Management Discussion

Ankit Jain - Investor Relations, Stellar Investor Relations
Thank you, Abhiraj. Good afternoon everyone and thank you for joining us today. To discuss H1 FY27 business performance, we have with us senior management team of QLINE Biotech Limited, represented by Mr. Saurabh Garg, Chairman and MD, Vayesh Prabhakar, Whole Time Director, Ajay Kumar Mohanty, Director and CEO, and Meenal Gupta, CFO. Before we proceed with this call, I would like to mention that some of the statements made in today's call may be forward-looking in nature. And may involve risk and uncertainties.

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

Ajay Kumar Mahanty - Director and Chief Executive Officer, Q-Line Biotech Limited
Yeah, thank you. Uh, good afternoon everyone and thank you for joining us today. I welcome all our investors, analysts, and shareholders to H1 FY27 earning call of QLINE Biotech Limited. In our previous earning call, we spoke about the progress we had made in expanding our manufacturing capabilities, strengthening our product portfolio, and building the new growth opportunity across domestic as well as international market. During H1F27, we continue to make progress on these priorities. While the overall business performances has been steady, we have seen good growth in our reagent and pre-market business along with the improvement in operating margin.

Let me take you through some of the key business development during the first half Our reagent business continued to perform well, registering the growth of 19.23% during H1 FY27. This is encouraging as reagents remain an important part of our business, supposed to be requiring demand from the installation base of diagnostic instrument. It is very important. Our trade market business also recorded heavily healthy growth That is around 20.13%, reflecting improvement of the transaction across our distribution network and increasing the demand for our product portfolio.

Our government business remained broadly stable compared to the corresponding period last year. However, the instrument revenue declined by 29%, mainly because of certain government orders could not be executed on time due to non-availability of Consigning. This impacted the delivery of the instrument during the-

Tia Jain - Analyst, Sapphire Capital
Can I

Ajay Kumar Mahanty - Director and Chief Executive Officer, Q-Line Biotech Limited
Continue?

Operator
Yes, sir, you may go

Ajay Kumar Mahanty - Director and Chief Executive Officer, Q-Line Biotech Limited
Ahead. Yeah, this, this impacted the delivery of the instrument during the period. We are working with the concerned institution to improve execution and ensure timely delivery of these orders. Coming to our manufacturing expansion, Unit 4 in Lucknow remains one of the key growth priorities.

The regulatory approval process of the facility took longer than initially expected. However, we have made good progress over the last few weeks. The number of product licenses has increased from 9 as of 30th September, but if you see now, we have received almost 36 product license in Unit 4.

Additional product licenses are also under various stages of approval. With a substantial number of approvals now in place, we expect to progressively scale up manufacturing operations and make the facility fully operational during this H2 FY27. This facility will strengthen our in-house manufacturing capabilities, allow us to expand our product range, and support the growth demand for the diagnostic reagents and testing kits. It will also provide us with the manufacturing infrastructure requirement to pursue larger, larger institutional and international opportunities.

On the product development front, we have successfully launched many more products. One of the semi-auto analyzer, that name is MyClub 300 instrument under the Make in India initiative. It has been commercialized now. Commercial sales has been completed, and we have already successfully sold many units in India now. Furthermore, if you see the hemoglobin meter, HB meter is also successfully now- it is all the NOD we have received from the CDSU and other government authorities now commercially launched.

And at this, if you see the end of this month, we are also going to do the commercial invoices. We are also working towards the commencing of our CDMO operation for the manufacturing of Selectra Pro M, which is the fully automated biochemistry analyzer under the technology collaboration of Vital Scientific Netherlands, and also Microlab 300 semi-automated analyzer. Under our exclusive technical collaboration arrangements, these instruments will be exported to our European company, European principal company.

This initiative will enable us to leverage our manufacturing capabilities, capabilities to serve international market while continuing to cater to the requirements of our domestic customers. We intend to significantly step up our business development efforts in the segment to unlock further growth opportunity. In a significant development, we have recently received confirmation of an import order. From the European principal company for Selectra Pro M, which is the fully auto analyzer, and Miclub 300, which is a semi-auto analyzer.

With the combination- combined order value, it is around €2.3 million. This makes an important milestone in our CDMO project and CDMO journey and reinforces the potential of our manufacturing capabilities in the international market. Another important development has been the launch of our new molecular detection kits. It is hepatitis B virus, hepatitis C virus, and HIV, and also Triple H. We have also introduced an integrated 3-in-1 test, that is the HIV, HBsAg, and HCV in one testing solution for infection disease screening in the blood bank.

Further expanding our offer Offering in blood safety, blood bank, insect, blood bank segments. In addition, we have launched 8 to 10 new assays across ELISA rapid test portfolio, strengthening our product basket and expanding our market reach. To address the evolving requirements of our key accounts, we have also launched a high-end, high-throughput hematology autoanalyzer to meet up the requirement of the key accounts, potential customers. Enhancing our ability to cater to the large-volume laboratory as well as key accounts.

These launches represent significant progress in expanding our portfolio across molecular diagnostics, serology, and hematology. They will enable us to address the growing and diverse requirement of blood banks, hospitals, and other healthcare institutions while creating the new opportunity for business growth. In addition to it also, we have received the NOD from CDSCO for new segment, that is the chemiluminescence, and hopefully also we are going to launch in last

quarter of this FY27. Moving to international market, we have combined and we are continuing to strengthen our export business with the appointment of people at international market based at Dubai and Qatar into Middle East as well as South Africa.

And we'll focus on the development of new markets and expanding the distribution network. We have been targeting nearly fivefold growth in export revenue during FY27. However, the current geopolitical situation in West Asia has created certain supply chain and logistic challenges which may impact the pace of this planned scale-up. While this may result in some near-term delay, our long-term focus on expanding our international presence remains unchanged. We'll continue to work closely with our distributor distribution partners and pursue opportunity across international market as condition improves.

I'd also like to brief touch upon the proposed acquisition. Of a company that is Hidalgo Medical. That 70% stake, we are already going to take over this company. The board has already given the approval for the transaction as part of our- it is a board strategy. Hidalgo has demonstrated good financial growth, which revenue increased from $50.91 CR to into 2024. It is now, it is almost 108 crore in FY26. Despite profit after tax increased from 3 crore to 7.9 crore, the proposed acquisition is valued around 26.93 crore and expected to help streamline our group structure, improve specific operational efficiency, and create opportunity for for cross-selling and distribution synergy.

Basically, HEDALCO presence in critical care medical device and testing together with the QLINE established IBD product portfolio provides an opportunity to create a comprehensive diagnostics and healthcare solution platform under one umbrella. This integrated approach will enable us to offer a wide range of products and solutions to hospitals diagnostics and other healthcare initiatives. To conclude, our focus for the second half FY27 will be on converting the investment and initial undertaken over the last few quarters into business growth.

Our key priorities are to scale up the manufacturing unit, that is Unit 4, accelerate growth in the reagents and trade business, improve execution of instrument order, expand our molecular diagnostics portfolio, and strengthen our international and CDMO business. We'll also continue to focus on operational efficiency, disciplined capital allocation, and strengthening our overall business platform. We believe the progress made across these areas will help us to build a stronger and more diversified business over the coming years.

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

Meenal Gupta - Chief Financial Officer, Q-Line Biotech Limited
Thank you. Now I will take you through the financial performance for the first half of FY27. Starting with revenue, our revenue from operations for H1 FY27 stood at Rs 152 crores compared to Rs 143 crores in the corresponding period last year, registering a growth of 5.83%. EBITDA for the period increased by 10.02 to Rs 39.57 crore compared to Rs 35.97 crore in H1 FY26. Our EBITDA margin also improved to 26% as against 25.1% in the corresponding period last year, reflecting an improvement of 99 basis points.

