

MEDPLUS HEALTH SERVICES LIMITED

Issue highlights

- Medplus Health Services Limited (“Medplus”) was incorporated on November 30, 2006. Medplus is the **2nd largest pharmacy retailer in India**, in terms of (i) revenue from operations for the financial year 2021, and (ii) number of stores as of March 31, 2021. Medplus offers a wide range of products, including (i) pharmaceutical and wellness products, including medicines, vitamins, medical devices and test kits, and (ii) fast-moving consumer goods, such as home and personal care products, including toiletries, baby care products, soaps and detergents, and sanitizers.
- The company has maintained a strong focus on scaling up their store network, having grown from operating their initial 48 stores in Hyderabad at the conception of their business to operating India’s 2nd largest pharmacy **retail network of over 2,000 stores** distributed across Tamil Nadu, Andhra Pradesh, Telangana, Karnataka, Odisha, West Bengal and Maharashtra, as of March 31, 2021.
- Medplus started actively focussing on online sales in the financial year 2020. As part of their focus on “**speed**” and “**convenience**” as a customer value proposition for customers who place an order online to receive delivery of their purchased products, they offer delivery for online purchases in the cities in which they have stores. They are now able to **deliver their customers’ online purchases within 2 hours of purchase in select cities** of Hyderabad, Bangalore, Kolkata, Pune and Nagpur.
- Medplus employs a data analytics driven **cluster-based approach to their store network expansion**. Their cluster-based approach to store network expansion is also driven by their understanding of the catchment demographics, market dynamics, and their ability to support store expansion with back-end infrastructure, such as warehouses and distribution centres.

Brief Financial Details*

(₹ In Cr)

	As at Sep’ 30,		As at Mar’ 31,		
	2021(06)	2020(06)	2021(12)	2020(12)	2019(12)
Equity Share Capital	6.44	0.19	0.45	0.19	0.19
Reserves	794.54	590.15	730.11	527.61	291.14
Net worth as stated	800.98	590.34	730.55	527.80	291.34
Revenue from Operations	1,879.92	1,462.56	3,069.27	2,870.60	2,272.74
Revenue Growth (%)	28.54%	-	6.92%	26.31%	-
EBITDA as stated	169.64	106.56	238.21	150.96	131.35
EBITDA Margin (%)	9.02%	7.29%	7.76%	5.26%	5.78%
Adj. EBITDA as stated	166.24	141.55	270.38	174.74	130.43
Adj. EBITDA Margin (%)	8.84%	9.68%	8.81%	6.09%	5.74%
Profit Before Tax	83.56	37.28	95.10	29.36	22.75
Net Profit for the period	66.37	22.27	63.11	1.79	11.92
EPS - Basic (₹)	6.16 [^]	2.18 [^]	5.99	0.21	1.33
EPS - Diluted (₹)	5.99 [^]	2.09 [^]	5.75	0.20	1.27
RoNW (%)	8.35%	3.83%	8.74%	0.41%	4.09%
NAV – Basic (₹)	73.71	56.93	68.48	50.90	32.55
NAV – Diluted (₹)~	71.67	54.58	65.73	48.80	31.00

Source: RHP *Restated Consolidated, ^ not annualised, ~EPS and NAV calculated on increased share capital

Issue Details

Offer for sale of Equity Shares aggregating upto ₹ 1,398.30 Cr
 (Fresh Issue of Equity shares aggregating upto ₹ 600 Cr and Offer for sale of Equity shares aggregating upto ₹ 798.30 Equity shares).

Issue size: ₹ 1,398.30 Cr

No. of shares: 17,933,981 – 17,573,342

Face value: ₹ 2/-

Employee Reservation: Equity shares aggregating upto ₹ 5 Cr

Price band: ₹ 780 - 796

Bid Lot: 18 Shares and in multiple thereof

Employee Discount: ₹ 78/- per share

Post Issue Implied Market Cap:

₹ 9,318 – 9,497 Cr

BRLMs: Axis Capital, Credit Suisse Securities, Edelweiss Financial, Nomura Financial

Registrar: KFin Technologies Pvt Ltd

Issue opens on: Monday, 13th Dec’2021

Issue closes on: Wednesday, 15th Dec’2021

Indicative Timetable

Activity	On or about
Finalisation of Basis of Allotment	20-12-2021
Refunds/Unblocking ASBA Fund	21-12-2021
Credit of equity shares to DP A/c	22-12-2021
Trading commences	23-12-2021

Issue break-up (Issue Size)

