

...continued from previous page.

BASIS FOR THE OFFER PRICE

6. Comparison of Accounting Ratios with Listed Industry Peers

Following is the comparison with our peer companies listed in India and in the same line of business as our Company:

Name of Company	Face Value (₹ Per Share)	Closing price on January 15, 2024 (₹)	Total Income, for Fiscal 2023 (in ₹ million)	EPS (₹)		NAV (₹ per share)	P/E	RoNW (%)
				Basic	Diluted			
Entero Healthcare Solutions Limited	10.00	NA	33,057.21	(3.43)	(3.43)	174.21	NA	(1.86)%
Peer Group								
MedPlus Health Services Limited	2.00	738.95	46,036.54	4.17	4.17	124.93	177.21	3.36%

- Notes:
- Financial information for Company is derived from the Restated Consolidated Financial Information for the year ended March 31, 2023.
 - All the financial information for listed industry peer mentioned above is on a consolidated basis and is sourced from the annual reports/annual results as available of the respective company for the year ended March 31, 2023 submitted to stock exchanges.
 - P/E Ratio has been computed based on the closing market price of equity shares on NSE on January 15, 2024, divided by the Diluted EPS.
 - Return on Net Worth (RoNW) (%) = Net Profit / (Loss) after tax / Net worth (Total Equity) at the end of the year.
 - Net asset value per share (in ₹) represents net asset value per equity share post conversion. It is calculated as net worth as of the end of the relevant year divided by the number of equity share outstanding at the end of the respective year.

7. Key Performance Indicators

The table below sets forth the details of certain key performance indicators ("KPIs") that our Company considers having a bearing for arriving at the basis for Offer Price. All the KPIs disclosed below have been approved by a resolution of our Audit Committee dated January 21, 2024. The Audit Committee has further confirmed that the KPIs pertaining to the Company that have been disclosed to earlier investors at any point of time during the three years period prior to the date of filing of this Red Herring Prospectus have been disclosed in this section and have been verified and audited by N B T and Co, Chartered Accountants (Firm Registration Number: 140489W), holding a valid certificate issued by the peer review board of the ICAI. The KPIs disclosed below have been certified by N B T & Co, Chartered Accountants (Firm Registration Number: 140489W), pursuant to certificate dated January 21, 2024.

Our Company shall continue to disclose the KPIs disclosed in this section, on a periodic basis, at least once in a year (or for any lesser period as determined by our Company), for a duration that is at least the later of (i) one year after the listing date or period specified by SEBI; or (ii) till the utilization of the Net Proceeds. Any change in these KPIs, during the aforementioned period, will be explained by our Company. The ongoing KPIs will continue to be certified by a member of an expert body as required under the SEBI ICDR Regulations.

The list of our KPIs along with brief explanation of the relevance of the KPI for our business operations are set forth below:

Sr. No.	KPI	Explanation
Operational	Customers (Retail)	This metric helps us track the retail stores serviced over multiple periods and geography
	Customers (Hospital)	This metric helps us track the hospitals serviced over multiple periods - thereby align our business strategies accordingly
	SKUs handled	This metric helps us understand availability of multiple SKUs and lines of businesses
	Pharmaceutical and healthcare companies whose products have been billed	This metric helps us track the number of companies we serve and their product availability through our channel
	Districts covered	This metric helps us track our presence in terms of the number of districts we service across multiple periods
	Warehouses	Count of active warehouses
	Warehouse Area	This metric helps us track our storage capacities through better inventory management practices.
	Employees	This metric helps us analyse the company performance and growth via changes in headcount over multiple periods.
	Average Sales per Month per customer	This metric helps us analyse the trends in average sale to customers on a monthly basis over multiple periods.
	Financial	Revenue Growth
Gross Profit		This metric helps the company to track gross margin from various product categories over multiple periods.
Gross Profit Margin		This metric helps the company to track gross margin generated over multiple periods.
EBITDA		We believe that tracking EBITDA helps us identify underlying trends in our business and facilitates evaluation of year-on-year operating performance of our operations by eliminating items that are variable in nature and not considered by us in the evaluation of ongoing operating performance and allowing comparison of our recurring core business operating results over multiple periods.
EBITDA Margin		We believe that tracking EBITDA margin assists in tracking the margin profile of our business and in understanding areas of our business operations which have scope for improvement.
Financial	Unit EBITDA Margin	This ratio helps the company in measuring EBITDA from core operations of the business, excluding central costs.
	Restated Profit for the Year/Period	We believe that tracking profit after tax helps us track the overall profitability of our business after tax.
	Profit After Tax Margin	We believe that tracking PAT margin assists in tracking the margin profile of our business and allows comparison of results over multiple periods.
	Net Working Capital Days	This metric helps the Company to track cash conversion over multiple periods.
	Return on Capital Employed ("ROCE")	This ratio helps the company in measuring the operating returns generated from total capital employed in the business.
	Return on Equity ("ROE")	This ratio helps the company in measuring the returns generated from equity financing.

