



## 3R MATRIX

	+	=	-
Right Sector (RS)	✓	✗	✗
Right Quality (RQ)	✓	✗	✗
Right Valuation (RV)	✓	✓	✗
+ Positive = Neutral - Negative			

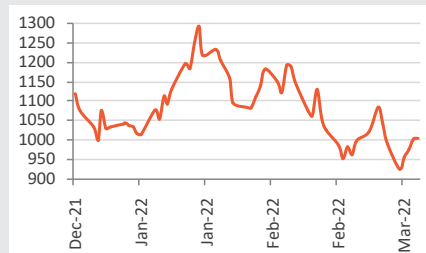
## Company details

Market cap:	Rs. 11,993 cr
52-week high/low:	Rs. 1343 / 921
NSE volume: (No of shares)	7.3 lakh
BSE code:	543427
NSE code:	MEDPLUS
Free float: (No of shares)	7.1 cr

## Shareholding (%)

Promoters	40.4
FII	22.0
DII	27.7
Others	9.89

## Price chart



\* Company listed on 23 Dec 2021

## Medplus Health Services Ltd

## Benefitting from a shift to organized retail pharmacy

Pharmaceuticals	Sharekhan code: MEDPLUS	
Reco/View: Positive	CMP: Rs. 1,006	Upside potential: 22%

## Summary

- Medplus Health Services Limited (Medplus) is the India's second-largest pharmacy retailer in India with over ~2300 stores. It also has an omni-channel presence
- Focus on strengthening its market position by doubling store count over 3-4 years, increasing the store penetration in densely populated area, efforts to develop the omni-channel presence would be the key drivers.
- Thrust to increase the share of lucrative private label business and higher revenue per store & plans to tap the healthcare / diagnostics space are the positives that would support the growth
- Medplus is expected to benefit from the shift in favour of the organised pharmacy retail. we initiate viewpoint coverage on Medplus with a positive view and expect a 22% upside.

**Medplus Health Services Limited (Medplus) is India's second-largest pharmacy retailer engaged in the distribution and retailing of Pharmaceuticals as well as FMCG products. In key cities like Chennai, Bangalore, Hyderabad and Kolkata, it owns sizeable market shares of 30%, 29%, 30% and 22%, respectively. Focus on strengthening its market position by doubling store count over 3-4 years, increasing the store penetration in densely populated area, efforts to develop the omni-channel presence would be the key drivers. Further, a thrust to increase the share of lucrative private label business and higher revenue per store & plans to tap the healthcare / diagnostics space are the key positives. This would be well-complemented by the experienced management and likely shift in preference towards organised retail pharmacy.**

- Strengthening market position & focus on omni-channel platform:** Medplus is among the leading pharmacy retail chains in India, aiming to capitalise on the shift from unorganised to organised retail, given the low penetration of the latter. In the existing clusters, Medplus looks to increase the store penetration, which in turn would support the online growth also. The company aims to double the store count by adding another 2,500 new stores over the next 3-4 years, well supported by, supply chain and distribution infrastructure would enable the company to gain market share. Medplus aims to develop its omni-channel presence and increase the revenue share from online sales. Medplus' omnichannel sales contribution as of FY21 is up 2% (over FY20) to 9%, pointing at possible increase. Tapping online sales platforms, ability to offer competitive prices for online delivery and shorter delivery time span of two hours in key cities could boost the online sales. Overall, share of organised retail in the pharmacy retail market in Tier I cities and Tier II cities & beyond, is approximately only 7% and 6%, respectively and this offers ample headroom for growth.
- Increase Share of Private Labels & improved per store efficiency:** Medplus is also present in private labels space and is looking to further fortify its presence in private labels by offering / introducing new products especially in the chronic and sub chronic space. The share of private labels in store revenues has increased from 4.5% in FY19 to 13.5% in H1FY22 and the management intends to further increase this as every 1% increase in the private label share increases gross margins by 0.5%. Over the years, Medplus has developed capabilities and process which enable it to maintain a healthy store economics. EBITDA margins for matured stores stand at 11.6% v/s 8.6% for non-matured stores, further providing room for expansion as new stores mature going ahead. With an improvement in store-level EBITDA, overall OPM would also expand.
- Emphasis on increasing wallet share with customers & tapping the adjacent verticals:** Leveraging its digital platform and enhancing its mobile application experience, Medplus looks to increase wallet share with customers, by enhancing user experience. Further, Medplus anticipates that its extensive retail presence across the country coupled with a strong position in the organised retail pharmacy segment will enable it to expand into adjacent verticals in the healthcare industry, including diagnostics, pathology and other healthcare service. Recently the company has inaugurated its first diagnostic centre in Hyderabad, offering radiology as well as pathology services. Diagnostics services would be marketed through retail stores, which drive the growth.