	No. of Shares		₹ In Cr	% of Issue
	@Lower	@upper		
QIB	8,931,377	8,751,852	696.65	50%
NIB	2,679,414	2,625,556	208.99	15%
RET	6,251,965	6,126,297	487.65	35%
EMP	71,225	69,637	5.00	-
Total	17,933,981	17,573,342	1,398.30	100%

Listing: BSE & NSE

Shareholding (No. of Shares)

Pre issue	Post issue~	Post issue^
111,761,165	119,460,595	119,305,676

~@Lower price Band ^@ Upper Price Band

Shareholding (%)

	Pre-Issue	Post-Issue
Promoters	43.16%	40.43%
Public – Selling Shareholders	25.61%	15.59%
Public - Others	30.85%	43.62%
Employee Trust	0.38%	0.36%
Total	100.00%	100.00%

BACKGROUND

Company and Directors

The company was incorporated as 'MedPlus Health Services Private Limited' at Hyderabad on November 30, 2006.

Gangadi Madhukar Reddy, Agilemed Investments Pvt Ltd; and Lone Furrow Investments Pvt Ltd are the promoters of the company, Currently, the Promoters cumulatively hold 48,233,135 Equity Shares constituting 43.16% of the issued, subscribed and paid-up pre-Offer Equity Share capital of the company.

Brief Biographies of Directors

Gangadi Madhukar Reddy is the Managing Director and Chief Executive Officer of the company. He is one of the Promoters of the company and has been a Director of the company since incorporation on November 30, 2006.

Anish Kumar Saraf is the Non-Executive Director of the company. He is the managing director of Warburg Pincus India Pvt Ltd and has been in the employment of the company for 15 years.

Atul Gupta is the Non-Executive Director of the company. He has over 13 years of experience in the investment industry.

Murali Sivaraman is the Non-Executive Independent Director of the company. He was previously associated with Philips Lighting.

Madhavan Ganesan is the Non-Executive Independent Director of the company. He has over 34 years of experience in various companies in the retail, technology and the industrial sectors.

Hiroo Mirchandani is the Non-Executive Independent Director of the company. Her business career has primarily been in the healthcare and consumer goods sectors.

Key Managerial Personnel

Cherukupalli Bhaskar Reddy is the Chief Operating Officer – outlet operations of the company. He joined the company on March 1, 2007. He has over 14 years of experience in the pharmaceutical industry.

Surendranath Mantena is the Chief Operating Officer – MedPlus Mart of the company. He joined the company on October 1, 2010.

Hemanth Kundavaram is the CFO of the company. He joined the company on January 2, 2021. He has over 15 years of experience in corporate finance and accounting in various industries.

Parag Jain is the company secretary and compliance officer of the company. He joined the company on March 10, 2014. He has 14 years of experience as a company secretary.

OFFER DETAILS

The Offer	Amount	No. of Shares
Fresh Issue	₹ 600.00 Cr	Upto 7,699,430~ - 7,544,511^ Equity Shares
Offer for Sale	₹ 798.30 Cr	Upto 10,234,551~ - 10,028,831^ Equity Shares

~@Lower price Band ^@ Upper Price Band

SHAREHOLDING PATTERN

Shareholders	Pre-offer		No. of Shares offered^	Post-offer	
	Number of Equity Shares	% of Total Equity Share Capital		Number of Equity Shares	% of Total Equity Share Capital
Promoter and Promoters Group	48,233,135	43.16%	-	48,233,135	40.43%
Total for Promoter and Promoter Group	48,233,135	43.16%	-	48,233,135	40.43%
Public – Selling Shareholders	28,627,520	25.61%	10,028,831	18,598,689	15.59%
Public - Other	34,473,290	30.85%	-	52,046,632	43.62%
Total for Public Shareholder	63,100,810	56.46%	10028831	70,645,321	59.21%
Shares held by Employee Trust	427,220	0.38%	-	427,220	0.36%
Total for Shares held by Employee Trust	427,220	0.38%	-	427,220	0.36%
Total Equity Share Capital	111,761,165	100.00%	10,028,831	119,305,676	100.00%

^ shares offered at upper band

BUSINESS OVERVIEW

Medplus Health Services Limited (“**Medplus**”) is the 2nd largest pharmacy retailer in India, in terms of (i) revenue from operations for the financial year 2021, and (ii) number of stores as of March 31, 2021. Medplus offers a wide range of products, including (i) pharmaceutical and wellness products, including medicines, vitamins, medical devices and test kits, and (ii) fast-moving consumer goods, such as home and personal care products, including toiletries, baby care products, soaps and detergents, and sanitizers.

