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Moderator: Zaid Al-Nafoosi
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Zaid Al-Nafoosi: Hello, ladies and gentlemen, this is Zaid Al-Nafoosi from QNB Financial Services. I want to welcome everyone to Qatar German Medical Devices Company's Third Quarter 2019 Financial Results Conference Call. On this call, we have Mr Saleh Al-Khulaifi, Board Member; Mr Eisa Al-Maslamani, Board Member and Managing Director; Mr Mohammed Sirajudeen, Finance Manager; and Ms Mai Al-Baroudi, Board Secretary and Investor Relations Officer. We will conduct conference call with first management reviewing the Company's results, followed by a Q&A session. Now, I will turn the call over to Ms Al-Baroudi. Go ahead.

Mai Al-Baroudi: Thank you so much for the introduction and thank for all, for your interest in QGMD. This is Mai Al-Baroudi, the Board Secretary and IR. We can start the conference call with our Finance Manager, Mr Mohammed Sirajudeen, and we have shared already the investor relations presentations and our financials already published in our website. And we are ready to start for any questions and answers regarding our situation.

Mohammed Sirajudeen: Hi, good afternoon, this is Mohammed Sirajudeen, Finance Manager for QGM – QGMD, which we call Qatari German for Medical Devices and Company. Thank you for the opportunity. First of all, may I know whether you all can hear me? Hello? Hello?

Zaid Al-Nafoosi: Yes, we can hear you loud and clear.

Mohammed Sirajudeen: Okay, right on. So, I will start up with the Qatari German – the financial results for the end of this quarter. Obviously, Qatari German is in manufacturing medical devices, syringes and IV cannula in the Qatar, and this is the one and only Qatar-based company. And

mostly we are dealing in the local-based customers. Our 72%, 80% is coming from the – our local customers, and we have around 15% to 20% for the exports. However, we have done a very good financials prospect in the previous years and onwards – before, let's say, 2017 onwards. However, after 2017 this Qatar – Qatari German sales got – dropped down. However – hello?

Speaker: Yes, [inaudible 00.02.45], hello?

Mohammed Sirajudeen: Yeah. However, in regards to the – this nine-month result, we have done fairly well. Fairly well – I am not telling we have done brilliant or excellently; we have done fairly okay with the expectations and the current status of the economy in the country. And the major course of this nine months, we have done the re-engineering process in the Company, so we have a lot of changes over there. After considering all these tough, the performance which we have done with our staff, it is well and good as far as my concern.

We have results of, let's say, around the turnover. Before I go to the turnover, I proceed with the – this Company structure. This Company structure is basically a assets-based company. If you see my balance sheets, we have strong assets and we have, supported by our – what do you call? – the shares – the share capital which we issued and have [inaudible 00.03.48] our long-term loan, which is funded by the QDB. QDB is one of the pillar of these Qatari German affiliations. And as a last, QNB also supported us in the financials-wise, and we are going towards and focusing on the other next year.

In this year the nine-month ending up, we have done, with the gross margin, about around 35%, which we are doing together with the trading and the manufacturing divisions. And we have ended up with operational loss of around QR1.4 million. This QR1.4 million is not consisting – the depreciation and as well as the financial costs, which is excluded. So, if I consider these – the financial costs and the depreciation – my total loss is going to be around QR8.4 million.

So, apart from these losses, if you see my balance sheet, my – what do you call? – my efficiencies and the – my capital structure and the working capital requirements, you can see that my balance sheet, which is having almost total non-current assets, which is including property, plant and equipment and also has my inventory together, it's almost QR155 million, which is the total asset which I have it. So, that's what I called – we compare with my assets, and the revenue – my revenue – is not up to the task of the assets. So, my assets, we are – we have invested by looking at the future prospects. And obviously yes, in the last ten years, we couldn't perform well, but we have a very good base right now to moving forward.

Then, if you see my current assets and the – in the – what you call current liabilities. So, current assets which is showing, compared to the last year's in my nine-month performance, it's showing very less, because we have made a lot of collections during this year. And even we put the debt collectors, and we have very much aggressive in the local market, we have changes – our credit returns. Instead of the open credit, we made the secured credit – what do you call? – in the local market and have sold out all the export sales, which is going through the insurance for the open credit, or otherwise it is a advanced payment then. So, that's the reason our – the receivables part is very less when compared to the last year, the same month's performance. And if you see my even current liabilities, current liabilities has come down from QR60 million to QR22 million.

So, my balance sheet I have done fairly good returns with my operational and efficiency methods when comparing to you my revenue generations. My revenue generation we are targeting for the next year onwards – not from this year I am sure. If I'm going to end it up with this year, I may not issue my budget, but definitely the focus is for the upcoming years.

Hello?

Speaker: I don't want –

Zaid Al-Nafoosi: Yes, yes, thank you very much for the presentation. Would you like to continue, or would you like us to start the questions and answers session?