## Our Call

**Valuations: Strong growth potential, initiate coverage with positive view and expect 22% upside:** Medplus is the second largest pharmacy retailer in India and is in a sweet spot given expectations of a 10% growth in the overall pharmacy retail market, with the organised sector set to stage a much higher growth. Plans to double store count in 3-4 years, established capabilities, higher revenues and efficiencies per store, an eye on tapping the adjacent health care space leveraging the strong network are the key positives. Medplus' revenues and earnings are expected to stage a 15% and 33% CAGR over FY22E-FY24E. At CMP, the stock is trading at 105x/78.9x/59.7x its FY22E/FY23E/FY24E EPS. Based on the above positives, we initiate viewpoint coverage on Medplus with a positive view and expect a 22% upside.

## Key Risks

- Any slowdown in the new store openings;
- higher competitive intensity

## Valuation (Consolidated)

Particulars	FY21	FY22E	FY23E	FY24E
Total Sales	3069.3	3826.7	4424.6	5072.6
Operating Profits	238.2	329.8	398.2	471.8
OPM (%)	7.1	8.0	8.4	8.7
Reported PAT	63.1	114.4	152.1	201.0
EPS (Rs)	5.3	9.6	12.7	16.8
PER (x)	190.2	105.0	78.9	59.7
EV/Ebitda (x)	52.1	36.3	30.0	25.1
P/BV (x)	16.4	9.0	8.1	7.1
ROCE (%)	12.7	14.0	14.0	15.6
RONW (%)	10.0	11.1	10.8	12.6

Source: Company; Sharekhan estimates

**Domestic Pharma markets expected to grow in double digits:** India's healthcare sector primarily comprises hospitals, pharmaceutical companies and retail pharmacies, diagnostic services chains, medical equipment & supplies, medical insurance, telemedicine companies and medical tourism. The per capita health expenditure in India is one of the lowest in the world, with coming in at 3.5% of India's GDP (as compared to the global average of 6.5%). Thus, there is a high potential for growth given an increasing awareness, affordability and acceptability of health services leading to an increased spending on healthcare.

#### Healthcare Expense indicators

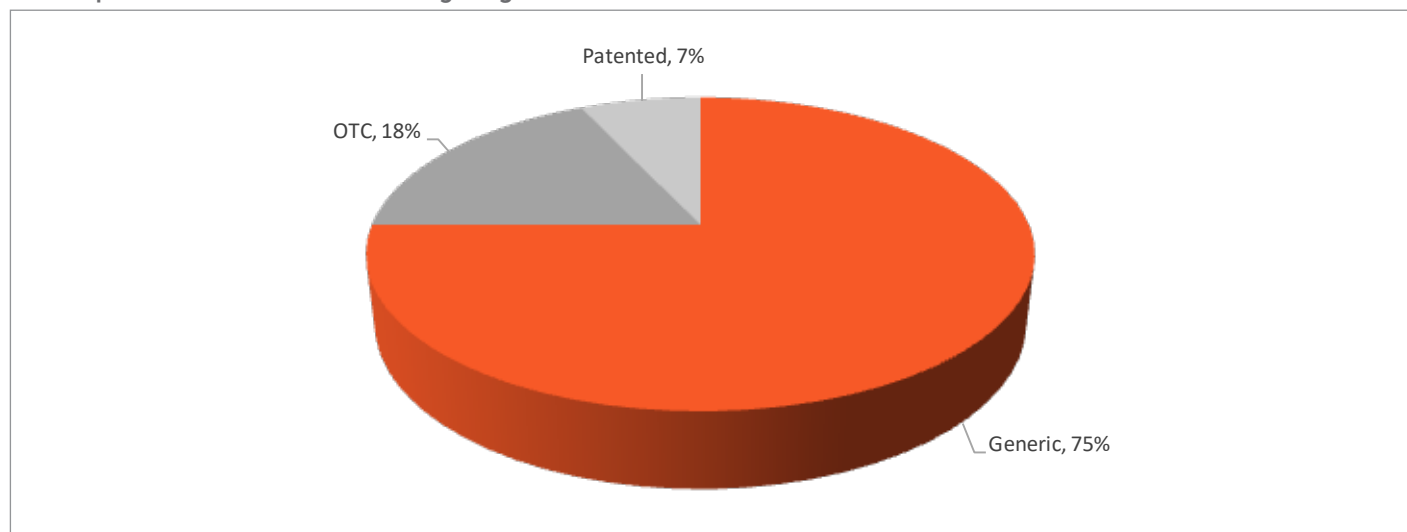
Indicator	India	World Average	India Rank
Current health expenditure (% of GDP)	3.5	6.5	168
Current health expenditure per capita, PPP (current international \$)	275.1	146.7	145
Share of out of pocket expenses (%)	72.4	40.25	14