The Company was founded in 2006 by Gangadi Madhukar Reddy, the Managing Director and Chief Executive Officer, with the vision to set up a trusted pharmacy retail brand that offers genuine medicines and delivers better value to the customer by reducing inefficiencies in the supply chain using technology. Their operations are primarily distributed between the Issuer and Subsidiaries.

The company has maintained a strong focus on scaling up their store network, having grown from operating their initial 48 stores in Hyderabad at the conception of their business to operating India’s 2nd largest pharmacy retail network of over 2,000 stores distributed across Tamil Nadu, Andhra Pradesh, Telangana, Karnataka, Odisha, West Bengal and Maharashtra, as of March 31, 2021.

Stemming from their focus on growing and achieving leadership in the key cities where they operate, for the financial year 2021, their share of the organized pharmacy retail market, based on revenue from operations, in Chennai, Bangalore, Hyderabad and Kolkata stood at approximately 30%, 29%, 30% and 22%, respectively. Their number of stores has grown since the conception of their business and, as of September 30, 2021, they operated 546 stores in Karnataka, 475 stores in Tamil Nadu, 474 stores in Telangana, 297 stores in Andhra Pradesh, 224 stores in West Bengal, 221 stores in Maharashtra and 89 stores in Odisha.

City	Number of Stores					
	September 30, 2021	As of 31 st March				
		2021	2020	2019	2015	2010
Telangana	474	435	365	352	288	181
Andhra Pradesh	297	263	226	213	152	125
Karnataka	546	514	485	457	340	166
Tamil Nadu	475	447	373	348	231	101
West Bengal	224	183	148	139	105	22
Maharashtra	221	166	113	93	65	40
Odisha	89	73	65	51	18	0
Total	2,326	2,081	1,775	1,653	1,199	635

Medplus has continued to expand their store footprint in key cities where they operate:

City	Number of Stores					
	September 30, 2021	As of 31 st March				
		2021	2020	2019	2015	2010
Chennai	304	286	264	246	185	62
Bangalore	340	330	311	281	244	110
Hyderabad	331	299	274	259	234	141
Kolkata	224	183	148	139	105	22
Total	1,199	1,098	997	925	768	335

Medplus employs a data analytics driven **cluster-based approach to their store network expansion**. Their cluster-based approach to store network expansion is also driven by their understanding of the catchment demographics, market dynamics, and their ability to support store expansion with back-end infrastructure, such as warehouses and distribution centres. This approach and understanding allow them to:

- Create brand visibility within the cities where they operate, through focused implementation of marketing and advertising initiatives,
- Increase their market share in the cities where they operate,
- Replicate their growth model in adjacent underserved cities and towns, as they develop their presence in those clusters, and
- Generate cost efficiencies due to operating leverage achieved in their supply chain and inventory management.

Their cluster-based expansion approach and replicable store roll-out strategy have allowed them to achieve and maintain attractive and healthy store level economics. For the financial year 2021, their average revenue per store was approximately ₹1.59 crore, as compared to the average revenue per store in the domestic pharmacy retail

industry of approximately ₹0.23 crore. Between the April 1, 2018 and the September 30, 2021, Medplus opened an aggregate of 1,158 new stores and as of March 31, 2021, over 60% and 75% of their new stores achieved a positive Store Level Operating EBITDA within the first 3 months and first 6 months of operations, respectively. Further, as of September 30, 2021, their Mature Stores had a median payback period of less than 3 years and demonstrated a compounded average same store sales growth of 8.30% on maximum retail price (“MRP”) from financial year 2019 to financial year 2021. For the financial year 2021 and the 6 months ended September 30, 2021, their Store Level Operating EBITDA Margin for Mature Stores was 11% and 11.58% respectively, and their Store Level Operating ROCE for Mature Stores for the financial year 2021 was over 60%.

Medplus is the first pharmacy retailer in India to offer an omni-channel platform. Commencing in 2015, their customers could either visit their stores or access their offerings online, through their website and mobile application. Through this omni-channel model, they seek to:

- Deepen and extend their customer reach for each of their stores,
- Enhance “convenience” as a core customer value proposition, and
- Retain customers within their ecosystem. Accordingly, their customers have multiple options to transact with them, including
 - Purchasing products at one of their stores, or
 - Placing an order through a telephone call to receive delivery of their purchased products, or
 - Placing an order online to receive delivery of their purchased products, or
 - “Click and Pick”, by placing an order online and picking up their purchased products from one of their stores.