Details of KPIs as at for the six months ended September 30, 2023, and September 30, 2022, and the financial years ended March 31, 2023, March 31, 2022, and March 31, 2021:

KPIs	Unit	Six months ended September 30, 2023	Six months ended September 30, 2022	Fiscal 2023	Fiscal 2022	Fiscal 2021
Operational						
Customers (Retail) ¹	(Number)	73,700+	65,000+	81,400+	64,200+	39,500+
Customers (Hospital) ²	(Number)	2,800+	2,400+	3,400+	2,500+	1,600+
SKUs handled ³	(Number)	63,900+	59,000+	64,500+	56,500+	44,400+
Pharmaceutical and healthcare companies whose products have been billed ⁴	(Number)	1,900+	1,700+	1,900+	1,700+	1,100+
Districts covered ⁵	(Number)	501	471	495	463	420
Warehouses ⁶	(Number)	77	71	74	60	44
Warehouse Area ⁷	(Square feet)	464,112	433,238	430,556	408,924	312,783
Employees ⁸	(Number)	3,181	3,018	3,041	2,875	2,141
Average Sales per Month per Customer ⁹	(₹)	37,532	36,889	30,143	29,213	32,801
Financial						
Revenue Growth ¹⁰	(%)	19.67%	NA	30.85%	41.71%	31.87%
Gross Profit ¹¹	(₹ in million)	1,691.57	1,286.76	2,683.42	2,096.28	1,415.97
Gross Profit Margin ¹²	(%)	8.92%	8.12%	8.13%	8.31%	7.96%
EBITDA ¹³	(₹ in million)	543.66	250.28	640.07	244.38	215.45
EBITDA Margin ¹⁴	(%)	2.87%	1.58%	1.94%	0.97%	1.21%
Unit EBITDA Margin ¹⁵	(%)	4.09%	3.78%	3.74%	3.72%	3.46%
Restated Profit for the Year/Period ¹⁶	(₹ in million)	116.42	(108.57)	(111.04)	(294.39)	(153.54)
Profit after Tax Margin ¹⁷	(%)	0.61%	(0.69)%	(0.34)%	(1.17)%	(0.86)%
Net Working Capital Days ¹⁸	(Number)	67	64	63	69	74
Return on Capital Employed ¹⁹	(%)	5.17% ⁽²¹⁾	2.13% ⁽²¹⁾	6.05%	1.49%	1.88%
Return on Equity ²⁰	(%)	2.54% ⁽²¹⁾	(2.61)% ⁽²¹⁾	(2.66)%	(7.35)%	(4.23)%