Mohammed Sirajudeen: I have a few highlights of the financials. Apart from the – my balance sheet and final – what do you call? – the company and two income statements. As I rest my concerns, I have improvised my GP margin which was around 10%, and then we rectified – a – that – the difficult task – and we have made it up to 35%. And my debt collection period, it is – was 180 days, but it's – bring back to be 130 days, and we reduce basically our general overhead by 10%. And remaining is, as I mentioned to you, the operational efficiency we have managed. Thank you very much.

Zaid Al-Nafoosi: Thank you very much, Sirajudeen.

Mai Al-Baroudi: Thank you for that. I'll start? I would like to take –

Zaid Al-Nafoosi: Yes, we can actually start with the questions – sorry. Sorry, go ahead, Mai, sorry about that.

Mai Al-Baroudi: No, that's fine. This is Mai speaking. I would like to highlight for a few things about QGMD, because the QGMD is one of the leading manufacturers of medical devices in the Middle East, and we are also the one only in Qatar as a manufacturing company and our **liaison[? 00.08.10]** in Ministry of Public Health is number one. So, that means we have the opportunity to be the first and the only manufacturing company in Qatar, purely manufacturing from raw material until the finished goods.

So, I would like also to highlight that – and to advise everyone that we are now promoting our name, and we are going to rebrand our QGMD. And we advise everyone to have a visit for the

factory and the plant, because it's a master-of-art, actually. And we are recognized by the ISO, and we are registered in many companies and countries in USA, for our products are registered there and Russia. And we have also developed the divisions of the QGMD, not only known for manufacturing: we have a trading arm, we have – we are expanding our portfolio and we have also developed services – medical services. We have arranged an agreement with Eastwood, one of the well-known training establishments in UK, and they are available in HMC now as a client; we are their exclusive distributor in Qatar for their services.

And we have developed also the sterilization services, because sterilization is one of the processes of our QGMD manufacture of our products, and we have developed and also signed an agreement with Al-Jazira medical for providing such services. So, we have developed a lot of things and also, we are working with the ministry of industry for – trade and industry about the patents – the new patent for safety syringe.

So, we have developed a lot of things under QGMD umbrella, and we are expanding. And we are expecting the better opportunity in 2020, and we are also working on a turnaround strategy to overcome our financial position. So, thank you so much.

Zaid Al-Nafoosi: Thank you, Mai, for that. If you guys don't have more comments or concerns about the statements, we can actually start the Q&A session – if any.

Mohammed Sirajudeen: Sure.

Operator: Mr Zaid, can I open the Q&A?

Zaid Al-Nafoosi: Yes, please.

Operator: Thank you. Dear participants, if you would like to ask a question, please signal by pressing star one on your telephone keypad. If you are using a speakerphone, please make sure your mute function is turned off to allow your signal to reach our equipment. Again, press star one to ask a question. We'll pause just for a moment to allow everyone an opportunity to signal for questions.

We have our first question from Christopher Schroeter from Private Investor. Please go ahead, sir.

Christophe Schroeter: Yes, thank you very much. Thank you very much also for the presentation so far. I have two or three short questions. First would be that your net loss for the first nine months, as you have also mentioned, now stands at around QR8.4 million and which is an increase on losses of around 50%. What is the strategic actions that the management is now taking to turn to profitability, and also when do you expect to return to profitability?

Mohammed Sirajudeen: Yeah, it is well noted by the Board of Directors and our executive team that majorly the losses throughout the operational – and has led to depreciations, which is also contained in the particular losses. So, our turnaround strategy, what we are trying to do we propose to them: one is the – to increase our share capital – first one; and the second one we have done, instead of we are keeping separate our – we are keeping only manufacturing things over here, we are going to speed down with the trading department and the – as a service providing and isolate the new projects division, which – we are working on that one, instead of we are just working only for the manufacturing division, which we have expanded up our – of our business operation. Like in our basic – well, most our former view was, previously just to manufacture syringes and export – and export in the local market. But we have changed to the different – the what you call? – we change the business strategy or business model for the – like a multifunctioning company over here, because we analyzed it; the local market is not sufficient,

so we had to go for the – our export market very well. So, the key decision – we took it during this year or this quarter – is the pricing strategy to increase the export sales.

So, I wanted to increase my export sale, which should be 80% of my capacity. So, this is what we have done, and we approach – we have done a lot of the changes in the pricing strategies, and we already worked out. So, definitely, there will be a big turnaround in the upcoming years.

Christophe Schroeter: Okay, thank you. And another sort of question around – so at the moment, you have around QR680k cash available. How long do you think this will remain to finance the operations of the companies, and when do you think you need a new tack?

Mohammed Sirajudeen: Actually, the questions we are looking at are the cash balances. We were – forecast our budget based on the upcoming collection. If you see my trade receivables, which is QR2 million, I have almost the order confirmations. And as the last year, we are working for the upcoming budget, which I am forecasting with the positive way – it's around QR20 million for the upcoming. For that one, QDB is supporting us for the – any raw material purchases. And as the last working [inaudible 00.14.31] requirement, we approached the QDB; they offered the financial supports already. And that is the reason they are doing the turnaround strategy. By end of December, we will come to know where we are, and what – where we want to go based on that one; the financial support will be done.

