

May 30, 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 May 28, 2025 for the quarter and year ended March 31, 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.

Kindly take the same on record.

Thanking You
Yours faithfully

For MedPlus Health Services Limited

Manoj Kumar Srivastava
Company Secretary & Compliance Officer



“MedPlus Health Services Limited
Q4 FY’25 Earnings Conference Call”

May 28, 2025



MANAGEMENT: **MR. GANGADI MADHUKAR REDDY - CHIEF EXECUTIVE
OFFICER AND MANAGING DIRECTOR**
MR. SUJIT KUMAR MAHATO - CHIEF FINANCIAL OFFICER,
MR. CHETAN DIKSHIT - CHIEF STRATEGY OFFICER,
MR. DRN SRINIVAS - SR. MANAGER FINANCE

Moderator: Ladies and gentlemen, good day, and welcome to the MedPlus Health Services Limited Q4 FY '25 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 presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touch-tone phone.

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

Srinivas: Thank you, Sagar. Good evening, everyone. On behalf of MedPlus, it's my utmost pleasure to welcome you all to the MedPlus Q4 FY '25 earnings conference call to discuss the financial results of MedPlus for the fourth quarter and full year FY '25, which were announced yesterday. 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 we prepare for the next phase of expansion, we are strategically strengthening our backend operations and infrastructure to support long-term scalability and ensure seamless execution. We remain focused on optimizing our existing network while laying the strong foundation for opening new stores across the 13 states in which we operate.

As an update, we have added around 10 additional warehouses in the last financial year to enhance our availability at our existing outlet and further supporting our endeavour in new store expansion. This disciplined approach will enable us to drive sustainable growth and enhance value for all the stakeholders.

An update on the network, we opened 113 stores during the current quarter. Over the past 12 months, we have added a net total of 305 stores, gross 398 store addition, and we closed down certain stores. Throughout Q4, there were 13 store closures. Taking into account both openings and closures, we achieved a net addition of 100 stores during the quarter compared to the 60 stores added in Q3, 108 stores added in quarter 2 and 37 stores in Q1, totaling 305 stores on YTD basis.

We expect a total of 600 net store additions in FY '26. In terms of our stores' network age, around 22% of our stores are operational for less than 2 years and the remaining 78% of our stores have been operational for 2 years or more.

As a guardrail, we closely monitor the time frame for our new stores to reach breakeven. For stores opened between April 2024 and September 2024, approximately 58% of them achieved breakeven within 6 months of operation. As a cohort, all stores combined reached breakeven in 5 months.

In terms of our store size, as at the end of the quarter, our network has grown to 4,712 stores with 2.5 million plus square feet compared to 4,407 stores and 2.3 million square feet at the end of March 2024. The average store size is 527 SFT. In terms of the revenue mix, presently, MedPlus offers over 1,200 carefully selected SKUs spanning across pharmaceutical and nonpharmaceutical categories.

Private label sales for Q4 FY '25 constitutes 23.3%, pharma 13.6% and non-pharma 9.7% of our total revenue. The following is the impact of the launch of MedPlus branded products across our network. In Q1 FY '24, prior to the launch, the share of private label pharma stood at 7.9% of total GMV compared to 20.9% during the current quarter.

Our consolidated revenue stands at INR15,096 million for the quarter and INR61,361 million for FY '25. Our consolidated operating EBITDA stood at INR803 million, representing 5.3% for the quarter and INR2,776 million, representing 4.5% for the full year FY '25. Around 99% of our revenue is from our pharmacy operations.

Revenue from pharmacy operations grew by 6.2% on Y-o-Y basis on GMV terms and 1% Y-o-Y on net basis. On the full year revenue from pharmacy operations, it grew by 14.8% on GMV basis and 8.6% on net basis. The pharmacy operating EBITDA stood at INR769 million, representing 5.2%.

On the update on our store performance, I would like to update on our stores older than 12 months. Revenue from these stores in Q4 was INR14,011 million, representing 95% of pharmacy revenue. These stores had a store level EBITDA margin of 11.5%. The store level operating ROCE of these stores stood at 59.2%.

A word here on the store level EBITDA margin by age, while stores greater than 12 months had a margin of 11.5%. This was 11.7% for stores greater than 24 months and 8.2% for stores in the 13 months to 24 months age bracket. If we allocated the nonstore-related costs, then the operating EBITDA of stores greater than 12 months would be INR817 million, which translates to a margin of 5.8%.

