. There are very few companies in India which are manufacturing dental materials and they're all small fragmented companies and they are unorganized. We don't have any intention to take over or require any company which doesn't have any good product quality or infrastructure. We will rely on our



own strength and we will grow on our own strength. We are spending Rs. 8 to 9 crores R&D activity. We are developing India's best R&D center or dental products development. We will rely on our own strength and we will grow on our own strength. And I think we can achieve that. It's achievable. We have been doing it in the last 20 years. We have such a fantastic track record growth is fantastic. We will continue this momentum and we'll continue with the development of our own new innovative products, value-added products, so that our profitability goes further up. We can sustain this business for a long-long time. This is our vision and we will continue with this plan and very confidentially we will reach to our projections in the next 4 to 5 years. This is achievable for us with our inherent strength and our talent which we have. We are quite capable of developing new products and we can fulfill the market requirements with our own infrastructure.

**Dhruv Dedha:** 

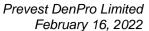
My last question is, after receiving the MDSAP certification what will be the line of action of Prevest in terms of marketing our products? In US as you had mentioned that you have appointed 2 to 3 agents, you are working closely with them. What will be the marketing strategy for Canada, Brazil, Australia and what are the approximate EBITDA margins which you are expecting while entering these new countries?

**Atul Modi:** 

I can only tell you about the business strategy for these countries, about the EBITDA margin our chartered accountant, financial advisor will give you the reply. But I can only tell you that because I'm looking after the business, finance part Mrs. Modi and Mr. Jamwal, Chartered Accountant, they are taking care. About the business strategy certification, we got all regulatory compliances for export to USA, Canada, Brazil. These are the growing business opportunities for our company and with all the certificates we are going to encash this opportunity and we are going all out, making all out efforts to sell our products in these countries. We are going to take part in the international exhibitions. We are going to attend exhibitions in US, we are going to attend exhibition in Brazil, we are going to attend exhibition in Canada. Recently we have attended exhibition in Saudi Arabia that was a very successful exhibition for us. We developed very good business contacts there. We got a contract for sale, so like that once we display, once we showcase the products in those countries we get contract with the local distributors, dealers and business people that helps us in developing the business network in those countries. In this 2023, our focus will be on these countries because we are now fully geared with all quality certifications, approvals, we are fully geared to enter these markets and we will encash on this opportunity and make use of all the best certificates which we have. Regarding EBITDA I will pass on this call to Mr. Jamwal, our Chartered Accountant and Financial Advisor.

Vinay Jamwal:

Thank you Modi sir. As far as EBITDA is concerned let me first of all share with you that EBITDA as far as the current year is concerned, we have just completed three quarters. If you go by the financial of the three quarters, which have just passed, our EBITDA for the third quarter is 43% and what we have projected, we have projected an EBITDA for more than 40% for the whole year. But since this quarter and for the third quarter we have crossed our targeted EBITDA. This is due to the reason that our export, composition of exportin our sales has





increased where we have a good margin as compared to the domestic market. This is one thing why our EBITDA has increased and this is the present scenario. If we move forward to the future, what we expect that as Mr. Modi has just discussed that we have entered into 'N' number of foreign markets where we have got new permissions and certifications. We are entering new markets where we are supposed to get a very good response. If our export composition in our sales increasing, our EBITDA will definitely move further, not only it will restrict to 40%, it may go up exceeding more than 40% and this is very much achievable, depending if we showcase our past performance to the investors, you will see that as initially in the last year we had an export turnover that was around 55% of the total turnover. Now it has increased to 63% and in the coming year, the management is very much, it has a very positive about the further growth in terms of exports value. Though the EBITDA in the coming year will definitely improve from the existing percentage also.

**Moderator:** 

The next question is from the line of Yogansh Jeswani from Mittal Analytics.

Yogansh Jeswani:

I was just going through the presentation and we have mentioned that we have couple of products which are approved by US-FDA. So, just a quick clarification there, is it a product-based approval or is it a plant-based approval? How does it work in our business?

**Atul Modi:** 

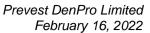
Our products come under the medical device category. So, medical devices have a different route of approvals. This is not the approval of the facility. It is the approval of the product and products composition, products other regulatory requirements. So, it's a different procedure, for medical devices US-FDA procedure is different. It is very stringent but the plants approval is not required. Only the product approval is required. Our products have been approved. Plant approval is on the basis of quality management system which we present to them. That's our QMS, QMS is a quality management system so for that we have got the MDSAP. So MDSAP covers the quality management system. If we have MDSAP clearance and we have the product clearance from the US-FDA regulatory team, our product is cleared for sale in US markets. This is the procedure for approval for the medical devices.

