



MedPlus Health Services Limited

August 07, 2025

**The Listing Department
BSE Limited
Phiroze Jeejeebhoy Towers
Dalal Street, Fort,
Mumbai 400 001
BSE Scrip Code: 543427**

**The Listing Department
National Stock Exchange of India Limited
Exchange Plaza,
Bandra Kurla Complex,
Bandra (East), Mumbai – 400 051
NSE Symbol: MEDPLUS**

Dear Sir/ Madam,

Sub: Submission of Transcript of Earnings Call:


Pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, we enclose herewith transcript of the Earnings Call held with analyst/institutional investors on August 04, 2025 for the quarter June 30, 2025.

The same will be available on the website of the Company at www.medplusindia.com and also on the websites of BSE Limited and National Stock Exchange of India Ltd. viz. www.bseindia.com and www.nseindia.com respectively.

Thanking You
Yours faithfully

For MedPlus Health Services Limited

**Manoj Kumar Srivastava
Company Secretary & Compliance Officer**

 040-6724 6724



“MedPlus Health Services Limited Q1 FY'26 Earnings Conference Call”

August 04, 2025



Management: **Mr. Gangadi Madhukar Reddy - Chief Executive Officer and
Managing Director**
 Mr. Sujit Kumar Mahato - Chief Financial Officer
 Mr. DRN Srinivas - Sr. Manager Finance

Moderator: Ladies and gentlemen, good day and welcome to the MedPlus Health Services Limited Q1 FY'26 Earnings Conference Call.

As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the initial remarks from the management. Should you need assistance during the conference call, please signal an operator by pressing * then 0 on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. DRN Srinivas. Thank you and over to you, sir.

DRN Srinivas: Thank you, Sagar. Good evening, everyone. On behalf of MedPlus, it is my utmost pleasure to welcome you all to the MedPlus Q1 FY'26 Earnings Conference Call to discuss the Financial Results of MedPlus for the 1st Quarter FY'26 which were announced earlier.

We have with us today the Senior Management Team represented by Mr. Madhukar Reddy Gangadi – CEO and MD, and Mr. Sujit Mahato – CFO.

Before we begin, I would like to mention that some of the statements made in today's discussion may be forward-looking in nature and may involve risks and uncertainties. Please note the disclaimer mentioning these risks and uncertainties on Slide #1 of the Investor Presentation shared with all of you earlier. Documents relating to our Financial Performance were circulated earlier and these have also been posted on our Corporate Website.

I would now hand over the call to Sujit. Thank you and over to you, Sujit.

Sujit Mahato: Thank you, Srinivas, and good evening, everyone on this call.

As informed earlier, we continue to strengthen our backend operations and infrastructure to support long-term scalability and ensure seamless execution. We remain focused on optimizing our existing network while laying a strong foundation for opening new stores across the 13 states in which we operate.

As an update, out of the 10 additional warehouses, 6 warehouses have become operational. This disciplined approach will enable us to drive sustainable growth and enhance value for all stakeholders.

In terms of our network:

We have opened 124 new stores during the current quarter. Over the past 12 months, we have added a net total of 369 gross additions of 456 in terms of new stores. Throughout Q1, there were 23 store closures. Considering both openings and closures, we achieved a net addition of 101 stores during the quarter compared to the 100 stores added during the last quarter. Store closures also include 8 franchise conversions. We continue with the outlook of adding 600 new store additions in Fiscal '26. In terms of our store network age, around 21% of our stores have

been operational for less than 2 years and the remaining 79% of our stores have been operational for 2 years or more. At the end of the quarter, our network grew to 4,813 stores with 2.5 million plus square feet compared to 4,444 stores and 2.3 million plus square feet at the end of June '24. The average store size is 527 square feet.

On the revenue mix:

Presently Medplus offers over 1,350 plus carefully selected SKUs spanning across pharmaceutical and non-pharmaceutical categories. Private label sales for Q1 FY'26 constitute 21.5%, pharma being 20.8% and non-pharma 8.7% of our total revenue. On a GMB basis, during the current quarter, the share of private label pharma sales stood at 20.4% compared to 7.9% in Q1 FY'24 prior to the launch of MedPlus-branded pharmaceutical products.

On our financial numbers:

Our consolidated revenue is Rs. 15,426 million for the quarter. Our consolidated operating EBITDA stood at Rs. 728 million, representing 4.7% for the quarter. Around 99% of our revenue is from our pharmacy operations. Revenue from pharmacy operations grew by 6.6% YOY on GMB basis and 3.3% YOY on net basis. The pharmacy operating EBITDA stood at 690 million, representing 4.6%.