Medplus started actively focussing on online sales in the financial year 2020. As part of their focus on “speed” and “convenience” as a customer value proposition for customers who place an order online to receive delivery of their purchased products, they offer delivery for online purchases in the cities in which they have stores. They are now able to deliver their customers’ online purchases within 2 hours of purchase in select cities of Hyderabad, Bangalore, Chennai, Kolkata, Pune and Nagpur.

The recent pilots conducted in July, 2021, have showed promising results where 93% of online delivery purchases were delivered within 2 hours in select micro-markets of Hyderabad. They expect to expand these services in cities such as Mumbai by December 31, 2021.

Company’s business operations across the entire value chain are backward integrated and are wholly-managed and operated by them. Their operations are supported by their technology-driven supply chain and distribution infrastructure, organized in a **hub-and-spoke model**.

As of September 30, 2021, they have a primary warehouse, in each of Bangalore, Chennai, Hyderabad, Vijayawada, Kolkata, Pune, Bhubaneshwar, Mumbai and Nagpur. These warehouses are supported by smaller warehouses in cities where they have higher store density. They manage their fleet of vehicles and delivery personnel to facilitate the transportation of inventory between their warehouses and stores.

Company’s supply chain is supported by an algorithm driven automated replenishment and stock picking system that is driven by a real time inventory analytics platform. They generally procure their inventory directly from pharmaceutical companies. Their product offering is enhanced by their curated selection of private label products, from which they are able to derive higher margins while maintaining quality.

Their business operations are led by a qualified and experienced management team, comprised of individuals who come from diverse backgrounds and various fields of expertise, such as medicine, finance, business and technology. The founder, Managing Director and Chief Executive Officer of the company, Gangadi Madhukar Reddy, both a doctor and an entrepreneur, plays an instrumental role in the strategic direction and growth of their business. Company’s shareholders include marquee investors, including **Lavender Rose**, belonging to the **Warburg Pincus group**, and affiliates of **Premji Invest**.

The company has an established track record of delivering strong financial performance.

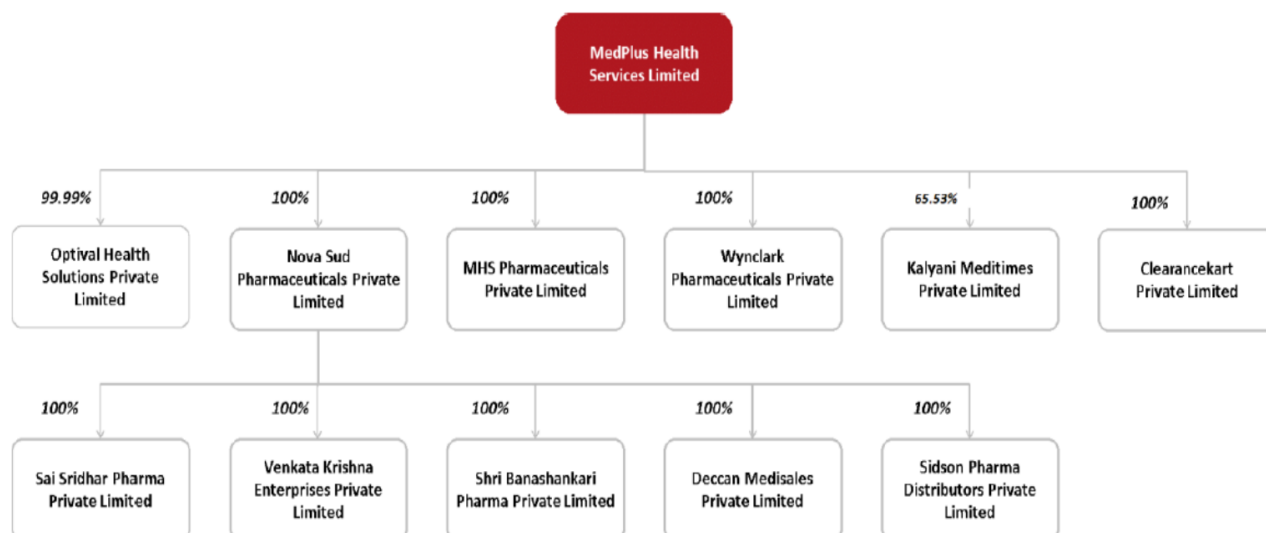
- For the Financial years 2019, 2020 and 2021 and the 6 months ended September 30, 2021, the profit after tax and profit after tax margin was ₹11.92 crore and 0.52%, ₹1.79 crore and 0.06%, ₹63.11 crore and 2.06% and ₹66.37 crore and 3.53%, respectively.