Our gross margins have also increased from 57.7% in H1 FY26 to 62.2% in FY26. 2.6% in H1 FY27. This is primarily due to increase in our reagent sales. Our reagent sales have increased to 71% as compared to 63% in H1 FY26. Moving on to the bottom line, our profit after tax was Rs 19.60 crore compared to Rs 21.32 crore in the corresponding period last year. The moderation impact was primarily due to a higher depreciation and absence of a one-time tax benefit recorded in the

previous year. Depreciation for H1 FY27 increased to Rs 7.89 crore from Rs 4.09 crore in H1 FY26.

This was mainly on account of the capitalization of our Unit 4 facility in Q4 FY26. As the facility progresses towards full operationalization, we expect it to contribute to business growth over time. Additionally, H1 FY26 included a one-time tax writeback of Rs 1.95 crore, which was not repeated in the current period. Overall, we have delivered growth in revenue and EBITDA along with an improvement in EBITDA margins. Going forward, our focus will remain on improving capacity utilization, driving growth in our higher-value reagent business, strengthening operating efficiencies, and maintaining disciplined working capital management.

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

Operator
Thank you very much.

Meenal Gupta - Chief Financial Officer, Q-Line Biotech Limited
We

Questions & Answers

Operator
Will now begin the question and answer session. Anyone who wishes to ask a question may press star and 1 on the touchtone telephone. If you wish to remove yourself from the question queue, you may press star and 2. Participants are requested to use handsets while asking a question. Ladies and gentlemen, we'll wait for a moment while the question queue assembles. The first question is from the line of Rahul Jain from Credence Wealth. Please go ahead.

Prateek Giri - Analyst, Shublab Research
Hello? Hello?

Priyam Shah - Analyst, Trinetra Asset Managers
Yes, please.

Prateek Giri - Analyst, Shublab Research
Am I audible?

Priyam Shah - Analyst, Trinetra Asset Managers
Yes,

Prateek Giri - Analyst, Shublab Research
Yes. Sure. Uh, thanks for the opportunity, sir. The first question is with regards to, uh, the overall, uh, top-line guidance. In the previous call, we had spoken about growth both in reagent business and overall top line. You had guided for about 30-35% growth. Uh, given the H1 numbers where the overall revenue growth is about 6% and Reagent growth is also around 20%. So now how should we look at the second half or for the full year FY27 in terms of the top line? Are we guiding or will we be able to meet this guidance and what will drive that?

That is my question number 1.

Ajay Kumar Mahanty - Director and Chief Executive Officer, Q-Line Biotech Limited
Yeah. So I would like to answer it in a very simplified way. I'll first of all, I'll make this question into 2

or 3 parts. Uh, the major component of our business, basically one is that the instrument business, uh, and another is reagents. And if you see also instrument, that is the trade market business as well as some of the project sales. Okay. So far, if you see our 30% growth commitment, if you see the interesting area of our business, that is how to generate the revenue from the reagent. Which is the profit for the company.

And if you see in H1, we have grown by 19-20% in our reagent business, which, which is our important area and key area. And number 2, if you see the another part, which is a trade market, also we have grown in the instrument business.

Athul Jovi - Analyst, Prosperity Wealth
Hmm.

Ajay Kumar Mahanty - Director and Chief Executive Officer, Q-Line Biotech Limited
But if you see the opportunity sale as well as project sale, somehow though we have many orders in the pipeline, But because of some limitation in the government, you can say execution, though we have many orders in the pipeline and instruments are almost ready, but still we could not actually install and execute those orders. So if you see, yes, in one part, if you see our commitment to maintain the growth for the reagent, which is very important element for a company, yes, of course we are very close to.

But if you see the instrument part, yes, if we have grown the trade market, but little bit we are deficit, I mean, uh, from the execution of the project, though we have the order in hands. And so far, if you see also another part, that is the CDMO project. CDMO, if you see the licensing as well as exportable, all the documents and regulatory, like your, um, you can say there are many additional license also required for the exportable export of the instrument. But anyhow, it is a good news that A few weeks before, we have already received the order of $2.3 million for the instrument sale.

So definitely, if you see, though we could not deliver good instrument numbers in the H1, but I am very optimistic in H2. If you see that, that number will be definitely significantly better, both instrument and reagents.

Prateek Giri - Analyst, Shublab Research
So what kind of now growth we should pencil in for FY27 and FY28, sir, on the top line overall?

Meenal Gupta - Chief Financial Officer, Q-Line Biotech Limited
So, uh, I would like to add some things here. So generally, uh, in the diagnostic sector, so H1, uh, is slightly slow and H2 is always better. So, uh, one is that, uh, you know, factor, and Q3 and Q4 are, are slightly better, uh, for our industry. More so because we are in the government sector. Also, uh, you know, the government budgets, etc., are much more better, uh, in the later part of the year. And as Ajay sir has said, so, you know, some of our product launches and certain things could not happen in H1, and they are now kind of shifted to H2.

And, uh, looking at also that our H2 is always better, so I think we do see Or 25 to 30%, uh, growth, uh, for the, for the year, for the year, YOY.

Athul Jovi - Analyst, Prosperity Wealth
And FY28?

Meenal Gupta - Chief Financial Officer, Q-Line Biotech Limited
Uh, for FY28 also, I think a similar number because again, you know, though we have our new plants, at the same time, you know, we are entering into new products. We are also now going into the SKD, uh, form of new products. Though we are manufacturing the instruments, we are also trying to be, you know, the go-to supplier for our, you know, partners who are kind of moving out of their instrument business. But, you know, this instrument business is time-taking. Once we get the technology transfers, then we have to train on that, and then we have to take all the certifications like European CE.

We want to go globally. So every country will have their own certificate. So it is a little time-consuming. So now we recently launched MicroLab, which just got commercialized in the month of October. We were able to sell a few units and we will be doing much more sales for that in H2. Similarly, HB meters. So these are some of the projects on which we were working for, say, almost last 1 or 2 years. But these are very, very time-consuming projects. So that's why we are now focusing more on reagents also.

So we have developed, uh, many more SKUs in reagents. We entered molecular. So about, uh, almost, uh, Rs 2.5 crores of revenue till September was from the new reagent business. But these were just recently launched. Some got launched in August, some in September. So again, we will see, you know, traction in revenue from all these verticals in in H2. So, uh, again, so our focus is, you know, to, uh, keep strengthening the products that we develop now. So in FY28, we will have higher revenues from the products that we are developing now in FY27.

At the same time, our focus will continue to remain to develop more and more new products in FY28 also. And looking at, you know, how the diagnostic market is, you know, kind of spanning since instrument development development from scratch is taking a lot of time. So we are also moving on to the SKD part. So there are these Q-Count 3 and Q-Count 5, which are the hematology analyzers. So we have already launched them on SKD, and we have sold quite a few number of these instruments in the trade sales in, in H1 only.

And, and the autoloader part that we just mentioned, which we are about to launch in probably November, in, uh, that is also QCOM-5 autoloader and that is also SKD. So I think we, uh, we would like to maintain again, uh, 25 to 30% growth for FY28 as well, for now.

Prateek Giri - Analyst, Shublab Research
Sure, that's helpful. With regard to the Hedelco acquisition which we have done, and we spoke about the top line being around 100, 100 5 crores in HEDALCO. Yes. And your initial comments did speak about the products. So can we understand 2 parts to it? One is the product differentiation between HEDALCO and QLINE. Uh, are those products under HEDALCO completely different from what is being done in QLINE, or there is some kind of overlap? Number one. Number 2, how do we see growth in HEDALCO going ahead?

Uh, and also With the numbers which you have given, it looks like the margins in Hedelco might be lower than QLINE. So will this kind of acquisition, which is almost about adding roughly about 30% to your top line, will this be margin dilutive for the company?