On working capital, our net working capital for Q4 was 63 days. The inventory in our warehouse was 37 days. In Q4, the inventory level of our first year stores was 108 days. In comparison for our stores older than 12 months, the inventory was 43 days. Our Diagnostics numbers. Diagnostics revenue grew to INR280 million in Q4 FY '25 compared to INR232.4 million in quarter 4 FY '24. Diagnostics segment recorded an operating EBITDA of INR34.3 million compared to a loss of INR11.3 million in quarter 4 last year.

In January, we sold 420 gross plans per day. In Feb and March, this was 462 and 478 plans sold per day, respectively. As on 31st December, we had 152,000 active plans covering 315,000 underlying lives. As on 31st March, we had 157,000 active plans and covering

327,000 underlying lives. Our current observed on-time renewal rate was 25% in Q4 versus 26% 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. Our first question comes from the line of Saion Mukherjee from Nomura Securities. Please go ahead.

Saion Mukherjee: Yes. Sir, this question on GMV growth at pharmacy, which you mentioned is at 6.6%. Given that the pharma market itself is growing at around 7%, and we would expect MedPlus to grow faster, what is -- what in your assessment is impacting the overall GMV growth in pharmacy?

Madhukar Reddy: So a couple of things, Saion. The one main one would be the mix of private label and branded products. Our private label, of course, sells for a much lesser price than the branded products. So the top line is going to be slightly lesser. That's one. Second, and I know we will come to this question going forward.

Our focus on private label and the incentives which we have set up for our employees have also probably dampened the overall or muted the sale of branded things to a small extent, right? I don't think it is significant. I think what we did was absolutely necessary to get the entire organization enthused about selling private label and everything else. So I think we have achieved what we set out to achieve. Now we're basically again aligning everyone to both private label as well as branded products. So I think we'll probably recover it again.

And the third thing, which probably muted our overall sales and maybe did not give us the SSG, which we really required was because of the rapid expansion, we had a few constraints, both on manpower side on the back end and also on the warehouses, warehouses in particular. We have now started the process of getting the warehouses. We're seeing the benefits in just West Bengal where it is launched, but the rest are still to come. So I think going forward, we'll probably see the benefits of all those things as we go forward.

Saion Mukherjee: Yes. Actually, I was mentioning about the GMV, which shouldn't have got impact. I can understand the transition and the mix change in favor of private label. But GMV growth ideally should have been sort of higher than where the pharma market growth is. I mean is there any pricing issue with respect to private label? Like, I mean -- or is there market share gain by competition or online players of quick commerce? Any such structural dynamics at play here, you think?

Madhukar Reddy: I don't think so, Saion. Actually, the GMV growth is 9%, not 6%, right, for the year. No, for the year is 9% for the year. So it is not 6%. So we have grown slightly, I mean not that it is a big thing. We expect to grow much faster. But the other reasons are also there, which basically accounted for whatever happened out there, which is our own constraints and everything else and all. And on the GMV side, it's definitely not lower for the year.

Saion Mukherjee: And sir, what's your expectation going forward? Like how should we think about this growth to play out now?

- Madhukar Reddy:** I think we will be back on track given that the new store numbers are going to be much less compared to the overall size of the company itself and stores also will sort of get phased out throughout the year. I don't expect that to be a big factor. So whatever growth will come in will probably come in through the existing stores just growing. And that I expect it to be, let's say, high single digits to low double-digit kind of number on the SSG.
- Moderator:** Our next question comes from the line of Sudarshan Agarwal from Axis Capital.
- Sudarshan Agarwal:** Yes. On the gross margin front, you have seen a strong expansion on a Q-on-Q basis and on a Y-on-Y basis. If I'm not wrong, every 1 percentage point of your private label expansion adds around 30 to 40 bps, right? So is there some additional benefit that kind of came into this quarter on the gross margin front? Was there some inventory provision, et cetera, that kind of was taken? Or -- and also, what would be the steady-state margin going ahead for this on the gross margin side? Yes.
- Sujit Mahato:** So in quarter 4, Sanjay, what happened is we had an inventory provision release of around INR3 crores. This was in connection with the provision which the company had made as part of its abundant caution accounting policy on the Wynclark or the old private label pharma products when we had transitioned to our MedPlus brand. And there has been a release only to the extent into the books on actual liquidation or sale. And during Q4, we were able to sell worth INR3 crores of this inventory, and we got a release of around INR3 crores in the gross margin. That would have contributed to around 20 bps.
- But the major surge what you have seen is for the private label increase between Q3 and Q4, both on pharma as well as non-pharma. Your other question on the steady-state gross margin, we would look at in the range of 24.5% to around 24.75% going forward. And once again, the private label growth journey commence, we should again start seeing an incremental growth in the gross margin.
- Sudarshan Agarwal:** Okay. So my follow-up question is that given that you saw a strong ramp-up in this particular quarter for private label share, I think you had alluded to, let's say, 1% Q-on-Q expansion per quarter for, let's say, 6 to 8 quarters. Do you still see that from current levels? Should it moderate? Can you provide some guidance on that?
- Madhukar Reddy:** Yes, sure. So we probably grab the Q1 growth also in the Q4 side. So I expect this quarter to be slightly flattish as far as private label growth is concerned. But going forward, I think we will definitely be able to maintain the 1% growth pretty easily. I don't think that's an issue.
- Moderator:** The next question comes from the line of Sanjay from Bastion Research.
- Sanjay:** Yes. Sir, my question would be in the morning interview, you have guided the revenue growth to be at around 15%. And I understand you have said that the older retail, older stores which we have, which commands 80% of the stores, they will grow at inflation plus. So that -- is the understanding correct that the additional 600 stores, which we are going to open in the next year, they will deliver or the remaining below 12-month stores will deliver greater than 20% growth going forward? And how you are seeing that, how can we should see the revenue growth drivers going forward, if you can explain us?