Source: Company RHP, Sharekhan research

The domestic pharmaceutical market was valued at ~Rs 150,000 cr in FY2020 and this translated in to a CAGR of 10% over the last five years. Going ahead, the pharmaceutical market is expected to sustain growth momentum led by low per capita health expenditure, high share of private out-of-pocket expenses and lower penetration across rural areas, which has led to a high opportunity of growth given the limited penetration of health services.

The domestic pharmaceutical market in India can be segmented based on type of drugs sold, which includes prescription drugs and OTC drugs. Prescription drugs further comprise generic drugs (including branded generics and ordinary generics) and branded patented drugs. Branded generics attach proprietary names to generic drug molecules whereas ordinary generic drugs are known by their chemical names. In FY2020, generic drugs accounted for 75% of the total domestic market, while the OTC and the patented drugs accounting 18% and 7%, respectively.

#### Break up of domestic Pharma market by Drugs

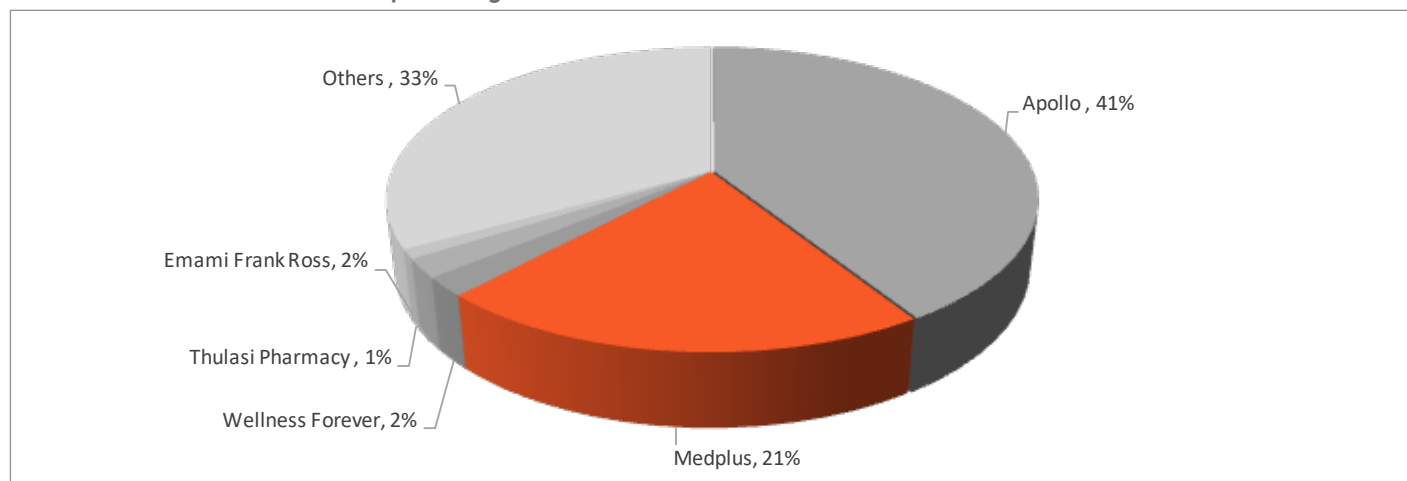


Source: Company RHP, Sharekhan research

**Evolving pharmacy retail in domestic markets:** Pharmacy retail is an integral part of India's overall healthcare delivery system. It comprises primarily of pharmaceutical products, which include OTC and prescription drugs. Additionally, retail pharmacies also sell FMCG products, wellness products, consumables and medical devices. Over the past, the pharmacy retails in India have growth by a healthy pace and the current industry size stands at Rs 17,250 crore. Going ahead, an increasing consumer base and rising healthcare expenditure, the rising demand for OTC and prescription