- The Adjusted EBITDA grew at a CAGR of 43.98% from ₹130.43 crore in financial year 2019 to ₹270.38 crore in FY2021, and was ₹166.24 crore in the 6 months ended September 30, 2021.
- The Operating EBITDA grew at a CAGR of 63.21% from ₹65.73 crore in financial year 2019 to ₹175.06 crore in FY2021, and was ₹107.85 crore in the 6 months ended September 30, 2021.
- The Operating ROCE for the financial years 2020 and 2021 and the 6 months ended September 30, 2021 was 19.87%, 26.08% and 13.40%, respectively.

COMPANY BUSINESS OPERATIONS

Company's operations are primarily distributed between the Issuer and its subsidiary companies, and include the manufacturing and contract manufacturing of private label pharmaceutical, wellness and FMCG products, wholesale and retail sale, import, distribution, and pathology diagnostic laboratory testing.

A corporate chart setting out their group structure is below.



Whilst their private label manufacturing and contract manufacturing business (since December 2020) and pathology laboratory testing business is carried out through the Issuer, their wholesale and retail sales operations, including sales to franchisees, are carried out through their subsidiary, Optival Health Solutions Pvt Ltd.

Within their pharmacy retail business, their product mix primarily comprises of branded pharmaceutical products, private label pharmaceutical products, branded fast-moving consumer goods and private label consumer goods. For the financial year 2021 and the 6 months ended September 30, 2021, over 3-quarters of their revenue was derived from the sale of branded pharmaceutical products (76.8% and 74.9% respectively), with private label pharmaceutical products including trade generics (5.6% and 6.7% respectively), branded fast-moving consumer goods (12.9% and 11.6% respectively) and private label fast-moving consumer goods (4.8% and 6.9%) constituting the rest.

As on September 30, 2021, they had a total of 15,620 permanent full-time in-house employees working for them in a range of business activities.

Company Stores

As of September 30, 2021, through their subsidiaries, **Medplus operated 2,326 stores in 261 cities across the states of Telangana, Andhra Pradesh, Karnataka, Tamil Nadu, West Bengal, Maharashtra and Odisha**, with an aggregate retail space of approximately 1.36 million square feet ('msf'). Their store network is spread across urban and rural areas, with stores located in corporate campuses, retail parks, malls, high streets and corner stores. Over 95% of their stores are operated and managed exclusively by them, with the rest through a franchisee-network.

Omni-channel platform

Company's omni-channel platform enables them to service their customers through their stores as well as their online channels, thereby enabling them to leverage their strong offline channel to establish and grow their online presence. Their 'click and pick' service allows customers to place orders directly online for collection at their

preferred store at a convenient time. Their customers also have the option to return any items purchased through their online channel at their preferred stores, subject to the standard terms and conditions. Through their 'door-to-door' delivery service, in the cities of Hyderabad and Bangalore, their customers can place orders over the telephone, through their website or their mobile application. They were the first omni-channel player to offer these facilities in 2015 and as of March 31, 2021 and September 30, 2021, approximately 8.98% and 8.44% of their revenue from operations was attributed to online sales, respectively.

Pricing

Medplus offers one of the highest discounts that are unmatched by any online or offline pharmacy retailer in India. Further, their strategy allows them to effectively segment the market by offering higher discount to the price-sensitive chronic customers who typically purchase medication for a longer duration and thereby have a higher average order value. At the same time, they offer lower discounts to other customers who value convenience. For products other than branded pharmaceutical and FMCG products, the discounts are varied at a product level.

A transparent slab-based discounting model followed by the company:

Average Order Value (excl. GST)	Discount	
	(% of Maximum Retail Price) on Branded and Private label Pharmaceutical Products	(% of Maximum Retail Price) on Branded and Private Label FMCG products [^]
Greater than ₹ 1,000	Up to 20% *	Up to 10%
Between ₹ 200 to ₹ 1,000	Up to 10%	Up to 10%
Below ₹ 200 [~]	0%	0%

*Up to 20% discount is offered for bills above ₹ 1,000 across online and offline stores except the stores operating in Odisha and stores operating in hospitals.

[^] Discount of up to 5% on MRP or any manufacturer sponsored discounts or any special discounts on their private label whichever is higher

[~] Minimum threshold of ₹ 200 in Hyderabad and Bangalore. In all other cities minimum threshold is ₹ 50.