Madhukar Reddy: See, revenue growth is going to come from regular same-store sales growth as more customers come to our store and everything else as they mature and all that. I actually said closer to, let us say, the low double-digit kind of number. I don't think the 600 stores which we add is going to really add a lot in terms of top line.

So most of it is going to come through SSG only. The 600 stores which we add at 50 per month typically will start with only around INR2 lakh to INR3 lakh or INR4 lakh per month. So it is not very significant to the overall growth of the company. So going forward, what are the drivers?

There could be several, as we continue to make the private label popular. We're not really spending any money on advertisement actually. But as word of mouth spreads and more people benefit from the savings of private label, we expect at some point, there will be people walking into a store to take advantage of that. But I don't think that time is now. I think we'll probably need to wait for a while before the commission starts happening in a major way.

Sanjay: Okay. Sir, my second question would be on -- so in Q4 FY '20, our revenue growth for stores greater than 12 months has degrown by 1%. So it is because of private label mix increasing? Or is there something else attached to that?

Madhukar Reddy: No. As I summarized in the first answer, which I gave out, 2 things. The combination of private label mix and everything else obviously drives it down a little bit. Our focus on private label also kind of, I would say, maybe put -- muted the overall growth on brands and everything else.

And finally, as I said, our growth of number of stores in the last 2, 3 years has constrained our supply chain systems and everything else. We're still in the process of easing that situation. It will take a little while. But that also has caused a little bit of, I would say, dampening of sales. So it's a combination of various things.

Sanjay: Okay, sir. So sir, since we have added 10 additional warehouses and since the ramp-up is also on the stage. So in terms of growth, you have alluded that you are seeing high single digit of the overall revenue or of the greater than 12-month stores revenue?

Madhukar Reddy: I don't think it really is going to change that much either ways because the new stores, which we added this year are only 300. The base is going to be really low out there. So you could take it as the full set, high single digits to low double-digit kind of growth.

Moderator: Our next question comes from the line of Madhav Marda from FIL.

Madhav Marda: First, wanted to understand that, just a clarification, when we say that the pharmacy sales growth was about 9% for FY '25, how much was the GMV growth for the full year FY '25?

Madhukar Reddy: The full year FY '25 was 14.8% on GMV.

Madhav Marda: Sir, which is a proxy for volume, right? So we can say 15% revenue growth?

Madhukar Reddy: Yes, 15%. Yes.