Update on our store's performance:

I would like to update on our stores older than 12 months:

Revenue from these stores in Q1 was 14,188 million, representing 95% of pharmacy revenue. These stores had a store-level EBITDA margin of 10.9%. The store-level operating ROCE of these stores stood at 59.8%.

A word here on the store-level EBITDA margin by age:

While stores greater than 12 months had a margin of 10.9, this was 11.1 for stores greater than 24 months and 6.9% for stores in the 13-24 age bracket. If we allocated non-store related costs, then the operating EBITDA of stores greater than 12 months would be 727 million, which translates to a margin of 5.1%.

An update on our working capital:

Our net working capital for Q1 was 59 days. The inventory in our warehouse was 36 days. In Q1, the inventory level of our first-year stores was 97 days. In comparison, for our stores older than 12 months, the inventory was 39 days.

An update on our diagnostic business:

Diagnostics revenue grew to 302.9 million in Q1 FY'26, compared to 242.4 million in Q1 FY'25. Diagnostic segment recorded an operating EBITDA of 41.3 million, representing 13.6%, compared to 3.3 million in Q1 of the last fiscal. In April, we sold 457 gross plans a day. In May and June, this was 468 and 520 plans respectively. As on end of June, we had 1,64,000 active plans, covering 3,40,000 underlying life. As on 31st March, this number was 157,000 plans, covering 3,27,000 underlying life. Our current observed on-time renewal rate was 24% in Q1, versus 27% in the last quarter.

That concludes our update for the quarter. I request the host to open the line for questions.

Moderator: Thank you very much. We will now begin the question-and-answer session. Our first question comes from the line of Sanjay from Bastion Research. Please go ahead.

Sanjay: Hi, sir. Thank you so much for the opportunity. Sir, my first question would be, our growth has been quite lackluster in the last 5-6 quarters and in terms of SSG, it is degrowing. I understand we have scaled our private labor revenue and therefore the growth has been quite lower. But can you explain a bit more on that side when we expect growth to come forward? And the degrowth in the revenue is not just able to kind of think on that side. So, can you explain more on that?

Madhukar Reddy G: Sure. See, as we explained in the last call also, there were some issues out there on the supply chain and also on the warehousing and a couple of other things out there on the manpower and all. Most of them are getting addressed and as we go forward, you will see a growth in sales. We are already seeing that right now. Second, see, you also have to see that we grew from 7.9% to 20.1% by GMB on the private sector. And that has actually driven our margins, gross margins from something like 22-23 all the way to 26, right? So, it is, I would say, definitely there is a small trade-off out there. Whenever our employees go in and push this very actively, we want to see some customers who may not want to switch and may even get put off a little bit and go. So, that is something which we are addressing right now. But we were aware that something like this would happen. It is a trade-off, as I said. We'd rather take slightly flattish sales and go in for 2%-3% extra private label is what we thought originally and that's what happened. Now, we are again tempering the whole thing and basically holding the private label at that number. We probably still continue to grow, going forward at around 1.5% to 1% every quarter. Although we did promise 1% every quarter, I think most of it has already achieved in the Q4 for at least a couple of more quarters. So, we are going to be holding it out there, adjusting the overall incentives and everything else to our employees, aligning it in line with the overall company objectives of increasing topline, at the same time growing the private label. So, for us, not too concerned about this at this point. We just continue to focus on profitability and getting the stores to break even and all rapidly.

Sanjay: Sure, sir. Thank you for the answer, sir. Another issue would be, as in the last con call also we said that, and you also alluded to right now as well, we will see private label to grow by 1% quarter on quarter. But when we see this quarter, the private label share has been dipping down and therefore the margin has also been dipped for the quarter. Is there is something to read on

that line? Is this one off or we will see for a full year as you alluded that margin will improve 50-60 basis point from here on? Is the trend continuing and how should one think on that line?

Madhukar Reddy G: See, last quarter, I did say that we would actually have a slight dip or flattening of sales in private label because Q4 had actually taken a lot of sales from the forward. So, their employees are heavily incentivized, there were all sorts of plans, and they ended up actually doing a little bit more on Q4. So, Q1 was always going to be a pullback and that is just the reason for that. Maybe Q2 will also be slightly flattish and everything else. But for us, there is nothing more to look into it. As I said, it is a trade-off, if I continue to push in private label, the sales will be flat, we do not want to do that. So, we will have 1% kind of growth. By the way, 1% growth or whatever is on the overall GMB sales, which means it is on the MRP value. Otherwise, the net sale value will always be around 0.5% growth quarter-on-quarter. So, I think most likely, I would say this quarter will probably be flattish or something like that. But beyond that, we will again continue to grow.