Meenal Gupta - Chief Financial Officer, Q-Line Biotech Limited
So I'll take your first question. So the products are absolutely different. So QLINE is into the IVD, which is, you know, basically, or if I were to talk in a layman term, It is doing blood testing, whereas the Hydelco is critical care. So Hydelco supplies all the parts that are available in the ICU, so your

ventilators and the ICU monitors. So the product portfolio is entirely different. But yes, so this was an overall, you know, uh, management strategy. We want to consolidate and we want to get it under our, you know, listed, uh, company, uh, portfolio.

So that, you know, uh, since, you know, Hydelco has, uh, demonstrated good growth- so earlier it was at a Rs 58 crore top line and now it is at about Rs 108 crore. And this year also, uh, for FY27, the guidance is about Rs 130 crores. And so that is why, you know, we want to kind of, uh, channelize all the growth under, uh, you know, our flagship listed entity. And, uh, the margins, uh, uh, will gradually increase, you know, when we have economies of scale there in Hydelco, uh, because as of now they are doing SKD, but they also want to get into manufacturing.

So the margins will, uh, gradually, uh, improve over there when we have the synergies, uh, between QLINE and Hydelco. So QLINE will also support Hydelco, you know, uh, in expanding its operations.

Prateek Giri - Analyst, Shublab Research
So what are current EBITDA margins in Hedelco and the gross margin, or the EBITDA margins in Hedelco?

Meenal Gupta - Chief Financial Officer, Q-Line Biotech Limited
Uh, the current, uh, EBITDA margins, uh, they're around 6, uh, 6 CRs for, for the first, uh, half. No, PAT is, uh, 3. No,

Priyam Shah - Analyst, Trinetra Asset Managers
That is

Meenal Gupta - Chief Financial Officer, Q-Line Biotech Limited
3. So they don't have, uh, too many, uh, loans and depreciation, uh, right now. So it is very, very, uh, they don't have have, uh, you know, high loans, uh, that way. So the EBITDA is about 6 CR, but yeah, I can always get back on, on further details on that. Sure, sure, that will be helpful. And with regards to the-

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

Priyam Shah - Analyst, Trinetra Asset Managers
Yeah, hi, uh, thank you for the opportunity. I just wanted to understand, um, how is the ramp-up at Unit 4 happening? What is, uh, the capacity utilization? But when will we start seeing meaningful numbers from Unit 4? And what are the kind of numbers, you know, if, if not peak revenue, but what are the kind of numbers that you're expecting to come from the new

Ajay Kumar Mahanty - Director and Chief Executive Officer, Q-Line Biotech Limited
Yeah, uh, I'd like to answer this question in this way. Uh, we have 4 manufacturing units. One is the old one which is based at Delhi, and another one, that is another 3, both are at Lucknow. Lucknow, if you see, there are, uh, one, one manufacturing plant which is for the hematology reagent production, and it is operating since last 3 years. And as far as demand, it is almost 56 to 60% is the capacity utilization. And as far as the- if the demand increases, definitely we can also use more. And

also at the same time, we have added some new product line, as Minolji told, for the QCon3, QCon5.

All those reagents, definitely those are our own formulation, and we are also manufacturing those reagents here. So day by day, if you see the capital capacity utilization of our hematology plant, that is plant number 2, that is going to be increased, number 1. Number 2, if you see the instrument manufacturing plant, already we have, we had produced more than 1,400 Selectra automated analyzer. Now we are adding MyClub 300 here. And also in addition to it, also if you see the SKD model, as you just told about the 3-part analyzer, 5-part analyzer for domestic market as well as export.

That also we are going to make here from this month onwards. And also few more product line like Medonic 3-part technology transfer what we had taken from Sweden, Bull Medical. That instrument also we are going to make just after maybe a few weeks. So if you see the capacity utilization, uh, previously it was more than 50%, but that was due to some project But at this moment, we have order in hand for export from our technology partner from Netherlands for at least 55 to 60 country operation. And also new product line, that is around 3, 4 models we are going to manufacture.

So that capacity utilization, I believe that will be around 50, more than 50% capacity utilization will be there. So if you see the unit number 3, which is our biggest plant and state-of-the-art, you can say, manufacturing plant, That is that has been made to meet the domestic as well as international standard, like WHO, CGMP, and other thing. If you see, there are more than 130 products we have planned to produce there. But at this moment, if you see, six products from one product group and another product group that is 36 product line.

So in total, if you see around 45 product line license we have received. But as you know, we are into in vitro diagnostics and critical care. So many more actually. Approval and regulatory bodies are involved to issue the license. Before it, they take the, you can say, sample. They do so many tests and evaluation from the third party like ICMR as well as NIB and other thing. We are in the same work and we are doing it. So definitely those license also will get very soon. All are in the pipeline.

So capacity utilization, if you see the unit number 3, the C42, which is our biggest and dream Dream 1, definitely 5, 6 products already we are manufacturing since last 4 months, but this month onwards we'll continue to manufacture, uh, continue to manufacture around additional 30 products. And previously we were manufacturing maybe around, uh, 10,000 kits, uh, 8,000 to 10,000 kits per month, but now we'll do around 35,000 to 40,000 kits per month. So, but yes, capacity, as you know, that capacity we have made little bit looking, looking into forward-looking, uh, that we can meet up that demand, uh, for domestic as well as international.

So yes, commercialization has been started, and as we are getting the license, we are doing one by one. So if you see in FY27, definitely we are going to use this plant in full place. More than 150 to 160, 150 crore rupees business at least we'll generate from C42.

Priyam Shah - Analyst, Trinetra Asset Managers
From Unit 4?

Ajay Kumar Mahanty - Director and Chief Executive Officer, Q-Line Biotech Limited
Yeah.

Meenal Gupta - Chief Financial Officer, Q-Line Biotech Limited
So we will be using around 25 to 30% capacity of Plant A and B and, and Unit- at Unit 4 by 27th March.

Priyam Shah - Analyst, Trinetra Asset Managers
Okay,

Ajay Kumar Mahanty - Director and Chief Executive Officer, Q-Line Biotech Limited
But I would like to also add another thing. All the products will be not the additional because

Priyam Shah - Analyst, Trinetra Asset Managers
As

Ajay Kumar Mahanty - Director and Chief Executive Officer, Q-Line Biotech Limited
You know our new and initial plant is at Delhi. So many products will be the replacement because we know it, we are not going to continue that plant that is already an old one and that cannot actually, uh, for our- Okay, yeah,

Priyam Shah - Analyst, Trinetra Asset Managers
Yeah. So

Meenal Gupta - Chief Financial Officer, Q-Line Biotech Limited
A lot of reagents which are getting manufactured at Bhavana are slowly, uh, transitioning to Unit 4. So as and when we are getting the licenses, so the, the products are transitioning to Unit 4. So, uh, some of- so there will be not, uh, that much of a revenue hike because due to transition to Unit 4. But at the same time, Unit 4 has a lot of increased capacity. So like we are entering into molecular, which I just said, and also in the rapids. Because there was a space constraint in the Bhavana plant.

So now, uh, the rapid production, we are going to increase here. We want to enter into OEM for rapids, whereas, you know, we want to manufacture the pregnancy cards, etc., for other players in the market. And similarly, uh, like we spoke about CDMO on the instrument side, we also want to foray into CDMO for the reagent side, where we can manufacture bulk reagent and, and sell it to the other So, so those will be some new initiatives that we will be taking from the Unit 4 because we have a lot of space and this is a state-of-the-art manufacturing.

But at the same time, our focus is to first get everything, uh, that we are manufacturing at Bhavana to be transitioned here first. Right. And, and then gradually, once that is settled, then we, uh, focus more on the new initiatives.