- Notes:
- Customers (Retail) refer to the number of "trade", "retail" or "healthcare practitioners" customers with one or more billed invoice during the period.
 - Customers (Hospital) refer to the number of "hospitals" or "nursing homes" customers with one or more billed invoice during the period.
 - SKUs handled refers to the number of unique SKUs that have been billed by us during the period. Examples of SKUs include pharmaceutical SKUs, fast moving consumer goods SKUs and surgical / consumables SKUs.
 - Pharmaceutical and healthcare companies whose products have been billed refers to the number of pharmaceutical and healthcare companies whose products were billed by us during the period.
 - Districts refer to the number of districts where one or more customers have been billed during the period. Districts are mapped based on the pincode mentioned in the customer's address field.
 - Warehouses refer to the number of active warehouses (with a unique drug license) with one or more products billed from that warehouse.
 - Warehouse area refers to the total square footage of area across all our active warehouses.
 - Employees refer to the number of employees that are on our Company or our subsidiaries' payroll as on the last date of the respective Fiscal/period.
 - Average Sales per Month per customer refers to the Restated revenue from Operations for the year or the six months period divided by 12 or 6 respectively, and total number of customers.
 - Revenue growth is calculated as growth in revenue for the relevant year/period as compared to the corresponding previous year/period.
 - Gross profit is calculated as revenue from operations reduced by purchase of stock-in-trade and changes in inventories of stock-in-trade.
 - Gross profit margin is calculated as gross profit divided by revenue from operations.
 - EBITDA is calculated as revenue from operations reduced by purchase of stock-in-trade and changes in inventories of stock-in-trade, employee benefit expense and other expenses.
 - Earnings before interest, taxes, depreciation and amortization (EBITDA) margin is calculated as EBITDA divided by revenue from operations.
 - Unit EBITDA Margin refers to the consolidated EBITDA % of individual standalone distributor entities.
 - Restated profit for the year/period is calculated as Total income reduced by Total expenses and Total tax expenses.
 - Profit after tax margin is calculated as restated profit after tax divided by total income.
 - Net working capital days is calculated by net working capital (which is calculated as current asset (excluding cash/bank or cash equivalents) reduced by current liabilities (excluding short term borrowings)) represented in days sales (grossed up for taxes) during the period. The net working capital days for the six months ended September 30, 2023 and September 30, 2022 are annualized figures.
 - ROCE is calculated as EBIT (which represents the sum of profit before tax and interest expenses) divided by average capital employed (calculated as the sum of opening capital employed and closing capital employed, and then divided by two) during the period. Capital employed is calculated as the sum of tangible net worth, borrowings and deferred tax liability. Tangible net worth is the sum of total equity (including non-controlling interest) reduced by goodwill, other intangible assets and intangible assets under development.
 - ROE is calculated as restated profit after tax divided by average tangible net worth. Tangible net worth is the sum of total equity (including Non-controlling interest) reduced by goodwill, other intangible assets and intangible assets under development. Average tangible net worth is calculated as the sum of opening tangible net worth and closing tangible net worth and then divided by two.
 - Not annualised
- Above mentioned KPIs includes details of acquisitions or/and dispositions made by the Company during the six months ended September 30, 2023, and September 30, 2022, and the financial years ending March 31, 2023, 2022 and 2021, details of which are mentioned below:

Year of Acquisition	Number of Acquisitions	Sale of goods during the six months ended September 30, 2023 (₹ million)	Sale of goods during the six months ended September 30, 2022 (₹ million)	Sale of goods during the Financial Year 2023 (₹ million)	Sale of goods during the Financial Year 2022 (₹ million)	Sale of goods during the Financial Year 2021 (₹ million)
Six months ended September 30, 2023	1	39.76	-	836.24	-	-
Six months ended September 30, 2022	3	818.74	248.72	836.24	-	-
Financial Year 2022-2023	3	818.74	248.72	836.24	-	-
Financial Year 2021-2022	8	3,464.56	2,581.28	5,304.21	1,416.26	-
Financial Year 2020-2021	3	303.14	223.30	475.77	325.11	212.28

For details of our other operating metrics disclosed elsewhere in this Red Herring Prospectus, see "Our Business" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" on pages 180 and 429, of the RHP, respectively.