Supply chain and distribution infrastructure

As on June 30, 2021, they had 18 warehouses in 9 cities across 7 states, with an aggregate warehouse space of approximately 0.34 msf. The table below sets out the number of warehouses in each state as of June 30, 2021:

State	No. of Warehouses as on June 30, 2021
Telangana	4
Tamil Nadu	4
Karnataka	3
Maharashtra	3
Andhara Pradesh	2
West Bengal	1
Odisha	1
Total	18

MANUFACTURING

Medplus has 3 manufacturing plants in Telangana, located at Jeedimetla, Moosapet and Pashamylaram. At their plant at Jeedimetla, **they manufacture a range of plastic products including medicine trays, nebulisers, vaporisers, plastic bottles and caps**, and other plastic products in relation to the promotions offered by their company. They manufacture optical frames and spectacles at their plant at Moosapet and liquid disinfectants, toiletries and cosmetics at their plant at Pashamylara.

Installed capacity and capacity utilisation of the production plants

Location	6 months ended Sep'30, 2021			Financial Year 2021			Financial Year 2020			Financial Year 2019		
	Installed Capacity (in Nos.) [^]	Production Capacity (in Nos.)	% Utilisation	Installed Capacity (in Nos.)	Production Capacity (in Nos.)	% Utilisation	Installed Capacity (in Nos.)	Production Capacity (in Nos.)	% Utilisation	Installed Capacity (in Nos.)	Production Capacity (in Nos.)	% Utilisation
Jeedimetla	2,042,218	86,330	4.23%	3,581,647	30,224	0.84%	3,581,647	12,031	0.34%	3,049,412	Nil	Nil
Moosapet	36,000	7,238	20.00%	72,000	22,005	31.00%	72,000	26,036	36%	72,000	22,218	31.00%
Pashamylara	660	621	94.09%	1,320	683	51.77%	1,320	370	28%	1,140	206	18.00%

[^]The installed capacity is for the 6 months period; The production in the Jeedimetla plant commenced in the financial year 2020.

COMPETITIVE STRENGTHS

- **India's Second Largest Pharmacy retailer**

Medplus is the 2nd largest pharmacy retailer in India, in terms of revenue from operations for the financial year 2021, and number of stores as of March 31, 2021. They expect that their well-established brand, genuine and good quality pharmaceutical products offering, wide product offering, ability to achieve high fulfilment rates, offering of neighbourhood convenience with large store footprint, and ability to offer competitive pricing to their customers, will continue to drive their gains in market share.

Company's large scale of operations, value proposition to customers, business model and cost efficient operations, has driven their growth and has allowed them to be profitable, despite their pricing and discounting strategy.

- **Established Brand and Value Proposition to Customers**

The "MedPlus" brand has a history and track record of over 15 years, and it has become a well-established brand that they have positioned to stand for genuine and good quality pharmaceutical products that are offered at affordable prices.

Medplus offers a strong value proposition to a wide range of customers, including:

- **Value Pricing:** Over a period of time, as they have built scale, they have continued to further reduce their costs that have allowed them to deliver more value to customer in the form of discounts. They offer lower discounts to customers with time-sensitive acute therapeutic needs and lower order value, as compared to higher discounts for price sensitive customers with chronic therapeutic needs and larger order value.
- **Convenience and Fulfilment:** Medplus focuses on offering convenience to their customers by making a wide range of products available across their offline and online channels. This has helped the company to stock the appropriate selection and amount of products at their stores and also make helpful product suggestions to their customers, to target high fill rates.
- **2-hour delivery capability:** With their wholly-managed and operated last-mile delivery infrastructure from their stores, Medplus was able to deliver their customers' online purchases within 2-hours of purchase, in select cities.
- **Engagement:** Company's stores present a consistent and uniform customer experience of offering genuine and good quality pharmaceutical products and fast-moving consumer goods at affordable prices. Their stores are operated by trained staff.
- **Successful Track Record of Expansion Using a Distinct Cluster-based and Replicable Store Unit Expansion Approach**

Medplus has grown from operating their initial 48 stores in Hyderabad at the conception of their business in 2006 to operating India's 2nd largest pharmacy retail network of over 2,000 stores. They focus on extending and maintaining an efficient supply chain and distribution network to support the growth of established and new clusters. Leveraging their cluster based expansion approach; they have experienced substantial growth in terms of their number of stores.

At the same time, their streamlined and methodical store opening process, and focus on the sustainability and profitability of each store, has allowed them to maintain healthy store level economics. Between the April 1, 2018 and the September 30, 2021, they opened an aggregate of 1,158 new stores and as of March 31, 2021, over 60% and 75% of their new stores achieved a positive Store Level Operating EBITDA within the first 3 months and first 6 months of operations, respectively. Further, as of September 30, 2021, their Mature Stores had a median payback period of less than 3 years and demonstrated a compounded average same store sales growth of 8.3% on MRP from financial year 2019 to financial year 2021.