Priyam Shah - Analyst, Trinetra Asset Managers
Right. So one just very quick follow-up question. When you say CDMO for reagents and CDMO for instruments, what exactly do you mean? Because it more or less looks like contract manufacturing and not CDMO. And second thing is that I understand you are not giving exact guidance, but this year from the looks of it, it looks muted. FY27 on FY26 year-on-year growth over absolute numbers by the time we finish, it does not look that, you know, we will beat FY26 numbers by a handsome margin. If I'm- are we right in that thought process?

And if you could just talk about FY28 a bit. Thank you.

Meenal Gupta - Chief Financial Officer, Q-Line Biotech Limited
No, I just answered that question, yeah, about the guidance. And we did mention that how, you know, a lot of our product developments, yeah, went into H2 and H2 will be definitely better. In any case, uh, H2 is always higher. It's almost 60 to 70% of our revenue as compared to the full year. And with all these, uh, new product launches and, you know, a lot of other things, H2 will be

definitely better. And I think I already spoke about the guidance for FY28 also, as in- yeah. Okay. So we can move on to the next question.

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

Prateek Giri - Analyst, Shublab Research
Oh, hi. Uh, I hope I'm audible. Uh, I am. I just started, uh, covering the company, so I might have, uh, you know, a few modest questions, ma'am. My first question is, uh, if I try to understand, uh, uh, the government dependency on machine installation, so probably I heard that, uh, because of, uh, few, uh, delays, etc., the machine installment- sorry, installation got delayed, and that is why machine revenue is a little lower this quarter, this half year. So I was just wondering, in the last 1 to 2 years, if I see around Rs 100 crore a year revenue, how much of it is dependent on government projects?

Meenal Gupta - Chief Financial Officer, Q-Line Biotech Limited
Almost, uh, 50% of it. So Rs 60 crores

Ajay Kumar Mahanty - Director and Chief Executive Officer, Q-Line Biotech Limited
For instrument, if you see, um, instrument or businesses was almost- that was around the

Meenal Gupta - Chief Financial Officer, Q-Line Biotech Limited
Last 2 years he's asking. So, uh, in FY24-25 and in FY25-26, around 50 to 60 crores of the revenue came from the government, uh, installation of instruments.

Prateek Giri - Analyst, Shublab Research
Yeah, it is here. Got it. No, this is helpful. This is helpful. 50 to 60% is helpful, ma'am. The second thing I wanted to understand, and I'm sure a lot of people might have asked this question earlier also, If I look at receivable number, uh, you know, it, it constitutes a major portion of our top line. Whereas I- if I look at, uh, this number, our reagent sale is higher than our machine sales. So why is it that our, uh, even when reagent sale is higher, uh, receivable is still- I understand for the machine part It may be so, but why is it so for the reagent sales also?

Meenal Gupta - Chief Financial Officer, Q-Line Biotech Limited
So basically, uh, just to, uh, make you understand, so we mostly work on the closed system. So wherever we have installed our machines, so we- our reagents only can be used on that machines. So one is we first place our instruments with the government, and then we also do reagent sales to the government. So out of my total top line, about 60% of my sale is to the government, and the receivable cycle with the government is slightly delayed. So it is, you know, 4 to 5 months. Yes. So that is why you see that, uh, you know, that, uh, our receivables are a major part of our top line, and that is why they are delayed.

So, uh, though we are, you know, trying to, uh, uh, do our part over there in You know, getting the order to the government in time. So what happens is the government order is a comprehensive order of many things. So until unless you supply everything, and we also have to meet their, you know, threshold that when we supply reagent, it has to have a shelf life. So there are a lot of conditions that we have to meet. 70% shelf life. And, and once all of those, you know, commitments are met, Uh, we do start supplying the order, but when everything is complete, and that's when, you know, they actually start, uh, uh, counting it for the receivable cycle.

At the same time, the steps that we are taking is, if you would have heard that, you know, our trade business has grown by 20%. So overall, our government business has kind of, uh, been stable. So now we are focusing more and more on increasing the trade business. Number 2, all the CDMO and the export, you know, uh, the initiatives that we will be taking. So that is taking us away from the government business. So slowly, I think by the time- so we are almost at a 50-50% ratio right now, but I think when we reach March '27, it will be a 40-60%, uh, considering that, you know, if we end up supplying the CDMO orders and the export increases, the trade business further increases.

And as we go into March '28, We are looking at further decreasing the government part of our business. It will be less than 30 to 40%, and these are the initiatives that, you know, consciously the management is making these steps to slightly move away from the government business so that the overall cash flow of the company can be improved.

Prateek Giri - Analyst, Shublab Research
Ma'am, this was really a detailed explanation, and thanks a lot for this. Uh, no, in fact, ma'am, that was the concern when I was looking at, uh, you know, uh, the thing, because government receivables probably will always remain a pain despite their promises, in my limited understanding. But what you said is really encouraging.

Meenal Gupta - Chief Financial Officer, Q-Line Biotech Limited
Yeah, and in the CDMO and export, we will be taking advance payments, so that will further help us in improving the cash flow.

Prateek Giri - Analyst, Shublab Research
Got it. No, certainly, certainly. So ma'am, uh, this, uh, you're saying despite, uh, changing this mix of government and non-government, probably the growth rate which you just guided, if I heard it right, 25 to 30%, will be maintained?

Meenal Gupta - Chief Financial Officer, Q-Line Biotech Limited
Yes. So obviously this will happen slowly, right? So I like- we've made some 1,500-2,000 installations in the government last year only. So we will continue to supply reagent there for the next 5 to 6 years. You know, we are bound by the contracts, but gradually new business, we are trying to focus on other areas.

Athul Jovi - Analyst, Prosperity Wealth
Understood. Existing government business,

Meenal Gupta - Chief Financial Officer, Q-Line Biotech Limited
We will have to honor and we will continue to do it. But as, you know, the top line grows, as the number grows, so we are trying to get the growth from other verticals and shifting our, you know, strategy.

Prateek Giri - Analyst, Shublab Research
Understood, understood. This is very helpful. I'll join the queue back, ma'am. Thank you.

Operator
Thank you. The next question is from the line of Tia Jain from Sapphire Capital. Please go ahead.

Tia Jain - Analyst, Sapphire Capital
Hello, thank you for taking my question. So from the unit board, how much revenue can we expect in FY28?

Ajay Kumar Mahanty - Director and Chief Executive Officer, Q-Line Biotech Limited
Yeah, if you see FY28, in FY26 we'll be able to Uh, can manufacture all the Class B products, which is- which will be around 100 crore in a year. So around 55 crore within 31st March. And then after, if you see FY28, it will be more than 120 crore minimum. Uh, and if we'll get the license of Class C and Class D, then it will touch to around 250 to 300 crore.

Meenal Gupta - Chief Financial Officer, Q-Line Biotech Limited
Yeah, so, uh, basically most of our reagent, uh, revenue will, uh, shift to Unit 4 by FY28.

Ajay Kumar Mahanty - Director and Chief Executive Officer, Q-Line Biotech Limited
Okay.

Meenal Gupta - Chief Financial Officer, Q-Line Biotech Limited
And, uh, if I were to take numbers, uh, from the last year, so out of total Rs 232 crores of reagents, some Rs 60 crores were hematology reagents and remaining were all clinical chemistry, which is around Rs 180 crores. So, uh, so all of that plus, you know, the new things that we come up with, so almost Rs 250 crores of, uh, Reagent business, uh, we will be doing from Unit 4 in FY28.

Tia Jain - Analyst, Sapphire Capital
Okay, and, um, why- what is the reason behind the margin dip quarter on quarter, and when do we expect it to stabilize?

Meenal Gupta - Chief Financial Officer, Q-Line Biotech Limited
I'm sorry, I could not hear your question clearly. Can you repeat again?

Tia Jain - Analyst, Sapphire Capital
What is the reason behind the margin dip quarter on quarter, and when do we expect it to stabilize?