8. Comparison of KPIs with listed industry peers:

Key Performance Indicators	As at and for Fiscal 2023	
	Entero Healthcare Solutions Limited ⁽¹⁾	Medplus Health Services Limited ⁽²⁾
Customers (Retail) ³	81,400+ ⁽⁴⁾	NA
Customers (Hospital) ⁵	3400+	NA
SKUs handled	64,500+	44,000+
Pharmaceutical and Healthcare Companies whose products have been billed ⁶	1900+	NA
Districts covered ⁷	495	NA
Warehouses	74	NA
Warehouse Area ⁸	430,556	10
Employee	3,041	22,000

Key Performance Indicators	As at and for Fiscal 2023	
	Entero Healthcare Solutions Limited ⁽¹⁾	Medplus Health Services Limited ⁽²⁾
Average Sales per Month per Customer ⁹	30,143	NA
Revenue growth (%) ¹⁰	30.85%	20.81%
Gross Profit (in ₹ million) ¹¹	2,683.42	10,459.66
Gross Profit Margin (%) ¹²	8.13%	22.72%
EBITDA (in ₹ million) ¹³	640.07	3,117.46(20)
EBITDA Margin (%) ¹⁴	1.94%	6.77%
Unit EBITDA Margin (%) ¹⁵	3.74%	NA
Profit after tax (in ₹ million)	(111.04)	501.05
Profit after Tax Margin (%) ¹⁶	(0.34)%	1.09%
Net Working Capital (NWC) Days ¹⁷	70*	73
Return on Capital Employed (%) ¹⁸	6.05%	9.16%
Return on Equity (%) ¹⁹	(2.66)%	3.56%

*Working capital days provided above are at net level, working capital days grossed up for GST taxes for Entero Healthcare Solutions Ltd. is 63 days for fiscal 2023. Same value for peers cannot be calculated as exact data for peers regarding the same is not available

- Financial data as per Restated Consolidated Financial Information
- Operational data as of fiscal 2023 on consolidated basis; financial data as per quarterly financials, since data is updated as per quarterly reports for fiscal 2023 and detailed schedules are not available, there is no classification of other income available hence it is considered as part of operating income; as of September 1, 2023, annual report for Medplus Health Services Limited is not available in the public domain.
- Customers (Retail) refer to the number of "trade", "retail" or "healthcare practitioners" customers with one or more billed invoice during the period.
- Includes physicians as customers.
- Customers (Hospital) refer to the number of "hospitals" or "nursing homes" customers with one or more billed invoice during the period.
- Pharmaceutical and healthcare companies whose products have been billed refers to the number of pharmaceutical and healthcare companies with products billed during the period
- Districts refer to the number of districts where one or more customers have been billed during the period. Districts are mapped based on the pincode mentioned in the customer's address field.
- Warehouse area refers to the total square footage of area across all our active warehouses.
- Average Sales per Month per Customer refers to the Restated Revenue from Operations for the year divided by 12 and the total number of customers
- Revenue Growth refers to year-on-year growth. Revenue growth is calculated as the growth in revenue for the relevant year as compared to the corresponding previous year.
- Gross Profit is calculated as Revenue from Operations reduced by Purchase of Stock-in-Trade and Changes in Inventories of Stock-in-Trade.
- Gross Profit Margin is calculated as Gross Profit divided by Revenue from Operations
- EBITDA is calculated as Revenue from Operations reduced by Purchase of Stock-in-Trade and Changes in Inventories of Stock-in-Trade, Employee Benefit Expense and Other Expenses
- EBITDA Margin is calculated as EBITDA divided by Revenue from Operations.
- Unit EBITDA margin refers to the consolidated EBITDA % of individual standalone distributor entities.
- Profit After Tax Margin is calculated as Restated Profit after Tax divided by Total Income
- NWC (Net working capital) days = Debtors days + inventory days - payable days
- Return on Capital Employed (ROCE) is calculated as EBIT (which represents the sum of profit before tax and interest expenses) divided by average capital employed (calculated as the sum of opening capital employed and closing capital employed, and then divided by two) during the period. Capital employed is calculated as the sum of tangible net worth, borrowings and deferred tax liability. Tangible net worth is the sum of total equity (including non-controlling interest) reduced by goodwill, other intangible assets and intangible assets under development.
- Return on Equity (ROE) is calculated as restated profit after tax divided by Average Tangible Net Worth. Tangible net worth is the sum of total equity (including non-controlling interest) reduced by goodwill, other intangible assets and intangible assets under development. Average tangible net worth is calculated as the sum of opening tangible net worth and closing tangible net worth and then divided by two.
- EBITDA calculation is done considering other income as part of Operating income