Sanjay: Great, sir. Sir, another question, we can see in breakouts of store closures this time that there are 8 stores which have been converted to franchises. So, what is the strategy regarding how we are identifying which existing stores to convert to franchises? Are these less performing stores or the strategy regarding franchising model? So, in the coming year, what proportion of stores can we expect from this model, like 4-5 years down the line?

Madhukar Reddy G: See, for us, some of the existing stores where we feel that a franchisee can do slightly better. In some places where these are slightly secluded kind of locations, where they have to I would say, will probably benefit from a franchisee who comes in and does the informal kind of labor thing in which he stays longer hours and everything else where we think they will benefit, we will most likely give it. There is no particular model out there. But going forward though, while this year, of course, as I said, we will only be doing piloting on the franchisee stuff. While going forward, that is the plan for us. I don't see any major changes. We will have some more conversions, but not to a major extent. Once the pilot is done, maybe in a quarter or two, we'll be able to guide you on the future, which is how many, what percentage will we end up actually going as franchisee versus company-owned stores. Right now, it's still not yet. I would say the numbers are not yet frozen.

Sanjay: Sure, sir. So, my last question would be, we have seen that our diagnostic segment has been ramping up and we were making losses at operating EBITDA level a year ago. Now, we make 13.6% operating EBITDA level. So, is this plan to not grow this business still intact or we can expect some expansion in this segment, at least in the States, we are already operational?

Madhukar Reddy G: No, we don't really expect to grow this at all at this point of time. While we were never in doubt that this would actually get to profitability and all, that is not the criteria which we have set ourselves or at least that is not the metric which will decide whether we end up expanding or not. The metric is the membership numbers. They are still at only 164,000 as of now. We need

them to go beyond 200 and preferably closer to 250,000 members before we decide on expanding into new states or new cities.

Sanjay: So, thank you so much for answering. I will get back into the queue. Thank you.

Madhukar Reddy G: Thank you.

Moderator: Thank you. Our next question comes from the line of Sudarshan Agarwal from Axis Capital. Please go ahead.

Sudarshan Agarwal: So, on the branded generic side, I think in the last call, you did highlight that our incentive scheme on the private label side was kind of affecting the branded piece. This quarter, obviously, the decline has dropped a little bit to around 3% Y-on-Y. Could we expect that the branded piece to grow going ahead in future quarters?

Madhukar Reddy G: No, I do not think so. I do not think the percentage of private label is going to dip any further or it will go down too much. So, it will be there. But we expect as we go forward, as the incentives of the employees are aligned, not just for private label growth, but also for top-line growth, we will see an overall increase in topline. The absolute numbers of branded generics may go up with the overall increase in topline, but I would expect that they will end up being higher in the cost of private label.

Sudarshan Agarwal: Got it. And on the SSG point, I understand that it is better versus last year, last quarter, sorry. but when do we expect us to be back to, let us say, single-digit kind of SSG growth by?

Madhukar Reddy G: I think maybe one quarter or two. I think we still need a lot of work to happen in the back-end for us to actually really take advantage of whatever we have in the front-end. So, that has been slightly slower than what we expected. Although we did open somewhere else, we still need more. And so, we are getting that done, maybe a quarter or two is what I think, two quarters, maybe.

Sudarshan Agarwal: Got it. Thank you. This is from my side.

Moderator: Thank you. Our next question comes from the line of Lakshminarayanan K.G. from Tunga Investments. Please go ahead.

Lakshminarayanan K.G.: Hi. A few things. First is that how the branded fill rates have actually taken place in the last two quarters, because you mentioned that there were some incentive schemes. So, I just wanted to check if the branded generics or the branded pharma fill rate dropped in those two quarters. And if so, was it the employee at the front-end did not do the fill rate or the company took a choice of actually pushing the private? What actually took place? And how do you track the brand fill rate? And where are we now?

Madhukar Reddy G: No, it is actually nothing to do with the brand fill rate. While the fill rate is definitely an important criteria, it is more a function of the warehousing as well as the logistics and purchasing department out there. The employee has nothing to do with it out there, one. So, as I said, we had a little bit of a challenge on the back end and hence the fill rate was getting affected in some of the places, especially in the slightly more distant places from the main city. So, that is one challenge. The employee part comes in only where they are getting incentives for, let us say, a private label. And so, their interest then is only in selling that and nothing else. And so, in some cases, we have seen them almost being disinterested in some other products. So, that has changed. So, on their side, as long as the product is there, and which is not their work, the product being there in the store is the work of the supply chain guys, they will now basically be more than enthusiastic, or at least be not as enthusiastic about selling non-private label products.