Meenal Gupta - Chief Financial Officer, Q-Line Biotech Limited
Uh, so the reason why the margin has dipped is because Unit 4 just got capitalized in FY, uh, Q4 of FY26. So, you know, there is an impact due to the depreciation of Unit 4 and also some of the operational expenses of Unit 4, uh, and we expect, uh, this to be However, at an EBITDA level, you know, we have grown. The gross margin has also grown. So there is a 10% growth in EBITDA. Also, there is another, uh, point that I would like to make here is that, uh, after, you know, getting the IPO funds, we were able to repay a sizable amount of our loan.

But the loans got paid off in June and July, and also then there were some foreclosure charges. So the benefit that we were supposed to get from the reduced cost on the interest side has not clearly, you know, factored in, in the H1 numbers. But when we go into H2, so there will be a clear saving on the interest cost of almost 4 to 5 crores, and, and, and this will balance the increase, uh, that will come from the Unit 4 depreciation. So when we look at the H2 numbers and the financial year FY27 as a whole, so the numbers and the margins will look much better.

Tia Jain - Analyst, Sapphire Capital
Okay, okay, ma'am. So we can expect like a 31 to 32% EBITDA for this year? Yeah, they could

Priyam Shah - Analyst, Trinetra Asset Managers
Maintain normally.

Meenal Gupta - Chief Financial Officer, Q-Line Biotech Limited
So every, uh, I think we had a 28% EBITDA last year, so we expect to maintain that. And as of now also, we are having a 26% EBITDA. Yeah. Okay, so your 2.3 million- Sorry to interrupt, Ms.

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

Prateek Giri - Analyst, Shublab Research
Hello, hello, uh, team. Thank you very much for the opportunity to speak. So, uh, basis the comments that I've heard so far, uh, with respect to, uh, revenue growth as well as the management guidance for PAT margins, I believe that we should be comfortably achieving, uh, revenue of more than Rs 420 to Rs 430 crores for the- for FY27. And if I am to believe that we will maintain our current EBITDA margins Uh, steady state- I believe we are at a steady state level of 28% for the year, and as well as a 15 to 16% PAT margin.

Are we to say that we will probably comfortably achieve, um, roughly 70-odd crores this year in PAT?

Ajay Kumar Mahanty - Director and Chief Executive Officer, Q-Line Biotech Limited
Yeah, I believe so, because as you know, we are growing basically that EBITDA, PAT, everything depending upon the reagent business, and we are doing well in the reagent business. And also we look forward better H2. So definitely both will be achieved from EBITDA perspective as well as PAT perspective.

Prateek Giri - Analyst, Shublab Research
Understood, sir. Uh, on the second part, with respect to our margin profile, I believe that, uh, you have mentioned that you will be, uh, transitioning, one, uh, towards a more private sector opportunity. 2, uh, you will also be transitioning, uh, I, I just also want to understand Just to clarify, you have mentioned that 40-60 would be our FY27 government-to-private order book. My question is, for FY27, what kind of a product mix are we looking at? Do we think instruments, which I think would be a better margin business, or if it is not, then please correct me on that, do we see any margin accretion as a result of our changes in product mix, or do we still maintain the 60%, uh, reagent business as a, uh, from a product revenue point of view?

Ajay Kumar Mahanty - Director and Chief Executive Officer, Q-Line Biotech Limited
Yeah, basically if you see, uh, our instruments, those are producing very low, you can say, profitability. But instruments are the driver for the reagent business. And as you see, the new product what we launched, that is the, your Q-CON 3, Q-CON 5, uh, and even the, for the key account, uh, high-end hematology analyzer, all those reagents we are producing here in India. Okay. And as we are producing the reagents here, at least we can keep the profit of around 3x to 4x. So definitely we are not very much concerned about the EBITDA, PAT, and profitability.

But yes, there will be maybe some of the instrument will be at, you can say, maybe 5 to 10% profit we can earn from the instrument sale. Or maybe somewhere also we have to do some, you can say, lease agreement with the key corporate accounts. To get the, you can say, high workload. Even it

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

Prateek Giri - Analyst, Shublab Research
Okay, sorry, could you repeat that last part? Sorry, I just missed that.

Ajay Kumar Mahanty - Director and Chief Executive Officer, Q-Line Biotech Limited
Basically, if you see the diagnostic industry, the key accounts where more than, you can say, 200 to 300 samples per day, it may be of like Can you- if I give the example of maybe Thyrocare, even Dr. Lal, or even maybe many, uh, Tata 1MD, basically what we do there and what practices are there, basically we need to place the instruments and we need to do the contract on the commitment of the reagent business. Reagent business, they have to continue with us, uh, maybe for example per month maybe around Rs 2 lakh per month.

For account for equipments. Uh, those type of accounts actually, uh, those are, those are the basically, uh, for sustainability perspective that is good and profitability perspective that those are good. Initially we didn't have actually those type of equipments, but as we launched the high-end equipment like Aestega CX400, okay, even the autoloader hematology 5-pattern analyzer, even the HPLC system Definitely, if you see the reagent business, it is going to be increased.

Prateek Giri - Analyst, Shublab Research
Understood. And last question is, then if we shift from, uh, more towards the private side of things, uh, how many- how much- what kind of an improvement can we see in our working capital days, or say by the end of FY27?

Ajay Kumar Mahanty - Director and Chief Executive Officer, Q-Line Biotech Limited
Working capital-

Meenal Gupta - Chief Financial Officer, Q-Line Biotech Limited
So, uh, since we are transitioning right now, so by FY27, I would say that it will be maybe around about, uh, 30 days improvement. But as we, uh, go, uh, you know, transition, and then, you know, all our, uh, things like CDMO export, they really kick on, which will be more in FY28. So that is when our working capital should come down to, say, about, uh, you know, standard 2 to 3 months, uh, which is there in the diagnostics. So in the diagnostic industry, the The working capital for reagents is about 60 days and for instruments.

So generally what Ajay sir was trying to say is, so all your big players like Siemens, Abbott, they place their instruments free of cost in all the lab chains like Dr. Lal, etc. But whereas we end up selling our instruments, and instrument is a capital expenditure for the- for our customers. So there we give a slightly longer credit period of 3 to 4 months. But for reagents, we give 60 days. So as we progress more towards private sales, so it should be somewhere between 60 to 90 days, which is currently 4 to 5 years.

Prateek Giri - Analyst, Shublab Research
Okay, thank you very much. I'll be back with you.

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

Prateek Giri - Analyst, Shublab Research
Am I audible?

Priyam Shah - Analyst, Trinetra Asset Managers
Yes, yes please.

Prateek Giri - Analyst, Shublab Research
[Foreign Speech]

Athul Jovi - Analyst, Prosperity Wealth
Yes.

Prateek Giri - Analyst, Shublab Research
[Foreign Speech]

Ajay Kumar Mahanty - Director and Chief Executive Officer, Q-Line Biotech Limited
[Foreign Speech] that the possibility to exec Uh, and we are trying our best, though there are many adverse situations also because election is coming and other things, but still we are trying to get the consignment list. Uh, if we can get it here, uh, definitely it will be- I mean, uh, the growth will be manifold. But otherwise we have also the alternative many plans.

Meenal Gupta - Chief Financial Officer, Q-Line Biotech Limited
Because, uh, in UP it is going to be the election year.

Prateek Giri - Analyst, Shublab Research
Okay, so secondly, ma'am, as we have confidently mentioned that we will be achieving a top line of 400 to 420 crores in the second half of FY27, do you see any challenges in that? Do you see any risk? Because we had already guided 30 to 35% and we have just come up with certain Like a 5% growth, very low growth.

Ajay Kumar Mahanty - Director and Chief Executive Officer, Q-Line Biotech Limited
Yeah, yeah.