drugs, wellness products and private label products and the outbreak of the COVID-19 pandemic would be the drivers for the pharmacy retail industry and the industry is expected to grow by 10% CAGR in the next 5 years between Fy20-FY25. While industry reports indicate that organised pharmacy retail market is expected to stage a strong growth of around 25% CAGR over the same period. This is expected to have a strong positive rub-off for companies like Medplus.

**Brick and Mortar Stores:** The organised retail sector primarily comprises Brick & Mortar (B&M) stores operated by established players. These players continue to drive growth in the organized segment by establishing a fast-emerging pan-India presence primarily through B&M stores and some players operate an omni-channel platform as well. They open multiple outlets in a city and a regional warehouse nearby to cater to these outlets. This model facilitates the implementation of logistics and distribution in a cost efficient manner, ensures accurate demand forecast for that region and improved serviceability ensuring consistent availability of products and timely deliveries. Moreover, this model also provides better fulfilment rates and higher profitability, and benefit of economies of scale.

**Total No of modern Brick & mortar pharmacy stores**

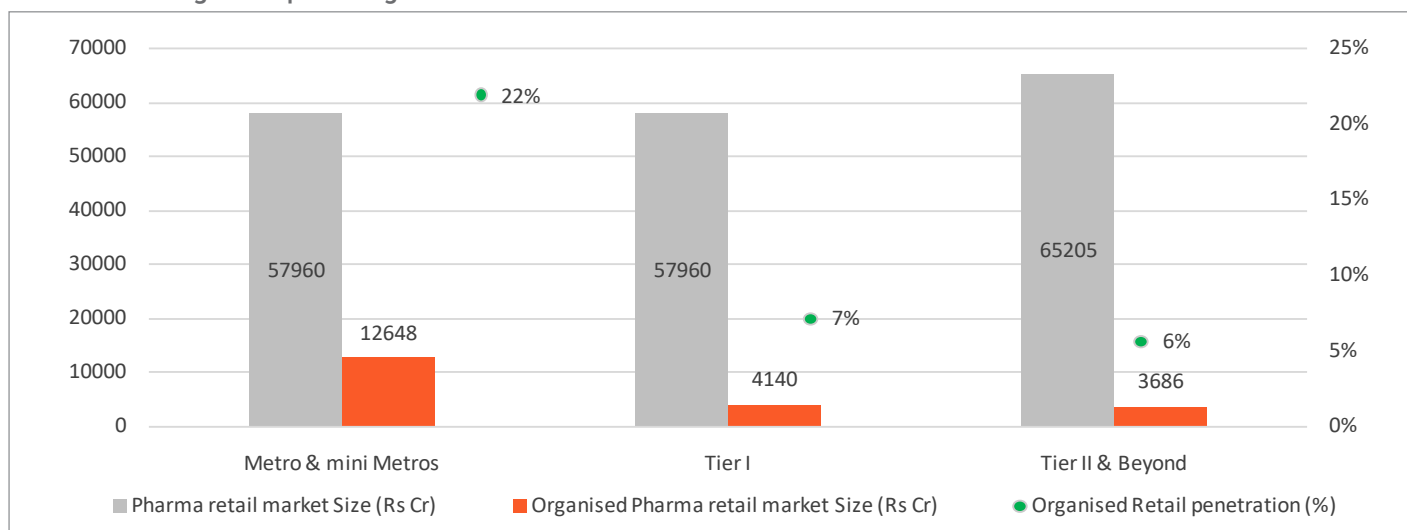


Source: Company RHP, Sharekhan research

**Omni-channel Presence:** Off late B&M stores adopting to hyperlocal model and operating an omni-channel retail platform are emerging as important players in the industry. This is attributable to their multichannel approach to sales through a combination of B&M stores and an online channel, which provides a seamless customer experience to consumers.