- **High Density Store Network Enhancing Omni-channel Proposition**

The omni-channel proposition to their customers leverages their existing store networks and supply chain and distribution network to offer a differentiated offering to their customers. The omni-channel proposition allows them to (i) deepen and extend their customer reach from, and expand the total addressable market for, each of their stores, (ii) further enhance "convenience" as one of their core customer value propositions, (iii) lower incremental

cost of operations for online deliveries (as their stores act as branding sites and lower cost of online customer acquisition), and (iv) retain offline and online customers within their customer ecosystem.

Medplus is well-positioned to benefit from a fast-growing India e-commerce pharmacy retail market, especially given their significant existing online operations, their pricing and discounting strategy, and their last mile delivery capabilities. Company's business model, large scale of operations and cost-efficient operations allow them to be profitable, as compared to many of the major e-pharmacy players, despite their pricing and discounting strategy.

- ***Lean Cost Structure and Technology Driven Operations***

Company's scale of operations, wholly-managed and operated supply chain and distribution infrastructure, strong and integrated technology backbone, and focus on maintaining cost efficient operations gives them an advantage over their competitors.

Key attributes of their cost structure and technology driving their operations includes:

- *Cost efficient procurement;*
- *Efficient management and operation of infrastructure;*
- *Technology driven operations;*
- *Large scale of operations leading to economies of scale.*

- ***Well Qualified, Experienced and Entrepreneurial Board and Senior Management Team***

Company's business and operations are led by a well-qualified, experienced and capable management team, who come from diverse backgrounds and various fields of expertise, such as medicine, finance, business and technology. Three members of their senior management team are doctors, and intimately understand their business, industry and the competitive landscape. Additionally, the Board of Directors is supported by an experienced management team, many of whom have worked with them for several years. The Board of Directors and senior management provides them with a significant competitive advantage as they seek to expand their store network and increase their operating efficiency and profitability.

KEY BUSINESS STRATEGIES

- ***Strengthen the Market Position by Increasing Store Penetration in Existing Clusters and Developing New Clusters***

They intend to capitalize on the shift from unorganized to organized retail of pharmaceutical products in India. They also intend to enter into one to two new states every year. To establish their presence in new geographies, they intend to use their cluster based approach and replicable store roll-out process. They expect to be able leverage their brand equity in those states to grow these new clusters.

- ***Further Develop the Omni-channel Platform with a Hyper-local Delivery Model***

The company plans to further develop their omni-channel platform with the aim to increase online sales revenue contribution to their total revenue from operations. They intend to leverage their growing store network and focus on deliveries through their growing number of larger format stores. They aim to leverage (i) their ability to offer competitive prices and high rates of online delivery purchases reaching their customers within 2 hours to increase customer stickiness and retention and (ii) their online sales channel as a strategic avenue to increase the scale of their business and at the same time optimize their profit margins.

- ***Increase the Share of Private Labels and Enhance the Stock Keeping Unit ("SKU") Mix***

Medplus derives higher gross margins from sales of private label products and they intend to increase the range of private label products. They are well-positioned to purchase and stock more private label products, as they are less constrained by minimum order quantity requirements imposed by suppliers due to the scale of the purchases they are able to make. This would, in turn, allow them to offer their customers a wider range of private label products. They also intend to continue to enhance the SKU mix at their stores in terms of branded FMCG products, in line with the relevant consumer preferences.

- **Enhance Revenue and Increase Customer Wallet Share Through Continued Investment in Technology Infrastructure and Expansion into Adjacent Healthcare Vertical**

Investing in and enhancing their customer facing mobile application and customer facing features on their website will allow them to better analyse and manage customer interactions and related data and insights throughout the customer lifecycle, with the goal of understanding their requirements, creating a long-term relationship with customers, building customer retention and driving sales. This will also allow them to understand their customers' consumption patterns and preferences.

- **Continue to Increase Operating Efficiency and Enhance Supply Chain Management to Drive Profitability**

The company intends to continue improving their supply chain and distribution infrastructure to increase their operating efficiency and to enhance their supply chain management. As one of their key initiatives to increase operating efficiency, they plan to increase automation at their warehouses, for processes such as sorting, labelling and packaging. They also plan to increase the proportion of their product procurement conducted directly through pharmaceutical companies or their carry forward agents, as this would enable them to increase their gross margins.