Prateek Giri - Analyst, Shublab Research
How confident are we in achieving a Rs 400 crore revenue target?

Ajay Kumar Mahanty - Director and Chief Executive Officer, Q-Line Biotech Limited
Yeah, yeah, we are very confident on it, uh, because actually now situation has been improved here as in joining overseas. If you see the overseas market also, more than 2.3 million orders already we have received. Also, we have registered our product more than 10 to 11 countries. And including Saudi Arabia, Iran, and other things situation, we are just waiting for the, I mean, little bit improvement of the situation. But if you see the product registration, appointment of the distributors, many more things we have already completed.

So if we, if the situation even delays, or, but yes, we have some other alternative plan as we are going to install this, we are going to launch many new product here. Like your chemiluminescence, which is a very big, I mean, market size. Almost 25% of the total IBD, it is controlled from the chemiluminescence. And fortunately, we did all the resources and we have completed and we have received the NOD from the CDSCO of more than 25 to 30 products. And we are waiting for few approvals from CDSCO for the instrument.

So we are very confident on 400 number, that is, we are not doubt about it.

Prateek Giri - Analyst, Shublab Research
My best wishes and regards to the management. Thank you. Thank

Ajay Kumar Mahanty - Director and Chief Executive Officer, Q-Line Biotech Limited
You.

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

Saurabh Kumar - Analyst, Scientific Investing
Hello, sir. My question is on the government side, government business, usually what is the working capital

Meenal Gupta - Chief Financial Officer, Q-Line Biotech Limited
So it is generally, uh, uh, 4 to 5 months.

Saurabh Kumar - Analyst, Scientific Investing
Okay. And, uh, ma'am, on the reagent side, uh, I just want to understand the lumpiness of the business on the reagent as well as on the device side, because my understanding is reagent should be much more consistent business from, uh, you know, revenue, uh, you know, predictability. But, uh, yeah, yeah,

Ajay Kumar Mahanty - Director and Chief Executive Officer, Q-Line Biotech Limited
That is- you are absolutely correct. You are absolutely correct. If you see the reagent consistency, you will find each and every month each and every year. And that's why if you see the growth of the reagent, it is already there. But yes, there are some, uh, I mean, situation may happen sometime. Maybe we may get some opportunity for the seeding of the equipments more and sometimes less, maybe subject to budget availability of the government or something else. Otherwise, there is good consistency in the trade market.

But yes, as government, state government, central government, their budget allocation and many things happen. So there may be some inconsistency of the instrument, but yes, of course, if you see the reagent, there is a consistency and there will be the consistency in the future also.

Saurabh Kumar - Analyst, Scientific Investing
And sir, my understanding is as we will keep on selling more and more instruments, the share of reagent will keep on growing. So my question is, let's say 5 years down the line, uh, one, where do you see the reagent as a revenue share? And in reagent, how much Again, I'm not looking for any exact number, just a guidance like where we would like to end up and what will be the distribution of the reagent business between government and private. Yeah,

Ajay Kumar Mahanty - Director and Chief Executive Officer, Q-Line Biotech Limited
Usually, usually, usually, usually if you see, the reagent business will be more, that will contribute around 65 to 70%, and that is the ideal situation for the industry and the requirement of the organization. Because you know that reagent always, I'm telling you, that is the only area of interest for any company, uh, to earn the profit as well as for the, you can, you can say, the sustainability

and many more things.

Saurabh Kumar - Analyst, Scientific Investing
So around 65 to 70%

Ajay Kumar Mahanty - Director and Chief Executive Officer, Q-Line Biotech Limited
Will be done from the reagent business only.

Saurabh Kumar - Analyst, Scientific Investing
Okay, and any idea where we could end up, government versus private in reagent in the long run?

Ajay Kumar Mahanty - Director and Chief Executive Officer, Q-Line Biotech Limited
Government business is really private. If you see at this moment, of course, government accounts are a little bit bigger, like medical colleges where more number of patients are there. But if you see the private, uh, small, like one pathology-based or maybe some lab chain, those are numbers are more in the private. But if you see the account size are bigger in the government. So at this moment it is 60-40. But as we are increasing our base into the key accounts and as well as corporate accounts by adding different type of high-end equipments.

So it will be then after, it should be 50-50. Then I believe by addition of export as well as key accounts, that, that should be more than 60% in the trade market and

Saurabh Kumar - Analyst, Scientific Investing
Also CDMO. Yeah. Okay. And last question, sir, and pardon me, I'm new to the company, I'm still learning. So most of the molecular diagnostic players, like somebody is focusing on oncology, you know, diagnostic and reagent, somebody is on TB side, So is there a key focus area for us in terms of, you know, this medical segment we are targeting? Or like, if you can- Yes, yes, yes,

Ajay Kumar Mahanty - Director and Chief Executive Officer, Q-Line Biotech Limited
We are, we are very strongly working and very root-level working on the molecular segments. We are not only, I mean, developing the kit, also the component of the kit, that also we are manufacturing. And if you see, at this moment we have segmented into 3 segments. For example, first segment we have targeted to the infectious where more than 120 to 130 blood bank already with our customers. For those segments, we have developed our Triple H, which is HIV, HCV, HCV. And also, if you see the for the patient monitoring, also we developed our the quantitative molecular kits, which is in for the during the treatment one caregiver can see the condition how it is improving day by day.

That is our SCB as well as HDP, and successfully we have commercialized and we have got all the NOD from the authorities. And also we are working for the export of these kits to Egypt and other country. That also registration we have completed for few products. And in addition to it, I'm telling you TB, we have also developed the tuberculosis kits, but as the government of India, there are many, I mean, rules and regulation as well as requirements for the TB. Based on the contamination, transference, or other thing.

Also, we are very strongly and, uh, you can say aggressively working on those projects. But yes, in addition to infectious marker, also that another, that is the cancer marker. Uh, you know that blood cancer, breast cancer, colon cancer, that those tests also we have already started working. Maybe, uh, you, if you see the organ transplantation, that is the HLA. Human lipocytic antigen. Those are under the validation at different institutions. So our molecular basket, it is going to be very big very

soon.

And just now we just entered with, I mean, high-value products, and very soon we are coming with more than 25 to 30 parameters for India, and also dedicated project for, you can say, respiratory panel. And also the TB pen, tuberculosis complete solution. That is not only one. And also in addition to it, if you see the- for the women, that is the HPV, human papillomavirus, that has been completed from our side, the 16, 18, as well as high-risk 12. And some of the tests are the challenges to get the sample and get it validated because those are basically very sensitive, as you can say, critical also.

So looking at the importance of these criticalities, our scientific team, they are working, our regulatory team, they are working. Definitely we are going to do very nice work in this molecular segment very soon.

Saurabh Kumar - Analyst, Scientific Investing
Thank you, sir. Thanks to both of you. Wish you all the best. Thank you.

Operator
Thank you. Thank you. The next question is from the line of Nihar from Spongle Advisors. Please go ahead. Mr. Nihar, your line has been unmuted. Please go ahead with the question. As there is no response, we'll move ahead to the next question. The next question is from the line of Athul Jovi from Prosperity Wealth. Please go ahead.

Athul Jovi - Analyst, Prosperity Wealth
Yeah, thank you for the opportunity. So can you give some idea on the growth of instrument sales going forward in next 2 to 3 years? And if instrument sales are growing at a slower pace compared to reagents, how are you planning to maintain a reagent growth of 30%?

Ajay Kumar Mahanty - Director and Chief Executive Officer, Q-Line Biotech Limited
Yeah, maybe I can answer this question from my perspective, and maybe, uh, we need to discuss once again internally also. Just a minute. Uh, if you see, uh, our area of interest, that is not the instrument sale. Our area of interest basically is the reagent cell. And instrument business, uh, if you see the industry, it may be of any corporate hospital. As I have given the example of Tata 1MG, Dr. Lal, Thyrocare, anyone. Actually, in those segments there is a lease concept. Lease concept means there is a rental agreement, commitment, no hardware business.