B&M players have an edge over the online only players in rolling out omni channel framework given the fact that they have an existing network of stores that are well-stocked with inventory to service the local cluster and address the demand faster and an optimised cost structure. A strong presence in neighbourhood areas, shorter turnaround time and an optimised cost structure are key advantages enjoyed by the omni-channel players. The omni-channel approach also allows players to offer discounts comparable to that offered by online only players while remaining profitable because of their low-cost structure. Medplus is one of the players in Indian pharmacy retail space with an omni-channel presence and hence believe it to be a benefitting from an evolving situation.

**Penetration of organised pharmacy retail**



Source: Company RHP, Sharekhan research

**Integrated player; in house developed technology platform yields synergies across value chain:** Medplus' operations across the value chain are backward-integrated and are managed in house by the company. The operations of the company including sourcing of products, warehousing and distribution, store operations and last mile connectivity with customers and to last mile delivery, is supported by integrated technology platform developed in-house. As on September 30, 2021, company has 18 primary warehouses across the country spread across Bangalore, Chennai, Hyderabad, Vijayawada, Kolkata, Pune, Bhubaneswar, Mumbai and Nagpur. These warehouses are supported by smaller ones in cities where Medplus has higher store density. These technologically enabled warehouses function as hubs supporting stores. Thus, inventories are replenished through centralized inventory management system, which is capable of tracking the sales and inventory levels on real-time. The company aims to enhance its delivery infrastructure and achieve a higher rate of online delivery purchases by reaching customers within the shortest span of time and creating a customer stickiness. Collectively, integrated player well supported by technology platform and focus on expanding the omni-channel presence would be the key positives for Medplus.

**Looking to strengthen market position by increasing store penetration:** Medplus looks to capitalize on the shift from unorganized to organized retail of pharmaceutical products in India, taking advantage of the low base of organised pharmacy retail penetration and increasing penetration of mobile and internet usage in India. As of September 2021, the company has a strong presence in the seven states across the country, with Andhra Pradesh & Telangana, Karnataka and Tamil Nadu constituting a chunk of the total stores. In terms of no of cities, Chennai, Bangalore, Hyderabad and Kolkata are the four major cities in which Medplus has a sizeable presence.

#### State-wise number of stores

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

Source: Company RHP, Sharekhan research

#### Number of Stores in key cities

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

Source: Company RHP, Sharekhan research

As per industry reports, the penetration of organised retail in the retail pharmacy market in Tier-I cities and Tier-II cities and beyond is approximately only 7% and 6%, respectively, thus pointing at significant headroom available for expansion. For increasing store penetration, management intend to leverage their replicable store roll-out process and supply chain and distribution infrastructure to increase the market share in states in which it has established clusters, starting with Tier-1 cities, including Chennai, Bangalore, Hyderabad and Kolkata, and, subsequently in Tier-II cities and further. In addition to that the company also plans to focus on cities in which it has a presence but is yet to attain leadership position – including Mumbai and Nashik. In addition, it looks to strengthen its market position by increasing store penetration & customer reach in

existing clusters and developing new clusters in other states and cities coupled with plans to enter one to two new states every year. Leveraging its cluster based approach and replicable store rollouts, as well as concurrently develop the required supply chain and distribution infrastructure, Medplus looks to focus and establish its presence in 7 states (which comprise ~44% of market). Over a period of 3-4 years the company plans to add ~2500 new stores pan India and this would be a key growth driver for Medplus.