9. Price per share, floor price and cap price

a) Price per share of the Company (as adjusted for corporate actions, including split, bonus issuances) based on primary issuances of Equity Shares or convertible securities (excluding Equity Shares issued under the ESOP Plans and issuance of Equity Shares pursuant to a bonus issue) during the 18 months preceding the date of the Red Herring Prospectus, where such issuance is equal to or more than 5% of the fully diluted paid-up share capital of the Company in a single transaction or multiple transactions combined together over a span of rolling 30 days ("Primary Issuances")

Name of Allottee	Date of Allotment	Nature of Allotment	Nature of Specified Security	Issue Price per Specified Security (in ₹)	Transaction as a % of the fully diluted paid up capital of our Company	Number of specified securities allotted
Prabhat Agrawal and certain other allottees	September 12, 2022	Right Issue	Equity Shares	10.00	6.79%	2,61,327
OrbiMed Asia III Mauritius Limited and certain other allottees disclosed in the section titled "Capital Structure - History of Equity Share Capital of our Company" on pages 95 to 104 of the RHP	July 12, 2023	Conversion of CCPS into Equity Shares	Equity Shares	10.00	290.78%	11,955,359
OrbiMed Asia III Mauritius Limited	January 27, 2024	Conversion of CCPS A1 Series into Equity Shares	Equity Shares	423.07	68.18%	1,09,54,617
Tushar Kumar (For IM Investments Trust) and certain other allottees	January 27, 2024	Conversion of CCPS A2 Series into Equity Shares	Equity Shares	423.08	23.28%	37,40,532
Prem Sethi and certain other allottees	January 27, 2024	Conversion of CCPS A3 Series into Equity Shares	Equity Shares	10.70	18.02%	28,94,741
Petros Diamantides and certain other allottees	January 27, 2024	Conversion of CCPS A4 Series into Equity Shares	Equity Shares	412.61	4.05%	6,50,771
OrbiMed Asia III Mauritius Limited and certain other allottees	January 27, 2024	Conversion of CCPS A5 Series into Equity Shares	Equity Shares	412.61	7.69%	12,35,651
Weighted average cost of acquisition (WACA) (primary issuances) (₹ per Equity Share)				255.56		

*Issue price has been considered as amount paid at the time of CCPS acquisition divided by the number of equity shares allotted pursuant to conversion of CCPS.

b) Price per share of the Company (as adjusted for corporate actions, including bonus issuances) based on secondary sale or acquisition of equity shares or convertible securities (excluding gifts) where Promoters or members of the Promoter Group or Selling Shareholders or other shareholders with rights to nominate directors are a party to the transaction during the 18 months preceding the date of filing of this Red Herring Prospectus, where the acquisition or sale is equal to or more than 5% of the fully diluted paid-up share capital of our Company (calculated based on the pre-offer capital before such transaction/s and excluding ESOPs granted but not vested), in a single transaction or multiple transactions combined together over a span of rolling 30 days ("Secondary Transactions")

Not applicable

Since there are eligible transactions to report to under (a) and (b), the details of the price per share of the Company, based on the last five primary or secondary transactions (secondary transactions where the Promoters or members of the Promoter Group or shareholders having a right to nominate directors to the Board are a party to the transaction, excluding gifts), not older than three years prior to the date of this Red Herring Prospectus has not been computed.

For further details in relation to the share capital history of our Company, see "Capital Structure" on page 93 of the RHP.