But if you see, we got some opportunity from different state government. And we sold those instead of our investment. We sold those equipments. So if you see in the future, definitely in our trade market, small equipments, those equipments we are selling and we will continue to sell. But to get the better benefit from the reagents, definitely our focus will be- it has been changed to the key accounts where profitability will be more, consistency will be more. So I don't think the instrument in India will grow more in the hardware sale.

But of course, as we got the opportunity for CDMO, like one company at Netherlands, maybe they will continue to contribute more than 55 to 60 countries. And another company, they are going to sign the CDMO project for another new model. So instrument business will be more definitely looking at the- I mean, overseas market. But for India, our target is more over the consumable business and key accounts. Uh, so instrument business hardware, it- yes, it will grow. But our expectation and our requirement is the growth of the range indefinitely.

Athul Jovi - Analyst, Prosperity Wealth
Okay, so can you give some number on the expected growth of instruments?

Ajay Kumar Mahanty - Director and Chief Executive Officer, Q-Line Biotech Limited
Yeah, instrument, uh, instrument growth number-wise, yes. Uh, if you see the number of instruments, definitely it may be more, but value-wise, maybe at this moment Uh, our growth will be compared to last year, it should not- there should not be any growth. There will be slightly growth by 100%, that will be stable. I mean, there will be not any, I mean, degrowth, but yes, there will be not a very high growth because last year actually we executed that government orders.

Meenal Gupta - Chief Financial Officer, Q-Line Biotech Limited
So if we were to add the export of instruments, the CDMO part and the trade sale of instruments and, you know, the pending government orders. So we believe that the instrument sale should be stable as compared to last year.

Athul Jovi - Analyst, Prosperity Wealth
Okay. So also, can you give some idea on how much of the revenue depends on government tenders? Because I believe we sell to government through mainly 2 channels, like through private-public partnership with our distribute entity and also through direct tenders. So can you give some share on how much is through direct tenders?

Ajay Kumar Mahanty - Director and Chief Executive Officer, Q-Line Biotech Limited
Yeah, direct tenders, if you see the, um, at this moment QLINE, uh, we are selling to, you can say, many central government like Indian Army, even the institution like ICMR, even the state government like West Bengal, Odisha, even many states we are doing directly because there is a requirement that manufacturers should participate, but not such very big equipment tenders. Those are basically the reagents, testing kits, and ELISA kits like this. So if you see the dependency perspective, our dependency on government at this moment, if you see, it is around 55-60%, and moreover the corporate as well as remaining is from trade market.

Athul Jovi - Analyst, Prosperity Wealth
Okay, so, uh, like if you give a number to that, like it will be less than 30%.

Operator
Sorry to interrupt, uh, Mr. Joby, may we request you to return to the question queue for a follow-up question? Thank you. The next question is from the line of Hardeep Gandhi from HBMG. Please go ahead.

Athul Jovi - Analyst, Prosperity Wealth
Hi,

Hardeep Gandhi - Analyst, HBMG
Sir, am I audible?

Athul Jovi - Analyst, Prosperity Wealth
Yes, sir, please.

Hardeep Gandhi - Analyst, HBMG
So, uh, just 2 small questions from mine. The first thing is that, uh, we spoke initially about, uh,

manufacturing the reagents ourselves, uh, and, you know, majority of the part of the reagent is imported. So what is the progress on that is my first question.

Ajay Kumar Mahanty - Director and Chief Executive Officer, Q-Line Biotech Limited
Yeah, manufacturing of the reagents, if you see, there are basically 4 or 5 type of reagent. If you see the hematology reagents, all the fine chemicals, those are- we are sourcing from India only. And for clinical chemistry, definitely there are 60% will be the chemical salt and solvents, those are sources in India only. But some of the critical material like enzymes, substrates, cellulose protein, those are sourced from Japan, Switzerland, even China, even US, like this. and so they have started working [Foreign Speech] development and they have also if you see four products they have developed in house, for [Foreign Speech] clinical, you can say remetrels, and they have started using, so they have, you can s Those critical components that is imported and remaining are from India value-wise.

Hardeep Gandhi - Analyst, HBMG
Right. And what is the approval timeline for this? Like if we are testing in-house, so, uh, you know, what is the approval timeline by which we can make it? Oh, for,

Ajay Kumar Mahanty - Director and Chief Executive Officer, Q-Line Biotech Limited
Uh, if you see, uh, for, if you see for the Class B, which are not very critical and non-infectious, maybe, um, uh, if production is ready you can get the license maybe within 3 months, 90 to 120 days. But if the critical parameter like tuberculosis or maybe any cancer marker, then those kits are- will need to be tested through Government of India lab, or they will test from their side. So it may take around 6 months time even. Okay. For non-critical parameter, maybe 120 days. And for critical parameter, it may take maybe 4 months' time, 4 to 6 months' time.

Hardeep Gandhi - Analyst, HBMG
Right. And the second question was for the CDMA manufacturing, which we are expected to do for the foreign companies. So what will be the unit economics for that? Will we be selling it again at a very low cost, and then, uh, the major driver will be the reagent business, or will it Uh, you know, maybe what's-

Ajay Kumar Mahanty - Director and Chief Executive Officer, Q-Line Biotech Limited
Yeah, yeah. If you see in CDMO, CDMO definitely the volume will be larger, there is no doubt, because we are not going to the retail side. And the margin will be there because most of the CDMO projects are from the overseas country, and we expect at least 25 to 30% margin will be there in the instrument.

Hardeep Gandhi - Analyst, HBMG
The gross margin or the better?

Ajay Kumar Mahanty - Director and Chief Executive Officer, Q-Line Biotech Limited
It's gross

Meenal Gupta - Chief Financial Officer, Q-Line Biotech Limited
Margin, gross margin.

Hardeep Gandhi - Analyst, HBMG
Right, and these machines, the reagent will also be provided by us only, right? Yeah, this is just a follow-up on that one.

Ajay Kumar Mahanty - Director and Chief Executive Officer, Q-Line Biotech Limited
So yeah, at this moment it is the instrument, but future also we'll do the reagent differently.

Meenal Gupta - Chief Financial Officer, Q-Line Biotech Limited
As of now it will be only instruments, not reagents.

Hardeep Gandhi - Analyst, HBMG
So then why do we call it CDMO? Isn't it contract manufacturing then?

Ajay Kumar Mahanty - Director and Chief Executive Officer, Q-Line Biotech Limited
Yeah, exactly. 2 things. One is the- it- one technology they had and that we made here, you can say it is the contract manufacturing. But also another project we did, they had some concept and we did it here. That product is going to be launched soon. That is our CDMO. Yeah,

Hardeep Gandhi - Analyst, HBMG
Okay, understood.

Ajay Kumar Mahanty - Director and Chief Executive Officer, Q-Line Biotech Limited
Design and development.

Hardeep Gandhi - Analyst, HBMG
Yeah,

Ajay Kumar Mahanty - Director and Chief Executive Officer, Q-Line Biotech Limited
Yeah,

Operator
Thank you. The next question is from the line of Ishaan from AMPL Capital. Please go ahead.