#### Penetration of Organised retail based on Type of City

City -Type	Overall Pharmacy Retail Market (₹ Crore) – FY 2021	Organised Pharmacy Retail Market (₹ Crore) – FY 2021	Penetration of Organised Retail
Metro & Mini metros	57,960	12,648	22%
Tier I	57,960	4,140	7%
Tier II & beyond	65,205	3,686	6%
Total	1,81,125	20,475	11%

Source: Company RHP, Sharekhan research

#### Penetration of Organised retail based on City

City	Population in Mn (2021)	Pharmacy Retail Market (₹ Cr) - FY 2021	Organised Pharmacy Retail Market (₹ Cr) - FY 2021	Penetration of Organised Retail
Greater Mumbai	28	12,625	3,156	25%
Delhi NCR	30	13,561	1,627	12%
Kolkata	20	8,806	1,585	18%
Chennai	12	5,246	1,836	35%
Hyderabad	10	4,674	1,683	36%
Bangalore	12	5,127	1,846	36%
Ahmedabad	9	3,832	383	10%
Pune	9	4,089	532	13%
Total	130	57,960	12,648	22%

Source: Company RHP, Sharekhan research

**Develop omni-channel platform with a hyper-local delivery model:** Medplus plans to further develop omni-channel platform with the aim to increase online sales revenue contribution, by leveraging our growing store network and focus on deliveries through growing number of larger format stores. It also aims to enhance delivery infrastructure and to achieve a higher rate of online delivery purchases, catering to the needs of customers within two hours. As of July 2021, the pilot projects showed promising results of 93% of orders being delivered in micro-markets of Hyderabad in peak hours and now the company aims to expand these services to Mumbai as well. Overall, Medplus aims to leverage ability to offer competitive prices for online delivery purchases reaching customers within two hours to increase customer stickiness and retention. In addition, its looks to leverage online sales platforms as a strategic avenue to increase the scale of business and at the same time optimize profit margins. The chart below depicts faster growth in modern retail channels v/s traditional channels and this bodes well for evolving companies such as Medplus with an existing infrastructure and capabilities to cater to the customer demand in short span of time. In addition, Medplus' omnichannel sales contribution as of FY21 stands at 9%, up from 7% as of FY20, thus pointing at a possible pick-up.

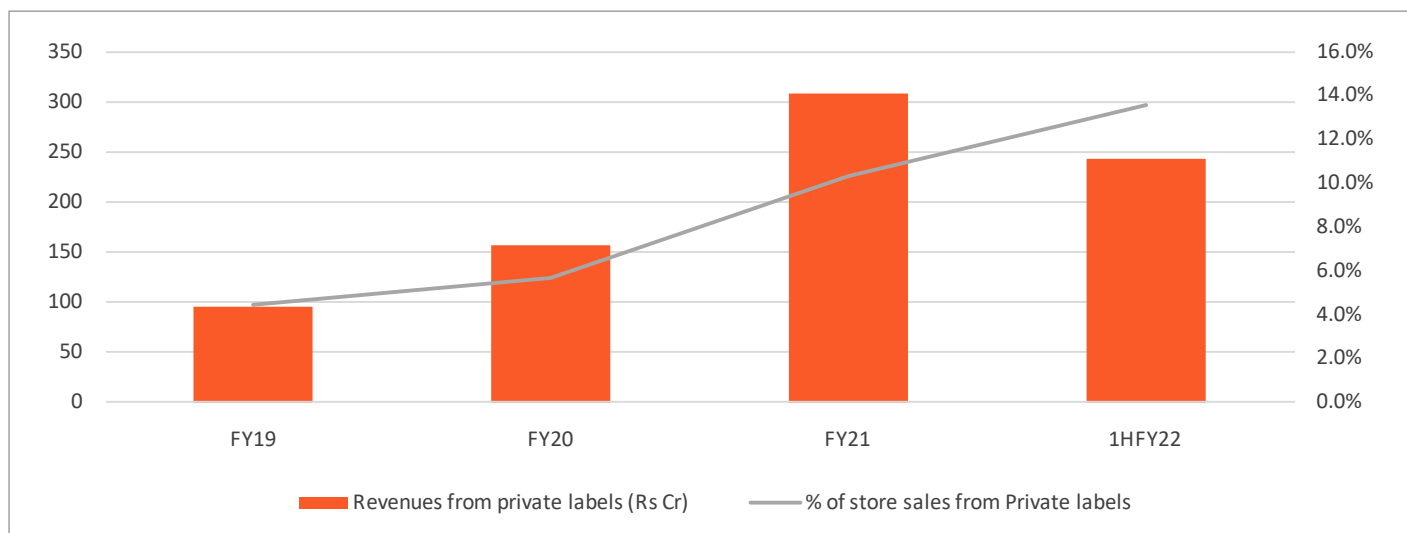
#### Market share of modern retail channels V/S traditional retail channels