Lakshminarayanan K.G.: And again, if I just look at your omni-channel phase, because last 2-3 quarters, it has been either stable or it has actually declined. And why is that so? Is it a conscious choice? And want to understand how many orders you actually do? What is the number of bill cuts that actually happened? And is it a decline in the per value of the bill or what has taken place here?

Madhukar Reddy G: Well, I think as a percentage, it may not have gone down too much, but it has not been growing. We are now taking steps to make sure that we are able to do this. We are revamping some of our software in order to get this whole thing done. That is all internally done. So, I think maybe a quarter or two, we should be ready with a new plan and all that. Right now, no, we are not doing anything. So, the only thing which we do not do like most of the other companies out there is that we do not have any special discounts or we do any promotions and all. We have found that the cost of acquisition of customers is way too high. It is not really about the incremental business, so we have not done much on that. But I think just by, there may be a gap in some of our service levels. And that has come out of the huge demand for delivery boys across all the cities in which we have not maybe kept up with the salaries or whatever is there, this thing which has to be given to the delivery guys. So, some of those things are being addressed and I expect that as we go forward, we will definitely increase our sales. But no, we are conscious of the fact that some of the customers will want to go online. But we are not, I would say, against selling or we have nothing against the online channel.

Lakshminarayanan K.G.: And what is the average bill ticket for this online?

Madhukar Reddy G: The average bill value for us is north of Rs. 1,500 per bill, because we have a 20% discount above 1,000. So, a lot of the people who come to us are people who have chronic ailments and all and they will tend to buy slightly on the higher side.

Lakshminarayanan K.G.: You introduced a platform fee or something, is it meaningful or you intend to increase that also?

Madhukar Reddy G: No, I do not think we will increase it. The platform fee has been on all the online bills that is there, that is in line with most of the other companies. I do not really expect to increase that in anyway.



Lakshminarayanan K.G.: Got it. Thank you.

Moderator: Thank you. Our next question comes from the line of Sidharth Sreekumar from iThought. Please go ahead.

Sidharth Sreekumar: So, my first question is, you said that going forward, you are seeing only 0.5% growth per quarter for your private label. Does that mean that the percentage of private label in your overall sales will come down and therefore, gross margin will also be not 26% going forward?

Madhukar Reddy G: No, why do you say that? I said it will grow from here. So, if I am growing from here by 0.5% every quarter, it should either be, it should actually grow. It is not going to come down.

Sidharth Sreekumar: But you are saying that 0.5% is the volume growth or is it like the share in your overall sales?

Madhukar Reddy G: Share in our overall sales.

Sidharth Sreekumar: Okay, it is not the growth number. Okay. Second question I have is regarding like when I went for a lot of, went to a lot of your stores, the one thing which was visible was that they do not have all the branded genetics, which are not your brand and therefore, some customers are not buying from the store. So, do you plan to address this issue in any way?

Madhukar Reddy G: As much as possible. It is almost impossible to have 100% fill rate. It will take several crores of inventory in each store to do that. So, our goal is to be the best in the market out there. I believe we are still much better than most of our competition. But it is possible that in some places, in some stores, maybe some brands we may not have. It is a continuous process of improvement actually and we continue to get better and better.

Sidharth Sreekumar: Okay. So, one more question I have was regarding the warehousing. Like pan India level, how many warehouses do you have? And like how many stores can one warehouse cater to effectively without actually pressuring your supply chain?

Madhukar Reddy G: Sure. So, around 40 warehouses is what we are currently having, including the 10 which we have recently added. Roughly around 350 to 400, 450 max, we can sweat the each of the warehouse to service our stores in that region.

Sidharth Sreekumar: Okay. So, 40 is the overall number of warehouses across the country and one warehouse can service how many stores? 300 stores?

Madhukar Reddy G: 350 to 450 range. Again, some of the warehouses are purely only pharma, some cater to the FMCG products as well. And that is how we think for our current network, this would service at least in some areas, we checked up to 500 stores. In some areas, this is between 300, 400, which means there is sufficient capacity even to grow new stores in those areas.

Sidharth Sreekumar: Okay. Thanks. Thanks for answering the questions.