- Madhav Marda:** And the 6%, which is sort of the difference is more of a mix impact from more private label sales, right? So that's the way we should read it very broadly?
- Madhukar Reddy:** Yes, absolutely.
- Madhav Marda:** The same thing -- could you read the similar thing for quarter 4 as well, where we reported 1% sales growth. How much is the GMV growth for quarter 4?
- Madhukar Reddy:** Can you hold for one second, Madhav? Can I get back to you on that regarding the growth of GMV?
- Madhav Marda:** Sure. Sure. Sure. Then sir, the second question was on the margin side. So I think you just guided for a gross margin of 24.5% to 24.8% going ahead. This is for the pharmacy business, right?
- Madhukar Reddy:** Yes.
- Sujit Mahato:** Yes. It will be plus 1% compared to Diagnostics.
- Madhav Marda:** Sorry, sir, I didn't get the last part.
- Sujit Mahato:** I said you can add 1% for the Diagnostics, so that comes to the consol number.
- Madhav Marda:** Correct. Correct. Yes. So the pharmacy business where the guidance is 24.5% to 24.8%, that number was 23.3% this year. So we are basically indicating 120 to 150 basis points of expansion of gross margin in next full financial year. That's how we should read it, right?
- Sujit Mahato:** So for the current year, Madhav, it's in the range of 24.1% in the -- for the full year. That's what we are saying it should move up to 24.5% to 24.8%.
- Madhav Marda:** Okay. At the consol level basically. Okay. Maybe I'll just check it with you offline. Maybe there's some confusion here. And sir, then on the margin side, the last follow-up was that it seems like this year, we have spent some money for expansion of our warehouses, which probably would have led to some front-ending of some cost. So is it fair to assume that next couple of years, the opex growth could be more controlled and we could see some operating leverage benefit from there? Is that the right thing?
- Madhukar Reddy:** The opex may or may not be controlled. We may continue to add some warehouses here and there, some automation and everything else that we will see. But definitely, the benefits of these will come in, in the next year only because of all the warehouses which we actually kicked off, only one has become functional as of now in Calcutta. Otherwise, almost everything is going to come online in the next few quarters.
- Madhav Marda:** Sure. Sir, any guidance for the pharmacy operating EBITDA margin, which was at 4.5% this year. Any outlook for that over the next couple of years? Do you see that crossing 5% in the next 2 years or so? Or could you give some sense there?

- Madhukar Reddy:** Yes. I think so, Madhav, because the number of stores we are adding are not very significant. So the drag of the new stores is not going to be significant. But I think we'll continue to get the benefit of private label. So that should basically help us expand the margin, I think.
- Moderator:** Our next question comes from the line of Bino Pathiparampil from Elara Capital.
- Bino Pathiparampil:** Yes. Madhukar, this revenue growth with all the private label shift happening, are we looking at a relatively low revenue growth increasing margin sort of strategy going forward?
- Madhukar Reddy:** Not as much as we have seen in the past. The main reason is I think the early adopters have basically come in and bought the private label already. So the growth from now on the private label is going to be just 1%. So the substitution of the brands is not going to be very high. So whatever growth which comes in through the brands will continue to accrete to it.
- And the -- so the substitution is not going to be high. I don't expect that the drag because of substitution is going to be very high on the top line. But the margin will continue to grow, mainly because we will at least continue to grow every quarter on the mix.
- Bino Pathiparampil:** Got it. So things get stabilized now more. Second question on store addition, the 600 that you mentioned, would that be net or gross?
- Madhukar Reddy:** That will be net.
- Bino Pathiparampil:** Net 600. Okay. And yes, finally, on your tax rate, why is it below the 25% level? And how you see that moving over the next 2, 3 years?
- Sujit Mahato:** Yes. On the income tax, there is a deduction which the company continues to claim. It's the Section 80JJAA, which is linked with the employment created for new employees. So as we continue to expand our network and new employees get added to the network, there is an additional deduction which is available over the next 3 years for the amount spent on salaries for these new employees, and that is driving down the tax numbers. And we expect this to continue in the same manner provided this section is available in Income Tax Act.
- Moderator:** The next question comes from the line of Aejas Lakhani from Unifi Mutual Funds.
- Aejas Lakhani:** Yes. Madhukar and Sujit, nice to see the operating EBITDA number truly reflect the efforts that the team has been putting in. My first question, Madhukar, to you is that at the start of the year, we had called out for the 600 store addition, and we've closed at about half of that. So could you just walk us through what really took place for us to drop this run rate? And how are you thinking at that point of time?
- Madhukar Reddy:** So, Aejas, a couple of things happened actually. One, the first quarter of last year was not great because of elections and everything else. And then by the time that we went into the second quarter and all, we realized that our workers were very strained. They were not able to supply all the stores, and we decided that we would actually slow down, especially in the periphery and all. So for instance, in Tamil Nadu, Karnataka and all, we now have set up warehouses in Hubli and Madurai and likewise in other places in West Bengal and all.

So the places which would be supplied by today's Madurai and Hubli were receiving the material very late and we were having a little bit of challenge in the main cities because of manpower attrition and everything. So because of all those reasons, we thought we would actually set up the back end properly and come back and actually start growing once again.

And that's the reason we took a breather out there. We were thinking that we do around 400, but in the end, I think we guided towards a 300, 350 number, and that's where we ended. We did a total of 398 though, gross additions, but we shut down a bunch of stores, which were old and their characteristics kind of changed and renovated and all. So the net addition then ended up being only around 305 stores.

Aejas Lakhani:

Got it. Madhukar, the second question actually is a leaf of what you just answered. So one is that could you just give some further color on the 10 warehouse that you have added in the year? Is this more from a densification standpoint? Or is it more expansionary towards Tier 2 and onwards?