Yogansh Jeswani:

What are these five products that we have approval in USA and also are these the same products which we are selling in the export markets and the domestic markets? Basically, what I'm trying to understand is what are our current top selling products and are these five products part of that basket?

**Atul Modi:** 

Yes, these five products already we are manufacturing and selling all over the world but we have now received the US-FDA approval for selling these products to the US market. We have already submitted; we are now talking to different customers in US for these five products but these five products are very small in terms of the product portfolio. Any company is not interested in only five products, they want a very bigger range of products. So, we have applied to US-FDA for another 15 products approval. We are expecting that we have submitted all documents, all regulatory compliances have been completed. There have been many review committees, review meetings with US-FDA and we are expecting that we'll get the approval. Then we'll have a much bigger portfolio of the products to sell in the US market.





We cannot spend on the marketing activity for five products in US. If we go to any company or if we set up our office in US for five products, it will not be viable to have an office only for five products or having a marketing team in US only for selling five products. We are waiting for other products also to be approved so that we have a bigger portfolio so that when our team visits US in meeting the different customers, they can present about 15 to 20 products to them. So, this is our plan that in another couple of months' time when we get the approval, we will start this process. Already, we are in talk to many companies in US. We have submitted our samples. They are evaluating because these are dental materials. Evaluation also takes time. In spite of the regulatory clearances, the customers also want their own clinical trials and testing. So, this process is going on. In a short time, we will start our business in US market. Once we have the approval then selling will not be a big issue. We will definitely get good business in next financial year from the US market.

Yogansh Jeswani:

What are your top selling products? We missed that.

**Atul Modi:** 

Our top selling products are dental composite filling materials, dental cements, cavity liners. These are the top selling endodontic range of products and prosthodontic range of products. Internationally these are the maximum used products. Endodontic is for root canal treatment, prosthodontic is for the restoration of the broken teeth and for the damaged tooth. So, these are the major consumption items. These are our fast-moving and these products are the main revenue generation forour company. Dental cements and different types of composite filling materials. So, these are our special and fast-selling products.

Yogansh Jeswani:

I was just going through your prospectus and asper that in last 3-4 years,our capacity utilization has been going down year-on-year from 96% to it was down to 73%-74% in FY21. And like CFO mentioned that it has again climbed back to 83%-84%. While our turnover has increased every year since FY19 and in nine-months so far, we have clocked a significant jump. So, can you just explain to us in more detail what is driving this increase? We are selling lesser and lesser quantity but we are churning out higher and higher sales and with higher and higher margin and 40% kind of EBITDA margins are really great. If you could just talk more in detail about, how are we doing this? Is there a big change in the kind of products that we used to sell 3 years ago versus now? Or is it also because of some bit of supply chain disruptions and the prices have shot up and there is probability of it reverting back? If you could dwell a bit more on that?

**Atul Modi:** 

No, I will explain to you. Actually, our capacity is in metric tons. So, some part of the capacity was for products which were low value products and those are very heavy products like dental gypsum products. We decided to reduce the sale of those products because they were not contributing much to the revenue generation and also, they were not profitable products. We reduced their production and increased the production and sale of the highly high-value products. That's why our capacity at one time, utilization was high. It came down to 75% because we stopped manufacturing some products which were not at all profitable for our company. So, those were removed from our production and those were replaced by high value-



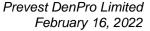
added products. Our business revenue was increasing, capacity utilization was low. That's the reason for that. Now also we are focusing on value-added products so that our concern is that our volume and the profitability should increase, our revenue should increase. Within the same capacity, we should operate with a higher profit and more a revenue generation. But at the same time, we are now rebuilding our capacity with some money reserved in the IPO for the expansion. That will rebuild our capacity which will be sufficient for the next 4 to 5 years. Basically, it is product mix. So, the low value products have been removed, high value products have been added and that has increased our profitability, that has increasedour overall revenue. So, that has contributed in the growth of the business.

Yogansh Jeswani:

I was just noticing another thing that out of the 18 crores CAPEX that we have planned as per our IPO, we are spending 8 crores on the R&D.Even I think to a previous participant, you touched upon this R&D expense that we'll be doing. Looking at the current setup that we have in terms of 5 crores-6 crores out of fixed assets and now the upcoming expansion, a big chunk is going into R&D expense. So, if you could put some more color on what exactly are the capabilities that we are trying to create? Also, if you could talk about what kind of R&D team that we have at the moment and how are we looking to scale up through this R&D.? 8 crores is a big number given our current set up hence just trying to get a sense?