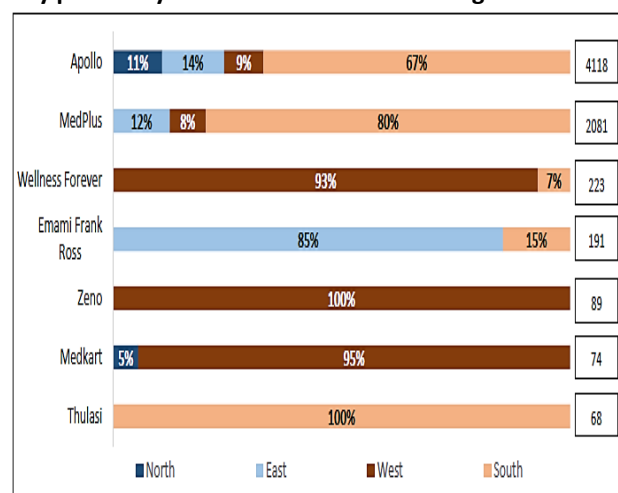
INDUSTRY OVERVIEW

Comparison of certain metrics of Players in the Pharmaceutical Retail Industry:

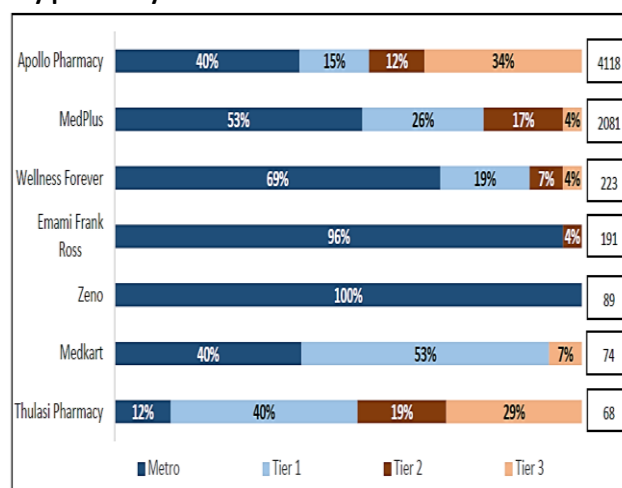
	Revenue from Operations	Operating EBITDA	Stores Operated		
	CAGR between Financial Years 2019 to 2021		Financial Year 2021	Financial Year 2020	Financial Year 2019
Apollo Pharmacy	20.20%	33.30%	4,118	3,766	3,428
MedPlus	16.20%	63.20%	2,081	1,775	1,653
Wellness Forever	16.80%	19.70%	223	172	139
API Holdings	NA	NA	NA	NA	NA
Tata 1mg	23.70%	NA	NA	NA	NA
Netmeds	NA	NA	NA	NA	NA

REGIONAL PRESENCE – Store Mix

Key pharmacy retailers across different regions



Key pharmacy retailers across different cities



STORE COUNT

	Net Store Additions (from Mar'31, 2019 to Mar'31, 2021)	CAGR (Mar' 31, 2019 to Mar' 31, 2021)	Stores Operated			
			March 31, 2021	March 31, 2020	March 31, 2019	March 31, 2018
Apollo Pharmacy	690	9.6%	4,118	3,766	3,428	3,021
MedPlus	428	12.2%	2,081	1,775	1,653	1,488
Wellness Forever	84	26.7%	223	172	139	107

Focus regions:

The table below sets out the retail presence of key pharmacy retailers in India, as of financial year 2021:

Player	Focus Status	Focus Cities
Apollo Pharmacy	Tamil Nadu, Telangana, Karnataka, Andhra Pradesh, West Bengal, Delhi	Hyderabad, Bangalore, Chennai, Kolkata, Vizag, Ahmedabad, Delhi - NCR, Mumbai - MMR
MedPlus	Karnataka, Andhra Pradesh, West Bengal, Orissa, Tamil Nadu, Telangana, Maharashtra	Hyderabad, Bangalore, Chennai, Kolkata, Pune, Bhubaneshwar, Vijayawada, Cuttack, Nagpur, Mysore
Wellness Forever	Maharashtra	Mumbai – MMR, Nasik, Pune
Zeno Health	Maharashtra	Mumbai – MMR
Emami Frank Ross	West Bengal	Kolkata
Medkart	Gujarat	Ahmedabad, Vadodara
Thulasi Pharmacy	Tamil Nadu	Coimbatore, Chennai, Tiruchirappalli

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