And just double tapping into that question, I'm trying to understand how have fill rates been? And if you can give me any color because have fill rates been affected in -- because there was supply chain from a warehousing standpoint constrained. Have fill rates been affected? And third, if you could just speak a little bit about the attrition aspect?

Madhukar Reddy:

Yes, fill rates, definitely, they were affected, and they were affected largely in the remote parts of the states, which are getting supplied from the main warehouses. For instance, the Bangalore warehouse is supplying all the way up to Udipi, Mangalore and everything else. And that was taking a hit because of attrition at Bangalore. Attrition in the larger cities in South India has been fairly high.

So combined both warehouse which is not fully adequate and people -- and being short of people, we were barely able to supply the main cities. And so our sales -- our fill rates and then consequently, our sales in the smaller towns took a hit. Yes, attrition fairly high.

We feel that as we go into the smaller towns, it will not be as high, and we'll probably be able to get slightly cheaper manpower, but at least the attrition will not be high even if the cost is not very different. Second, definitely, as we go forward, fill rates, we expect they will be better. And hopefully, they'll all get reflected in sales as we go forward.

Aejas Lakhani:

Understood. And could you just share that the warehouse, was it more densification or expansionary towards Tier 2, Tier 3 cities?

Madhukar Reddy:

Yes. Okay. By densification, you would mean, are we doing more in the, let us say, in Hyderabad or Bangalore or Chennai, no. We are definitely setting up warehouses in the, let's say, outer parts of the state, whereas in the initial stage, we basically had just 1 warehouse for one state. We're now doing anywhere from 2 to 3 for each state. So you could say this is definitely densification of the state itself. They're putting in more in the state, but away from the main warehouse and to increase the supply lines to the remote parts of the states.

Aejas Lakhani: Understood. And just one last thing on the private label pharma as well as non-pharma. In your own mental construct, where are you from a category standpoint? Are you seeing white spaces there that you still wish to populate? Or the first wave of private label that you needed to introduce is all there, and it's just now about the push-through and conversion?

Madhukar Reddy: On the pharma side, I don't think there's that many gaps. The one big gap, I would say, is insulin, but that's not an easy one to actually fill. We will have to find a willing and a reliable partner out there for us to actually go forward on that. So there are not that many gaps. And I think right now, as we said, it is going to be more about conversion of more of the newer guys. And that's why we say 1% every quarter. We're not going to be really jumping up on those numbers anytime soon.

On the other hand, the private label and general goods, that's a wide open thing. There, we can add a lot more categories and probably a lot more -- I would say, we'd have a lot better chance of selling if the range was bigger so that the customers who walked into a store to buy the regular stuff now can see a variety of brands from us and appreciate the quality and the price difference and then start buying. So that would be all additional sales. And there we see a lot of scope, not as much in pharma, but definitely in the non-pharma side.

Aejas Lakhani: Understood. And finally, on Diagnostic, I'm sorry, Sujit, I missed the starting remark where you called out the count of paying subscribers that we have. And where are we on that journey? I know we had a number which was significantly higher. So what's the call out there from a Diagnostic standpoint? Are we just going to keep trying to increase that member base right now? And are we going to add those feeder diagnostic centers so that they feed into your larger centers? Just some color on Diagnostic.

Madhukar Reddy: Sure. The number was 157,000 active plans and 327 active plans -- underlying lives versus 152. So while we added 5,000 plans out there, it is definitely much lower than what we want. We need the number to be closer to 250,000 for us to actually take the leap of expanding to other states and all. So for now, we are going to continue to push forward and try to get this number up.

We are seeing obviously a bigger level of acceptance out there. And one of the ways in which we expect to actually grow this number is by increasing the stand-alone collection centers across the city and increase the service level or increase the number of people available for home pickup of samples. So both these places, we will see some expansion and hopefully touch more people and increase the number of plans.

Aejas Lakhani: Understood. And Madhukar, the people who go for the home collection, so is my understanding correct that at the existing store only, you will have a technician who can double up as that and then go and collect it? Or are you talking about incremental hires and space required to execute the same?

Madhukar Reddy: No, no, no. So there is no space required. This is an online thing. You open up the slots based on the number of people you have. And typically, as the demand continues to grow, you keep hiring new people. So it is not in one shot. So rarely do we have a situation in which the people

are not actually ready. In fact, today, we have a shortage of slots and some of the active members are actually wanting more slots to be opened up for home pickup.

So yes, there is -- and space, that's not space and that's not the people in the store don't double up. The home service guys are different. All these orders are booked a day in advance and home service and the people in the stand-alone collection centers, they stay there between 7 to 10 to take care of any walk-in customers. They don't go out to pick up the samples.