And not only that one. We are working for the new investor; we open up for the – our JV partners and have already new investors and the – or any operators – interested operator who are willing to join the hands together with us. We are working together with the QDB for – to have a turnaround strategy, and we hired our specialized persons for this particular task also.

Yes, your point is well taken. QR680,000 is my cash flow, but if you see my – the last few months we have done very well, and we have booked almost another QR4 million sales –

upcoming sales. And we – you see my inventory, almost – my inventory is QR11 million, in which QR2 million is my spare parts[? 00.15.34]. So, apart from that one, QR9 million I have in my inventory, so I have only to get my inventory to cash – cash my money. So, the plan is already done, and we held it by the order booking. Definitely, we will move forward without any problem.

Christophe Schroeter: Okay. Okay, perfect. I see that, thank you very much.

Mohammed Sirajudeen: Yes.

Operator: Dear participants, once again if you'd like to ask a question, please press star one from your telephone keypad.

We do not see any questions at this time, sir.

Zaid Al-Nafoosi: Well, if that's the case then –

Operator: We have our next question –

Zaid Al-Nafoosi: Go ahead, please.

Operator: We have our next question, sir. We have our next question from Vishal Gupta, Rasmala Investment Bank. Please go ahead, sir.

Gupta Gupta: Yeah, hello. Yeah, thank you for the call.

Zaid Al-Nafoosi: Hi.

Vishal Gupta: I just wanted just to get an idea of what is your current capacity and utilization? And when you say it – on export markets, you're going to get 80% of the capacity from export markets, is that correct?

Mohammed Sirajudeen: First of all, I will tell you, 100% we are using only 10% of my capacity. Okay? Or less than 10% of my capacity we are using, so that's the reason I said that I am going to expand my export market by the pricing strategy. I am dealing – I am challenging indeed the world giants I am telling you – I don't want to mention the name – they are world giants in this particular industry. And on – very proudly I am saying I 'bided' for a few government international organizations better than their prices, which means last year order prices – better than the last year prices. I have done my task, I have done my exercise very well, and I am on the cards right now in the international market, which I have done it.

So, as I'm telling you, yes, I am using a very, very less amount of my original capacity, and as I told you, there is huge room for the international operator who is willing to join together with us. And they all are welcome; I can do that one, or we can do that one.

Vishal Gupta: Okay, and what is your current capacity at? How many units?

Mohammed Sirajudeen: We can do almost 10 million pieces in a month. Okay? Or we can – if we – at current capacity –

Vishal Gupta: Yes.

Mohammed Sirajudeen: – if I increase a little bit my manpower and other staff, I can go about that one also, because we have huge assets; we have very huge assets, no – no – and these assets are very much compatible in the world market; it is – it's almost number one in the world market.

Vishal Gupta: Okay. And just to follow up on one of your earlier comments, you said some strategic actions and to add services to the business operation. What kind of services are we looking at to be added?

Mohammed Sirajudeen: Actually, we have – let's say we are providing at the moment the services for these – I have mentioned a range – we have installed in the medical clinic in Hamad, a medical hospital over here. And apart from that one, we are providing these specialized medical services for the people who are working in the hospital, and specialized equipment handling and everything. And apart from that one, we are trying – we are trying to create some – the local-based elderly services, which we are – on the card, that one.

And we evaluating the fiscal study also, and we – how much is the investment validated? And this has a major solution, which is going to bring the huge revenue to the Company. And there are a couple of projects on card; apart from these in progress, there are a couple of projects on card, and we are working on that one.

Vishal Gupta: And just one last question from my side. What export markets are you looking at?

Mohammed Sirajudeen: Actually, we already entered to the Europe market. For your information, we are through the – one of the distribution channels; they received already our company. And apart from that one, we entered to the Australian market and African market. And as of last year, we are getting some proposals for the North America also. So, these are the major – our market zone of the segment which we are going to operate in future.

Vishal Gupta: All right, thank you so much.

Mohammed Sirajudeen: All right.

Operator: Dear participants, if you would like to ask a question, please press star one from your telephone keypad. It appears there are no further questions, at this time. I would like to turn the conference back to you, sir, for any additional or closing remarks.

Zaid Al-Nafoosi: Thank you, Rabia, very much. And I would like to thank all the attendees for being on this call, especially Mr Al-Khulaifi, Mr Al-Maslamani, Mr Sirajudeen and Ms Al-Baroudi for the presentation, answering questions and their time with us today. With that, we conclude this conference call. If you wish to do so, you may hang up now, and goodbye. Thank you.

Mohammed Sirajudeen: I appreciate.

Mai Al-Baroudi: Thank you.

Zaid Al-Nafoosi: Thank you.

Operator: This concludes today's call. Thank you for your participation. You may now disconnect.