- Moderator:** Thank you. Our next question comes from the line of Raman KV from Sequent Investments. Please go ahead.
- Raman KV:** So, it is more like a clarification. My understanding is as your share of private label increases, your sole level MRP decreases mainly because the cost, and the average cost of private label medicine is comparatively less than branded generics. Is my understanding right?
- Madhukar Reddy G:** That is right.
- Raman KV:** So, if you are growing the private share label, there will be two things. There won't be the same store growth will be very hard to achieve and the store level MRP growth will be declining trend. So, how are you planning to address this? One is that and a follow-up on that is you initially mentioned that you, the employees were incentivized to push private label products. So, and now you have talked about that the strategy has changed. What is the change in strategy? How are you planning to bring the same store growth across all the stores of MedPlus?
- Madhukar Reddy G:** Okay. So, first of all, if let us say the private label is sold more, even if the topline actually goes down, the absolute amount of money you make is much higher. So, if you are making X on a brand, after the discount, you actually take 2x on this, not as a margin or not as a percentage, but actually in absolute terms. So, it is actually good if you were to do it. So, there is nothing wrong. Now, but all the, so that is not the intention though, right? It is not to make private label 100% and not supply the customers what they want, because not everyone wants our private label, there will be people who will want the brands. So, the goal is to basically be a multi-branded guy, keep offering our private label and show the benefits of it and keep convincing some people to switch. That is all. Now, on the employee incentive, so where the earlier incentives were only aligned towards increasing the private label, now they have a mix where they are supposed to also grow the topline for them to get the private label incentive. So, it is different in different places. I cannot go into the full details, but yes, that is what it is generally. So, they are no longer linked only to one part of their performance.
- Raman KV:** Okay. And so, with respect to CAPEX per store, what is the CAPEX per store for us?
- Madhukar Reddy G:** Typically, Rs. 7 lakh crores to Rs. 8 lakh per store. It, of course, depends on the size of the store. The rental advance is around 2 lakhs to 3 lakhs. So, you could say 10 to 11 lakhs overall.
- Raman KV:** And sir, with respect to the, you said now you will be aiming for increasing private label share products by 0.5% every quarter. So, which is effectively a 2% increase from current 13% to 15% by the end of this year. So, I just wanted to understand how will the gross margins and operating margins will improve.
- Madhukar Reddy G:** Yes, it is a little unlikely that this quarter will also grow. So, most likely, the quarter after this will start growing. The reason I say that is because we kind of achieved the growth of 2 or 3 quarters in the last quarter and we are stabilizing out there. So, after that, it will continue to grow.

So, it is going to be a function of the growth of private label. 0.5% on net sales value or 1% on MRP value, which is what we have been saying.

Raman KV: So, if you are increasing the half percentage on net sales value, how much will your gross margin improve by? Any ballpark number?

Madhukar Reddy G: Every 0.5% will probably give you around 0.2%.

Raman KV: Gross margin improvement. Okay. Thank you, sir.

Madhukar Reddy G: Thank you.

Moderator: Thank you. Our next question comes from the line of Madhav from Fidelity. Please go ahead.

Madhav: Hi, sir. Good evening. Thank you so much for your time once again. Just one question. I joined the call a little late. Sorry about that. Maybe it is a repeat question. But just wanted to understand going ahead, how is the management thinking about balancing the margins and the growth? I guess margins are being very strong and seems like we still have levers to grow the private label, which means gross margin should remain strong going ahead. But how do we think about just the topline and the gross margin or EBITDA margin equation for the next sort of few quarters or 1 or 2 years? That would be great, sir. Thank you. Just want to understand that.

Madhukar Reddy G: Okay. Sure. So, couple of things. One, the margin can come down if the number of new stores we open are going to be very high. The overall margin, I don't mean the gross margin, right? But we expect to open only 600 stores, so it's not going to be a huge impact on the overall EBITDA of the company. Now, on the gross margin, obviously, it is very beneficial for us to continue to grow the private label, and we are doing that. But at the same time, we don't want to put off customers who are coming for brands, and so that will be counterproductive. So, we are going to, as I said, we have already realigned some of the incentives and all. So, we expect that if not this quarter, from next quarter onwards, we will continue with the same kind of growth, which is either 1% on MRP sales or 0.5% on net sales.

Madhav: Okay. So, but the mix part is quite clear, actually. Just on getting the topline growth back, because I guess if you can balance that with the gross or the EBITDA margin, then sort of earning growth becomes pretty strong for the company. Even now, it's quite good, but just to get the topline moving, how do we set that equation here?

Madhukar Reddy G: Sure. So, we are doing a couple of things. One, making sure that the backend is strong, it is able to supply in time, and it's able to also do the fill rate properly and all. And also, we are aligning our employees into doing a little bit more of their topline sales and everything else. So, both those will help us catch up on the SSG. I don't think it's going to be a big concern.