Ishaan - Analyst, AMPL Capital
Yes, hi. So my question was pretty simple. My understanding is that once we install the machine, our rates for the reagents are largely fixed, right? But still we see that there is a realization differential between our reagents. So our realization per kit has moved from Rs 1,500 to maybe Rs 1,350, and similar for our hematology kits, it has been a bit varied. So that means the new reagents have been selling at lower cost, right? I mean, that is at least my understanding. Could you provide some guidance on

Ajay Kumar Mahanty - Director and Chief Executive Officer, Q-Line Biotech Limited
That? No, actually one thing is that we have different type of actually instrument and different type of testing kits. For example, if you do the electrolyte analyzer, the- if you sell the electrolyte analyzer, okay, that reagent will be different and that pricing will be different as per the industry. And if you see the molecular kits, their price will be different. And if you see the clinical chemistry, that price will be different. So we are not selling the new products at lesser price. I mean, our profit are definitely- it is better in the new products because the technology is new and the sources for material are new, and this is a new concept.

So it is not like that. But yes, of course, everything depending upon the workload of a hospital as well as laboratory. If the laboratory having maybe 30 samples, 100 samples, or maybe 200 samples what type of actually customer segmentation are there and where we are putting the equipments. That is very- you can say total addressable market as well as SAM, that is very important for us. Key

accounts.

Ishaan - Analyst, AMPL Capital
Yeah. Okay, so my second question was that previously on the last con call you had mentioned that we had approximately 16,000 to 17,000 machines that were installed, of which few were active. Could you give us an understanding of A, how many active have been converted into- how many installed have been converted into active this half? And maybe how many more installed machines can we see getting converted to active and revenue-generating closed architecture machines?

Ajay Kumar Mahanty - Director and Chief Executive Officer, Q-Line Biotech Limited
Yeah, in fact, if you see, as I told you earlier also, every year we put around 1,200 instruments in a year, okay? And we are putting this type of instruments in start 2014-2015. And if you see, the instrument life is around 7 to 8 years. So if you see the model, number of models, as I told that we are into the complete laboratory solution. So we have the clinical chemistry, we have hematology, we have the coagulation, we have the electrophoretic. More than 30 types of instruments are there. Some instruments are there, maybe it can be placed in the key accounts.

Where workload will be more than 200 samples per day. And maybe some instruments are there which can be placed in small accounts, and also different type of tests are also there. So whenever we sell any equipment in the trade market, definitely within 30 days, 40 days, it got installation, okay? And all the training, everything is done. So far it can be little bit delayed in the public segment where your location, your electricity, or maybe teaching, training, and some other approval may need. As we did some projects here in West Bengal, even the UP, even Odisha, and our UP project got delayed because it was a very big project and more than 1,000 consignees was there.

But yes, otherwise if you see the trade market or the thing, the active- if you see the instrument, it gets activated within 1 month. So at this moment, yes, you are correct. EPC is around 16,000 installation base, where our hematology is around 8,000 to 9,000, and fully auto it is around 3,000. And also we have small equipment like MyClub 300, InnoLite, InnoLab. Those are the coagulation remaining are there. Uh, so thank you very much for the, uh, reconnecting me with the same number. Thank you.

Ishaan - Analyst, AMPL Capital
Yeah, yeah, you're welcome. That's it from my end.

Operator
Thank you. The next question is from the line of Purva Shah from GrowBiz Fund. Please go ahead.

Purva Shah - Analyst, GrowBiz Fund
Hello, am I audible? Yes, please. Yes, uh, thank you for the opportunity. Uh, so largely my questions are answered, but I have this question around the related party transactions. So, uh, what is our current revenue coming from POC services?

Meenal Gupta - Chief Financial Officer, Q-Line Biotech Limited
So, uh, as compared to last year, uh, the, you know, the, the percentage of revenue coming from POCT has decreased. So till last year it was around 65 to 70%. So now we are at, uh, uh, 55 to 60%. So what we are doing is, uh, we are doing more and more direct, uh, you know, sales with the government also. So wherever possible, you know, if the criteria is that a manufacturer should quote. So we are trying to kind of win over those contracts and tenders in QLINE directly. So that is

one part. And secondly, again, like the trade sale has increased, and then gradually, you know, we will be increasing the export and the other verticals.

So the percentage of POCT sale will gradually decrease. So like we mentioned earlier that, you know, we are trying to reduce the overall government sale. So we are also working in, you know, getting whatever government sale that we do gradually and slowly, uh, directly through QLINE.

Purva Shah - Analyst, GrowBiz Fund
Okay, understood. So a large part of this, uh, um, revenue coming from, uh, POCT, uh, that is going to decline is what you are trying to say?

Meenal Gupta - Chief Financial Officer, Q-Line Biotech Limited
So revenue will not decline. I am saying it will shift. Percentage of- so if I'm saying that, say, I will do 400 crores, I will do 400 crores, but that will start coming directly. So QLINE will directly bill to the government,

Purva Shah - Analyst, GrowBiz Fund
And,

Meenal Gupta - Chief Financial Officer, Q-Line Biotech Limited
Uh, the what we bill through POTT will reduce, but revenue will not decline.

Purva Shah - Analyst, GrowBiz Fund
And, uh, are you, are you, uh, comfortable with the payment terms So

Meenal Gupta - Chief Financial Officer, Q-Line Biotech Limited
Yeah, we've already discussed this. In government, the receivable cycle is 4 to 5 months, whether it is via POCT or whether it is, uh, you know, directly with QLINE.

Tia Jain - Analyst, Sapphire Capital
Okay. But having

Meenal Gupta - Chief Financial Officer, Q-Line Biotech Limited
Said that, I had explained earlier during the call that because of this, the management is changing strategy. We are trying to increase our private sales. We are trying to add instruments which we can place into bigger lab chains, you know, key accounts like Dr. Lal, etc. Then, you know, other initiatives like CDMO export where we will have advance payments because an export one generally takes at least 50% as advance. So we are in general trying to- a, 2 things we are working on. So whatever, uh, current revenue that we have, obviously we do not want to Suddenly decline our revenue.

So we are moving from POCT to QLINE so that that related party, uh, thing can ease out, number one. Number two, we are strategizing to move more to private sales. So whatever growth that we are trying to achieve, we are trying to get from non-government sales. So gradually as we move towards FY28, FY29, so as other diagnostic players in the market or in the IVD industry So the mix should be around 30% government and 70%, uh, private. So that is what we see, say, from an FY29 perspective, but we slowly plan to move there.

Purva Shah - Analyst, GrowBiz Fund
Okay, understood. And so, so from the, um, from a visibility perspective, what kind of order book

and what kind of project, project visibility does POCT have right now?

Ajay Kumar Mahanty - Director and Chief Executive Officer, Q-Line Biotech Limited
What type of orders? Sorry, once again, what

Purva Shah - Analyst, GrowBiz Fund
Kind of, uh, what kind of project visibility does POCT have right now?

Ajay Kumar Mahanty - Director and Chief Executive Officer, Q-Line Biotech Limited
Yeah, uh, POCT, uh, POCT projects, new project maybe, uh, because POCT, they are dealing with more than 25 to 30 companies. They are not only the distributor of QLINE Biotech and as As you know, they do many turnkey projects, means basically they operate the total laboratory of any institution, of any hospital. So wherever any this type of PPP model will be there, definitely we'll continue through POC. I'm not sure actually how many projects are there, but of course, otherwise we have already started participating in the tender directly.

And we'll continue to sell directly to the institution.

Purva Shah - Analyst, GrowBiz Fund
And timeline visibility, like, uh, they have projects till FY28, or they have till H1 FY28. Mr. Shah? Hello?

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

Meenal Gupta - Chief Financial Officer, Q-Line Biotech Limited
Thank you all for taking out the time to be a part of our H1 FY27 earnings call. For any further queries or doubts, please write to us or our investor relations team at Stellar IR Advisors, and we'll get back to you as best as possible. Thank you everyone once again for taking out time.

Operator
Thank you very much.

Meenal Gupta - Chief Financial Officer, Q-Line Biotech Limited
Thank you.

Operator
On behalf of QLINE Biotech Limited, that concludes this conference. Thank you for joining us, and you may now disconnect the lines.