Moderator: The next question comes from the line of Gaurav Gandhi from GCM Limited.

Gaurav Gandhi: Yes. Sir, how do you plan to reduce the drug license suspension issue? And is there any possibility of any bigger regulatory action if such suspensions happen regularly?

Madhukar Reddy: No, we are working with the drug departments and all to correct all the issues out there as much as possible. I can tell you for sure, we probably are more in line with the government's mandate than anyone else out there. It is just that we are a larger company, so we attract a little bit more attention and we probably -- and we have to actually report it. That's why it's probably in the news. But otherwise, our stores are way more compliant than anyone else out there.

Gaurav Gandhi: Okay. And the second question is, do promoters have any plans to cut down the stake in the company in the next 3 to 4 years?

Madhukar Reddy: 3 to 4 years is a long time. I'm not really thinking about it right now, but I don't expect to sell any shares in the near future at least.

Gaurav Gandhi: All right. All right, sir.

Madhukar Reddy: Yes, just to finish off that -- make that answer slightly more elaborate. If I do sell, it will be for mainly to clear the debt. And when it comes to refinancing, I may end up doing a little bit of that. But otherwise, it is not -- I'm not looking to exit any amount of my stake out there.

Moderator: The next question comes from the line of Lakshminarayanan KG from Tunga Investments.

Lakshminarayanan KG: Madhukar, a couple of things. I just want to understand what are your top 3 priorities for the next 3 years?

Madhukar Reddy: So I would say opening stores, 600 stores, that's the #1 priority. Also getting into, let us say, the -- making sure that the pilot for the franchisee store goes well. We'll try to make the franchisee thing as successful as possible. Given that the margins now have increased for us overall, we feel that this is the time for us right now where we can actually share a little bit with the franchisee and make it successful, at the same time, reduce the overall.

Let us say, burden of investment as well as the overall task of managing people, slightly less onerous for us by going to the franchisee side. So we feel if we can get the franchisee thing right, we will be able to grow much faster. So outside of opening the stores and doing the franchisee thing, I think the third one would be to continue to grow the private label and see if we can actually continue to increase the margins for us.

- Lakshminarayanan KG:** Got it. And second, I see that you have been expanding in Kerala in the last 1 year. How successful it has been, because I could see a significant ramp-up in Kerala. And what kind of potential it will have in the next 2, 3 years?
- Madhukar Reddy:** We are actually in comparison to other states and all, we're still going slow in Kerala. Kerala has its own set of problems out there. It's not very easy to -- there are several issues out there. We see a lot of potential. It's very dense. People are affluent. There are a lot of, I would say, need for medication out there and all. But it had its own set of problems. So we are still kind of doing a wait and watch kind of thing. We have put in a few stores. We want to make sure that they are all profitable and we find the right model for us to expand.
- Lakshminarayanan KG:** Got it. Got it. And you talked about 600 stores that is over a period of -- can you just tell me in the next 3 years, how do you want to ramp up your 600 stores?
- Madhukar Reddy:** The 600 stores are going to be in the next 12 months, so they will spread out. So we will continue to open. Maybe Q1 is not going to be as big as the other quarters typically. But yes, otherwise it will be throughout the year.
- Lakshminarayanan KG:** Got it. And this revenue mix which you actually show in your Slide 14, this -- I mean, I think this is calculated at the discounted price or at the MRP?
- Madhukar Reddy:** It is a net price, net of discounts and everything else.
- Lakshminarayanan KG:** It's a net of discount. So which means that normalized thing, our -- I mean I'm just trying to understand our own brand pharma should be -- what would be the normalized price because this is net of discount.
- Madhukar Reddy:** So if you actually compare it MRP to MRP, which is more this thing of the volume, the pharma private label in the last quarter would be around 22% and the non-pharma in the last quarter was 13%. So bearing in mind that 80% of our overall sales comes from pharmacy, given that we are already at 22%, that would mean roughly around 28% of all medicines sold today by GMV -- in GMV terms under the MedPlus brand.
- Lakshminarayanan KG:** And in terms of new state addition, which are the states you are planning to go for the next 3 years?
- Madhukar Reddy:** So the states are Madhya Pradesh, Chhattisgarh and Kerala that remains the same, not changed.
- Moderator:** Our next follow-up question comes from the line of Saion Mukherjee from Nomura Securities.
- Saion Mukherjee:** Madhukar, this you mentioned 28% of pharma is on private label. So what's the -- and it will keep growing, as you mentioned. So do you have any sort of optimum traction in mind that where this number can settle eventually?
- Madhukar Reddy:** I would like it to go all the way to 90%. But the thing is it will probably settle down at a much lower number, mainly because of 2 things. One, despite our discount, there are still some

brands which would be cheaper. There's still some naturally really inexpensive brands, which you can't anyhow substitute. So there's going to be those.