Madhav: Just on the EBITDA margin side, now that Q1 we've done about 4.5%, 4.6%. And I guess this is easily one of the weaker quarters for the company. Correct me if I'm understanding this wrong,

please. So, is it fair to assume that for a full year basis, our EBITDA margin should be north of 5%, for sure, and maybe moving closer to 6% in coming times? Is that how we should think or that's being a little too optimistic?

Madhukar Reddy G: I think the latter may be a little too optimistic. I think we'll definitely grow from here as we move forward. Especially Madhav, since last year was a very, very strong growth year for us on the private label, and as I said, we want to balance it a little bit and grow slightly more moderately at around 0.5% or 1%, depending on how you look at it. I think the growth may be not as high as that. And last year also, we added only around 350 stores. This year, we plan to add at least 600. So, yes, that could also be a slight--

Madhav: So, any guidance on the topline growth there? Any guidance as to the full year, how that could end up for us?

Madhukar Reddy G: Not right now. We'll come back.

Madhav: Understood. Thank you so much, sir. Thank you.

Madhukar Reddy G: Thank you.

Moderator: Thank you. Our next question comes from the line of Aradhana Jain from B&K Securities. Please go ahead.

Aradhana Jain: Hi, thank you for the opportunity. I have two questions. The first is, if you see the total amount of inventory that we have as on June, it would be the lowest that we have seen in the last 7-8 quarters now. While we understand the upward push to the level of inventory should be the new store addition and the downward push is the shift from branded generic to PL. But if you could help us understand what is the level of inventory you hold in a store and where do you see the inventory settling? And would there still be room to see decline in absolute inventory in spite of new store opening? Yes, that is my first question.

Madhukar Reddy G: See, new store opening will basically increase the number of days of inventory, that is all. In absolute terms, it is always going to be around 17 lakhs to 18 lakhs of inventory per store. So, that is going to be the number. But when you, every time you open a store, you have to open it with a buffer inventory out there. Buffer meaning you really do not know what the customer asks there are the set of products which have to be there in the store. And initially, since the store usually starts with around Rs. 3 lakhs or Rs. 4 lakhs or Rs. 5 lakhs per month, you are going to see a much higher number of days of inventory. So, that is one. So, that is not going to change. Second, on the private label, will it push down the inventory and all? It is still early days because we are not really looking to. So, we are actually carrying both private labels as well as our own right now. At some point, we may get a slightly better idea of which private label, sorry, which branded generic to drop or which not to stock. And then maybe you will see, start seeing the decrease of inventory days out there or at least the value, if I would say, for us as we go forward.

- Aradhana Jain:** Understood. And the second question is, how is the acute versus chronic mix currently under PL? Is it similar to the historic levels of chronic more than acute of at 60:40 ratio or has there been any change there?
- Madhukar Reddy G:** No, it has always been chronic higher, mainly because chronic patients usually have a much higher need of medicines. Since they spend so much more, they are going to be affected a lot more by increase or decrease of discount. And so, we expect those guys to actually have them. And that has been the cause. That has been the case actually. Chronic is always higher for us.
- Aradhana Jain:** Understood. That is all from my side. Thank you so much and all the best.
- Moderator:** Thank you. Our next follow-up question comes from Sanjay from Bastion Research. Please go ahead.
- Sanjay:** Hi, sir. Thank you for the follow-up. Sir, my question would be, when we say back-end and supply chains are the challenges for us, so what does that mean? What is the challenges we are facing on back-end? And you also mentioned that you are doing some work on supply chain side, so opening warehouses. What else we are doing on that side? If you can explain in detail, it would be really great to understand going forward how things will change from here.
- Madhukar Reddy G:** Yes. So, it is largely what you said earlier. It is on the warehousing side. Tamil Nadu basically had one warehouse and it was supplying 1,000 stores. And from Chennai, you are supplying all the way down to Madurai and Deep South. And that became a problem out there since until we set up the Madurai warehouse. Now, Madurai warehouse is slowly coming to speed and so we will see some of those problems going away as we go forward. Similarly, in Karnataka, we had one warehouse in Bangalore and it is supplying all the way to Bangalore and Udipi. Now, we have set up one more warehouse in Hubli. So, A, obviously, when you have something close by, you are able to, so that is one. Just the distance alone will basically come down significantly when you have a local warehouse and you are able to supply every day. Second part, since we had actually opened a lot of stores very, very quickly, the warehouses themselves were a physical constraint. They were overflowing out there and so we are not able to just put in enough stock and have it retrieved on time to send to the stores. These are getting addressed. Some of it is done and some of it continues to be there. So, we hope in the next one quarter or so, we should be all streamlined.
- Moderator:** Thank you. Our next question comes from the line of Omkar Hadkar from Mirabilis Investment Trust. Please go ahead.
- Omkar Hadkar:** So my question is on the private label. At this point in time, just wanted to understand in terms of availability of private label across the store network in terms of whatever SKUs we launched. Is it fully available? And the second part is, are there any other kind of missing categories, like, for example, either insulin or GLP drugs or some other things, where there is an opportunity to