**Atul Modi:** 

The R&D is a very important part of the business. So far, the products which we have developed and what we are selling are all developed in-house but we had a very limited Research & Development facility available and that has taken us a long time to develop the products. Our company has decided that we should build an R&D center with the best equipment so that we don't have to run here and there for product development and product testing activity which delays the product development process. We are now focusing on the future because the future, if we have to look at the future, we have to have very innovative products development. We cannot sustain with the present product line for a long time because the dentist needs a changing every day. The dentists are demanding more innovative packaging, more innovative quality and convenience for used products and more biocompatible products, bio ceramics. So that's the future. So, we are looking at the futurenow. You are seeing, you're talking about 8 Cr today, I'm looking at my company 10 years on that how this company is going to be after 10 years. That's the kind of vision we have that we have to have a very strong R&D in-house so that we can sustain for years-on-years with our own internal Research & Development activity. Second the importance of the R&D is that upgradation, improvements in our existing product line also. You see there is a scope for improvement in every activity. This is also very important that we have a very strong R&D center where we can continuously upgrade our product line and also develop the new products. We are setting up a new facility for manufacturing very high-tech and innovative line of mouth washes and mouth rinses and oral hygiene products, bonegrafting material. All these products require Research & Development activity. Without that how we can produce a product. We do not have the readymade formulation available. If we go with a readymade formulation so hundreds of people are making that product. So, we cannot be competitive, we have to have many innovative ranges of products. If we have to make Prevest as a global company, if we have to





make Prevest as a high profit and high revenue company, we have to have a very strong R&D activity. Then you are asking me that what kind of R&D team we have? Our R&D Director is a highly qualified dental professional. He's Master of Dentistry, he is PhD in Dentistry, he has got 16 years of research experience and he is the Director for Research &Development activity. We have two scientists already working on the product development but we do not have enough infrastructure. So, we are handicapped in the product development activity. Although we have good team but we do not have the adequate equipments and adequate testing equipmentsfor the products so,it's investment for the future. If we see today that we have spending 8 crores and it's not giving us any revenue, increase in the revenue I will say that we will be wrong in saying that my vision is that this R&D will bring stability to the company, will help the company to grow and help the company to be above all ourcompetitors. That's the vision which we have and that's why we are going to have a very state-of-the-art, I'm going to use the word state-of-the-art R&D Center. This will be the first dental research center in India in the private sector. We are very confident that this is going to be a future requirement for our company.

**Moderator:** 

The next question is from the line of Pranay Jain from DealWell Capital.

**Pranav Jain:** 

With over 100 products that we have in our portfolio right now and five already approved for US, 15 in the pipeline; what can we look forward to? Again, my view is not near-term but say a couple of years down the line, can we have maybe 40 to 50 products from our basket available for sale in US and other important export markets? Why I ask is because it's already exports already account for more than 60% of our business now and could be 70%-75% perhaps in 2 years' time. Just wanted to understand this. Aside of whatever efforts we are taking on the domestic side; anything tangible that you can share in terms of milestones or goals for the domestic market?

Atul Modi:

Our internal understanding of the business overso many years is that we cannot ignore the domestic market. We have to have a balance between the export and the domestic market. So, it's not we cannot say that we will be totally export-oriented business and will not be selling the products. We have workedout that a 60%-40% ratio is a very comfortable business model for our company. If we can maintain 60% export and 40% domestic with a balanced growth in domestic and export, that's the ideal model for us in terms of revenue generation, in terms of profitability and in terms of the growth. We will be trying to maintain this level. Maybe in 1 year it will be 65-35 but our efforts will be that we continue to grow in the domestic market and we continue to grow in the export market so that we maintain this balance of 60 to 40 and that is the present model and that is giving us the profitability of around 40%. If we maintain the same level and if we grow our revenue growth,our profitability will definitely increase from 40% to a much higher level so this is one thing. We have 100 products but as you know every company cannot sell all 100 products, out of 100 products, there are about 60% products which are I know better selling products,40% products are low selling products but we have to have a bigger portfolio so that we can cater to the market requirements. We cannot say that if 40% are not doing wellso we should discontinue. That's not our approach. We will continue