There's also going to be products which -- for which we don't have a substitute, the insulins and all and a bunch of other things. And as we go forward, we're also seeing an increase in share of patented products, and all coming in, if we start selling a lot of those, those will not have substitutes for a long time.

So between all these things and the fact that not everyone is going to switch, we ourselves are going to be obviously pushing a lot on emphasizing a lot more on increasing the top line rather than just the private label. I think over the next 3, 4, 5, 6 quarters, a growth of not more than 1% is to be expected on the private label side.

Beyond that, Saion, I'm not sure. As more and more companies get to the generic side and they start talking about it, as the government starts talking about it, the overall word of mouth spread to an extent where people may just -- it may reach a tipping point where they just say, that's it. We will end up taking just the generics and nothing more. And then it may just change. But right now, I don't see that. I'm thinking for the next several quarters, it's going to be 1% every quarter.

Saion Mukherjee: Understood. And just one question I was thinking, this whole GLP-1 opportunity, which is going to come up next year. In terms of supply chain, is that something different which sort of benefits in any way, MedPlus? Or you think it's like one of the other products like which goes off patent? And obviously, we shouldn't expect any private label play in the short term in that, right?

Madhukar Reddy: No, why would you not expect private label? Obviously, that is a great product to launch a private label. We'll definitely try and do it as quickly as possible. We're already talking to people about that. So that will happen. Now is there anything special in the supply chain? Not really. Obviously, the cold chain and all have to be maintained and everything else, but that's about it. I don't think there's anything -- I mean it's not really a big deal. I mean it's like selling insulins anywhere.

Saion Mukherjee: And Madhukar, like private label for that injectable, like when can you -- I mean, launch? I mean, is there any timeline you have in mind?

Madhukar Reddy: So we are talking to people. I can't give you the exact timeline, Saion, but I know it is coming out of patent, I think March '26. And I'm hoping that we should be ready on day 1 or maybe if not day 1, maybe month 1.

Moderator: Our next question comes from the line of Harith Ahamed from Avendus Spark.

Harith Ahamed: The share of pharma private label, which you disclosed around 21% of GMV for the quarter. Madhukar, can you give some color on how this number looks like across various states and across Tier 1 to Tier 4 markets, how different is the share?

Madhukar Reddy: So I don't have the exact numbers out there, Harith, but I can tell you this for sure. Tier 4, Tier 3, obviously, are going to be much, much higher than Tier 1. But that said, Hyderabad, Bangalore and Chennai are not that bad, even Bombay, which is the lowest, I think, for us and private label is still at around 10% or 11% for us.

So smaller towns, the private label medicine could be as high as 30% or 32%. Yes. But state-wise, I don't think it really differs that much. It is more in line with our own entry into the state. So it depends on when we have actually gone to the place. So the older we are, the better the known we are, the higher the overall private label mix in the state.

Harith Ahamed: And you touched on opening stores and other franchisee models. Can you share a bit of color on the economics? Will you be booking the entire revenue? How -- what kind of share will go to the franchisees? And are these stores on top of the 600 stores that you guided for?

Madhukar Reddy: No, actually, they will be part of the 600 stores. Part of the stores which we are doing will be franchisee. This will be like a wholesale kind of model where we sell the product to the store, and he then sells it downwards. And yes, it will be a MedPlus store where we act like a super distributor, you could say.

The only product that franchisee can sell is stuff which we sell at. So everything will be sold to them and that will be the price which we bill. So yes, the top line will come down slightly because of that, but the overall return on capital and everything will be much better.

Moderator: The next question comes from the line of Tarang Agrawal from Old Bridge.

Tarang Agrawal: Just quite a few questions actually. On bookkeeping, what are your number of stores in Tier 2 and beyond?

Madhukar Reddy: I don't have the exact number, but I think around 40% now of our stores probably are outside of the Tier 1.

Tarang Agrawal: Sorry, 70%, is it? I mean you used to call out this number in your opening remarks, right?

Madhukar Reddy: 40%. I think 40% of our stores, but I'll come back to you on that. So why don't you go ahead with your rest of the question.

Tarang Agrawal: Okay. In Q2, if I'm correct, I think you opened a store in UP. Is that right? I mean, is UP still there in your footprint or it's no longer there?

Madhukar Reddy: See, we opened a store in Noida, one in Gurgaon and one in Delhi. So this is largely to basically see if we could enter Delhi as a city and do online delivery out there. So we are still - - that pilot is still running. Some of the stores are doing well, but it is not to enter the state of Haryana, UP or this one.