kind of further introduce private label in the overall network? So, some color on that would be appreciated.

Madhukar Reddy G: Sure. So, today, I would say 80% of everything which sells in our store, we would have a substitute for that. The balance would be some of the patented drugs, a lot of the me-too, 80 or I would say 75, a lot of the me-too drugs would be the vitamins and small, I would say, very little sold combinations, which have got either a small change in the strength of one of the combination products or which has an additional mineral or additional kind of vitamin, multivitamin kind of complex kind of product. So, those, I would say, we have equivalents. We don't have the exact equal and we'll probably never have. But other than those products, I would say we probably have everything other than insulin. Insulin, we haven't really found very good, a reliable supplier for us to go forward on that. That's one. And is there scope for newer products? Definitely, I think GLP, I think both Wegovy and Ozempic are going to come off patent next year and we are getting ready to launch it in the first one month or so after the product comes off patent.

Omkar Hadkar: Got it. Sure. And I have a question on the diagnostic business. So, I saw that, right, at this point in time, you are adding about 7-8 thousand kind of lives per month, per quarter. So, just wanted to understand maybe the underlying phenomenon there because I guess you would have started renewal cycles of some of the older subscribers. So, broadly, what are the retention rates like for that kind of a business? And also to reach your kind of stated goal of 2.5 lakh subscribers, at this current rate, it looks like it might take a while to get there. So, are you kind of working on any strategies to accelerate the net additions in that business?

Madhukar Reddy G: Yes, we are looking at a couple of things, a little early to say, but the basic thing is going to be around B2B. And once B2B kicks in, then having, let's say, 5 or 10 thousand per month is not a big deal, or even more, you know, if you get a large company on board. So, B2B has to be the way we have to go, and that's why we have kind of put off all expansion plans till we can convince people to come on board. On the renewals and all, I think within the 1st Quarter, anywhere from 24% to 27% is the usual renewal rate for us. And after that, see, if it is B2C, people are going to come and renew when they need it. They're not going to renew immediately. A lot of the people are chronic customers. A lot of them may have gotten their test done in the last one month of their membership, and they want to wait for one quarter or more till their next cycle of test starts for them to come and renew it. But the renewals have been fairly steady.

Omkar Hadkar: Okay. And I missed part of the call, but if I can just summarize what you said about the inventory, you mentioned that the overall warehouse level inventory has come down because of the opening of the new warehouses and making it more efficient. And the store level inventory is more a function of the pace of the opening of the stores. Is that the right inference on the way inventory?

Madhukar Reddy G: No. The second part is right. The inventory level is not going to come down because of the opening of new inventories. It is just going to be split between, let us say, Chennai and Madurai

where earlier it was only in Chennai. So, that is not going to come down. It is just, it is going to go faster into the stores and hopefully with better results in everything else as we go forward.

Omkar Hadkar: Okay. So, at the warehouse level, the turnovers have increased. That is what is reflected in the days. And at the store level, the metrics are pretty similar. There is not much change, right?

Madhukar Reddy G: Yes. It does not change much. In the first one year of its opening, it is always going to have a very high base of this thing out there. But the real matrix to see is the inventory of stores which are more than one year. That is usually being constant at around 35 days to 40 days. It is around 39 days, I think, right now.

Omkar Hadkar: And your old private label inventory, has that largely been cleaned up one way or the other?

Madhukar Reddy G: More or less. I think there is a very small, I would say, not a material amount still left. And this is all fully provided for.

Omkar Hadkar: Okay. Understood. Thank you. That is all I had for questions. I wish you all the best.

Moderator: Thank you. Our next question comes from the line of Sidharth Sreekumar from ithought. Please go ahead.

Sidharth Sreekumar: So, you said that most of the private label sales is for the front side. So, I just want to know what would be the, like out of the customers you have in that segment, how many customers do repeat?