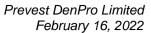
with all 100 products, rather we are going to add more products. Our portfolio next year will be 150 products because we are going to about 50 products, we are going to make in a new facility for bonegrafting materials, oral hygiene, oral care or medicated gels and disinfectant. They are also going to produce about 30 to 40 products. With our Research &Development activity becoming operationalin the first quarter of 2023, our research team is very actively involved in developing products so we will be adding more products in our existing business. Some products which will be upgraded, quality packaging will be upgraded. So that's a process which is a very well thought of part of process that we have to add on more products to our product range for the domestic market, for the international marketand the market is demanding more products. Our dealers they want that Prevest should be a one-stop shop for them. Everything, all dental requirements they want to be fulfilled by one company instead of running from one company to another company they want that Prevest should produce most of the products which are essentially every day requirement for a dentist. Our focus is that we have distributors in 80 countries. We are adding new countries so we should produce more products so that the dealers are comfortable buying products from one source and our company becomes a one-stop shop for them.

**Pranay Jain:** 

Your strategy and vision is truly commendable and I really appreciate we are looking to be a one-stop shop globally and making Prevesta global name to reckon with. There's nothing I have to pick over there. I just wanted to understand if we have about 20 products available perhaps in 3-4 months' time for sale in US; can we aim for 40 products in another 2 years? Why I mentioned you is, is just for illustration because it is the largest market and its perception is that it's the most stringent in terms of US-FDA regulation. I'm sure Canada or Australia would not have it much easier. So, just wanted to know how much, can one-third of our product basket be available for sale in export regions and if you could just give us a flavor like you have told us of the new products, are they going to be entirely different at the new facility that will be manufactured or is it going to be some of the existing ones which will be manufactured over there? Also, I did not follow the capacity number which we are adding at the new facility that will be up by first quarter FY23 metric tons?

Atul Modi:

I will explain. See at present we have got an approval, US-FDA approval for five products. We have already applied to US-FDA for another 15 products. It's a very expensive to get US-FDA approval, you know product-wise, costis involved. We cannot go for 100 products at a time because lot of regulatory documentations, regulatory requirements are so we are going step by step. We have phased out our US-FDA approval plan that this year will have 20 products, in the next one is, once we have the 20 products and once the 20 products start moving in the US market, we will apply for another 10 products because there's a lot of cost involved. Each product in there's an investment and then we have to see our budgeting. We have regulatory compliances for other countries also. We have to see how we can balance in the US market, US-FDA clearance but definitely we are not stopping here. We're not going to stop US-FDA applications or clearances. We will go ahead with our US-FDA clearances forother products also but it will be a step-by-step move. We cannot go with all 40 products at one time. We'll be going one by one. Maybe we take up another, once we get the approval for, already we are





working on the next five-six products you know that once we get this, we'll apply for the next five products. So cost is also involved, we have to see the budgeting, we have to see that there are regulatory requirements of other countries. There is also a lot of costing involved. We are trying to keep a balance that okay 20 products for US market let these 20 products start moving. We'll apply for another five products over next 1 year, we'll have about another 10 products. Like that, this process is a continuous process and it will go on. Now when we talk about the new facility, new facility is an independent facility. It is a part of the same business, same company but it is a facility for manufacturing a different range of products. So, it has a different product range. Its own capacity is separate. The existing product what we are manufacturing we have about 85% capacity utilization. We are building more capacity through the IPO funds so that will be sufficient for the next 4-5 years. The new product line which we are developing is independent. So that's a fresh capacity, that's a fresh plant. Absolutely we are starting from zero to 100%capacity will be available in the next financial year. That is planned to be utilized in the next 4 to 5 years. This is over all business model that we'll have a true product line, dental treatment product line which currently we are manufacturing. Then oral disease prevention products so that we can take care of the preventive products and curing products. We'll have a bigger portfolio, bigger portfolio of the products which will cater to the dentist, treatment and general public for prevention of their oral diseases.

**Moderator:** 

Thank you. Ladies and gentlemen due to time constraints, that was the last question for today.I now hand the conference over to Ms. Astha Jain for closing comments.

Astha Jain:

Thank you sir. On behalf of Hem Securities Limited, I thank Prevest Denpro team for giving us detailed insight on the results and the time they spent on this 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. I would like to hand over call to the Margarete.

**Atul Modi:** 

Thank you very much.

**Moderator:** 

Thank you. Ladies and gentlemen on behalf of Hem Securities that concludes this conference call. Thank you for joining usand you may now disconnect your lines.