Tarang Agrawal: Okay. Got it. Got it. Got it. Madhukar, you said you guys have added about 10 warehouses in FY '25. What was this number in FY '24?

Madhukar Reddy: So 10 less.

- Tarang Agrawal:** No, no. I mean, what's the overall warehouse number as on 31st March 2025.
- Madhukar Reddy:** It has actually doubled, I would say, close to double because we had one large warehouse for each state.
- Tarang Agrawal:** Okay. Got it. And in terms of working capital, as the store matures, what are the inventory days that you guys generally work with? I mean, for your reasonably matured store in your footprint, generally, what are the inventory days that, that store would work with?
- Madhukar Reddy:** Around 40 to 43 days.
- Tarang Agrawal:** But one would believe that -- I mean, that's the number that you work with for stores greater than 12 months, correct? But typically, you would make it even more efficient, right, as the store matures even further or 40 to 43 days is where sort of you hit the ceiling?
- Madhukar Reddy:** Not necessarily. The store sales go beyond INR2 lakh per day, it will probably come down a little bit. But anything below that, it's going to stay at around 40 to 43 days or maybe it will go down to 37. See, the reason is the store's reputation is built on fill rate. So if you're going to constantly cut the long tail, people will stop coming to us.
- We have several products in our store, which are -- which we would have not sold even once in 6 months or once in 7 months, but they need to be carried because every month we see from the list of products which we sell, there are several products which we have never sold in 6 months sold as part of a customer overall basket. And if it were not for that product, maybe the customer would have walked. So the thing in pharma is not focusing a lot on inventory days in the store, but more on the fill rate and the top line, I would say.
- Tarang Agrawal:** Got it. Just out of curiosity, I mean, given the stock warehouse expansion that you've had, one would have presumed that your inventory days at the warehouse should have increased materially more, right? But that hasn't happened. So just wanted to understand, because logically, if you're adding a warehouse, you would typically add as much of SKUs and product that was there in the earlier warehouse, and that would have a significant drain on your overall inventory, but that hasn't played out. Is that my understanding correct, though?
- Madhukar Reddy:** Not really. But the thing is it is still to play out because the stores -- the warehouses are not yet functional. The only one warehouse is up right now. The others are actually getting ramped up. But in the initial stage, maybe, but afterwards, it's not going to really change that much because each of the warehouses is going to be taking care of at least 250 to 300 stores. So the inventory in, let's say, the Chennai warehouse is not going to be split between Madurai and Chennai.
- Tarang Agrawal:** Got it. Got it. And I mean, from a working capital standpoint, both on inventory and payable days, do you think there is scope of improvement or you've maxed out there?
- Madhukar Reddy:** I don't think there's a lot to be done out there.

- Tarang Agrawal:** Okay. And last, just if this number is handy with you, actually, to Madhav's question, what was the MRP rate, MRP growth rate for Q4? And second, if you could give us a sense on what were the bills cut through the quarter?
- Madhukar Reddy:** We don't have that number. The MRP growth, I think, was 0.4% or something.
- Sujit Mahato:** 6.4%.
- Madhukar Reddy:** 6.4%.
- Tarang Agrawal:** 6.4%. Okay.
- Moderator:** Our next question comes from the line of Vilina Jain from Perpetuity Ventures.
- Vilina Jain:** So I just want to understand our employee expense trend. So over the last 3 quarters, it has grown significantly. So firstly on that. Secondly, to grow private label pharma, are we using some kind of incentives in the stores?
- Sujit Mahato:** Yes, I think it's a great question. So it has both the components, as you rightly mentioned. As the private label sales increases, there is also the component of the employee incentive. Technically, we would have wished that to go from the gross margin, but the way the accounting literature dictates, it goes as a selling cost, and therefore, it is shown as part of the salary expenses.
- So that's the predominant thing for the increase. In addition to that, a couple of quarters ago, we had highlighted that we have brought in for the purpose of retaining employees, there is a retention plan for the store level employees. So that has also contributed to a little extent. And based on these reasons, the costs have gone up.
- Vilina Jain:** Sir, if you could highlight what would be this selling cost, which is like an employee incentive for private label? And how should we see this growing as we grow the private label?
- Sujit Mahato:** So it's again based on private label pharma and private label non-pharma and then there are -- during this year, we are also trying to align to the overall sales. So this is a dynamic thing, which we try to do it every quarter internally. So maybe offline, I can take that with you.
- Moderator:** 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:** Thank you, Sagar. 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 for joining us. You may now disconnect your lines.