10. Floor Price and Cap Price as compared to the weighted average cost of acquisition based on past allotment(s)/ secondary transactions as set out below:

Past Transactions	Weighted average cost of acquisition of Specified Securities (₹)*	Floor Price (₹1,195.00)	Cap Price (₹1,258.00)
Issuance of Equity Shares or convertible securities during the 18 months preceding the date of this Red Herring Prospectus, where such issuance is equal to or more than 5% of the fully diluted paid-up Equity Share capital of our Company (calculated based on the pre-issue capital before such transactions and excluding ESOPs granted but not vested), in a single transaction or multiple transactions combined together over a span of rolling 30 days	255.56	4.68 times	4.92 times
secondary sale/acquisitions of Equity Shares or any convertible securities, where the Promoter, members of the Promoter Group, Selling Shareholders, or Shareholders having the right to nominate Directors on our Board are a party to the transaction (excluding gifts), during the 18 months preceding the date of this Red Herring Prospectus, where either acquisition or sale is equal to or more than 5% of the fully diluted paid up share capital of our Company (calculated based on the pre-offer capital before such transaction/s and excluding ESOPs granted but not vested), in a single transaction or multiple transactions combined together over a span of rolling 30 days	Not applicable	Not Applicable	Not Applicable

*To be updated at Prospectus stage

11. Justification for Basis for Offer Price

Detailed explanation for Cap Price being 4.92 times of WACA of past five primary issuances /secondary transactions of Equity Shares (as disclosed above) along with our Company's KPIs and financial ratios for the six months ended September 30, 2023, September 30, 2022, and the Fiscals 2023, 2022 and 2021 and in view of the external factors which may have influenced the pricing of the issue, if any.

- We are amongst the top three healthcare products distributors in India in terms of revenue in Financial Year 2022, and reported an operating income of ₹25,220.65 million in Financial Year 2022 (Source: CRISIL Report).
- We have achieved the fastest scale-up of operations among healthcare products distributors in India (between Financial Year 2019 to Financial Year 2022), and reached ₹25,000 million of operating income within four years of operations (Source: CRISIL Report).
- We add value to the healthcare product manufacturers that work with us by providing them reach and accessibility to pharmacies, hospitals and clinics through our integrated and technology driven, pan-India healthcare products distribution platform.
- We also provide a diverse spectrum of healthcare products, including pharmaceutical products, nutraceuticals, medical devices, surgical consumables, over-the-counter medicines and vaccines, which enables us to become a one stop shop for our customer's healthcare product needs. Accordingly, we aim to provide high fill rates to our customers, which in turn enables them to provide high fill rates to end consumers. We also aim to provide low turnaround time to our customers. Our scale of operations allows us to procure products at competitive prices and have a wide product range with adequate inventory levels.
- We leverage technology to provide a positive buying experience through our digital solutions such as the Entero Direct B2B application ("Entero Direct"), where customers have real-time visibility of our product range, pricing, inventory levels, order status, outstanding balances, promotional offers. Entero Direct can be used for order management 24 hours a day, seven days a week.
- For the Financial Years 2021, 2022 and 2023, the six months ended 30 September 2022 and the six months ended September 30, 2023; our revenue from operations was ₹17,797.37 million, ₹25,220.65 million and ₹33,002.07, ₹15,839.68 and ₹18,955.01 million respectively.
- For the Financial Years 2021, 2022 and 2023, the six months ended 30 September 2022 and the six months ended September 30, 2023; our Gross Profit margin was 7.96%, 8.31%, 8.13%, 8.12% and 8.92% respectively.
- For the Financial Years 2021, 2022 and 2023, the six months ended 30 September 2022 and the six months ended September 30, 2023; our EBITDA margin was 1.21%, 0.97%, 1.94%, 1.58% and 2.87% respectively.

12. The Offer Price is [●] times of the face value of the Equity Shares.

The Offer Price of ₹ [●] has been determined by our Company in consultation with the BRLMs, on the basis of assessment of demand from investors for Equity Shares through the Book Building Process and, is justified in view of the above qualitative and quantitative parameters.

Investors should read the above-mentioned information along with "Risk Factors", "Our Business", "Financial Information - Restated Consolidated Financial Information" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" on pages 39, 180, 279 and 429 of the RHP respectively, to have a more informed view. The trading price of the Equity Shares could decline due to the factors mentioned in the "Risk Factors" beginning on page 39 of the RHP and you may lose all or part of your investments.

FOR FURTHER DETAILS, SEE "BASIS FOR OFFER PRICE" ON PAGE 131 OF THE RHP.

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