Madhukar Reddy G: Almost everyone. I am sure, there are some customers who do not. We do not have the exact numbers for it. But anyone who comes and takes a chronic medication, it is just going to repeat. We have not seen, I would say, when we looked at it, it is not dissimilar to any branded product out there.

Sidharth Sreekumar: Understood. One more question I have is, you have said that 80% of whatever drugs you sell in your stores, you have your own brand for it. So, the 80% of the branded generics, right? And how many have you taken off from your stores?

Madhukar Reddy G: How many branded generics should we remove?

Sidharth Sreekumar: Yes, and replace with your own brand?

Madhukar Reddy G: No that is not how it works. We do not replace any of the branded generics actually. The assortment and the depth of that is completely a function of the sales of the product. Only if the sales goes down completely, does it actually go off the shelves. Otherwise, we do not take it off proactively.

Sidharth Sreekumar: Okay, understand. So, if I can squeeze in one more like a qualitative question, is that what are the critical earnings for you since the introduction of the private labels?

- Madhukar Reddy G:** So, I would have wanted the adoption to be much faster, honestly, I thought we would right now be at close to 30% by GMB kind of terms. It is only at 20 out of 80 right now. So, it is around 25% of the overall sales. It probably, the early adopters after they moved in, I think the rest of the naysayers out there will take a little while to come on board. And we have seen that happen gradually. So, slightly slower than expected, that is all.
- Sidharth Sreekumar:** Okay, thanks. Thanks for the opportunity.
- Madhukar Reddy G:** Thank you.
- Moderator:** Thank you. Our next question comes from the line of Neelam Punjabi from Perpetuity. Please go ahead.
- Neelam Punjabi:** Yes, thanks for the opportunity and congratulations on the margin execution that we have demonstrated over the last 12 months. My first question is that on a GMB basis overall, how was the growth YOY for the quarter for the pharma business?
- Madhukar Reddy G:** I think on a GMB basis, it is around 6% is what I remember, 6.8.
- Neelam Punjabi:** Got it. And my question is on the overall growth. So, while historically we were growing at a high double digit and in the last 4 to 5 quarters, we have slowed down to about mid to high single digit growth. And you mentioned that this is because of private label going up, which is at a steep discount to branded generics. However, given that this higher private label is now in the base, can we expect the growth to pick up and go back to the double-digit growth that we had historically, let us say in the next couple of years?
- Madhukar Reddy G:** Yes, definitely. It is going to be a function of two things. One, the number of stores we had and two, the overall growth itself. I fully expect that we will start growing out there. You see, one of the things is there is definitely, I would say, a trade-off between margins and growth, which is between private label and private label, which basically accounts for the gross margin and just growth, which is going to come from selling branded products. So, we choose to go the private label way. We wanted to really expand the market, form a solid base, and from there grow private label slightly in a slightly more consolidated fashion, but again, refocus on the branded stuff. So, we will now start growing because of that. But for us, it is a conscious call. We really wanted to expand the margin and take it to at least 25%.
- Neelam Punjabi:** That makes sense. But what I am trying to understand is that while that has happened in the last, let us say, 12 months or so, is this now a pivotal or an inflection point where we will be able to grow at a better rate compared to the last one year with keeping the margins at this current healthy rate? Like what is that inflection point? Is it today? Is it six months out where the growth would start picking up along with maintaining the kind of healthy margins that we have already demonstrated?

- Madhukar Reddy G:** Sure. So, two things. One, of course, the reshifting of focus to, or realigning the incentives of all the employees to make sure that they sell both branded as well as private label, one. Second, as I said, streamlining of the overall supply chain and everything else, which will take a quarter or two completely to happen. That will also help us increase the fill rate and increase our sales. So, both those things will start happening and they will result in a topline growth. Thank you.
- Neelam Punjabi:** Thank you. Understood. Got it. And just one last question, in terms of our target of 600 store addition, what would be the broad split between the franchisee stores that we will be opening and our own stores?
- Madhukar Reddy G:** We are thinking at least 100 odd stores will be franchising. We are trying to see if we can do more, but we want to make sure that the pilot and all are going well before we really take off on that.
- Neelam Punjabi:** Got it. Thank you so much.
- Moderator:** Thank you. Ladies and gentlemen, we will take that as the last question for today. I now hand the conference over to Mr. Sujit for closing comments.
- Sujit Mahato:** I thank all participants on this call for your interest in the MedPlus journey. Our investor relations team can be contacted at ir@medplusindia.com. Thank you.
- Moderator:** Thank you. On behalf of MedPlus Health Services Limited that concludes this conference. Thank you all for joining us and you may now disconnect your lines.