Values in INR Crore	FY 2015	FY 2019	FY 2020	FY 2021	FY 2025	CAGR FY 2015- 20	CAGR FY 2020- 25	CAGR FY 2021- 25	Growth FY 2020-21
Total	1,10,000	1,57,158	1,72,500	1,81,125	2,72,500	9%	10%	11%	5%
Modern Retail	5,500	13,725	17,250	20,475	53,500	26%	25%	27%	19%
E-commerce (including omni-channel)	100	1,816	3,750	5,625	23,000	106%	44%	42%	50%
Omni-Channel Players	1	300	350	600	2,500	223%	48%	43%	71%
Online Only Players	99	1,516	3,400	5,025	20,500	103%	43%	42%	48%
B&M	5,400	11,239	13,500	14,850	30,500	20%	18%	20%	10%
Traditional	1,04,500	1,43,433	1,55,250	1,60,650	2,19,000	8%	7%	8%	3%
B&M + Omni Channel for Pharmacy Chains	5,401	11,539	13,850	15,450	33,000	21%	19.0%	21%	12%

Source: Company RHP, Sharekhan research

**Increase share of private labels and enhance stock keeping unit mix:** Medplus is also engaged in the private labels business. All private-label products sold by Medplus are manufactured by third-party / external manufacturers and it ensures that the products meet adequate quality and safety standards. Medplus also engages the services of third-parties to carry out testing and certification on all product batches of pharmaceutical and cosmetic private label products sold, which also ensures the adequate quality standards being maintained by the manufacturer.

#### Revenues and share of store revenues from Private Labels:

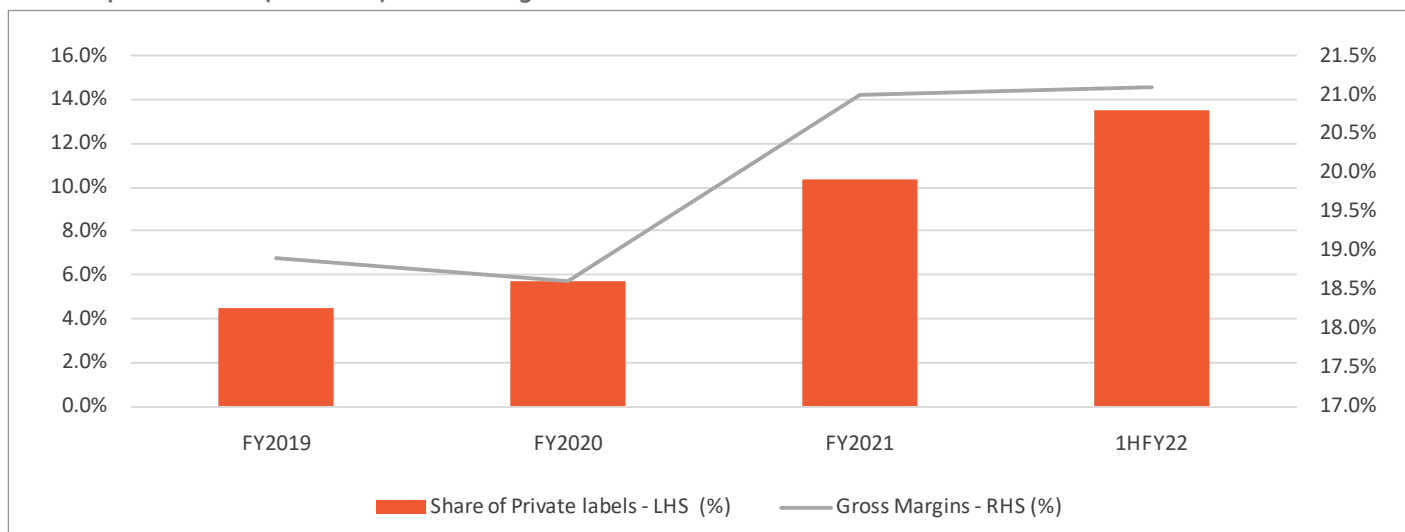


Source: Company RHP, Sharekhan research

The share of private labels in the store revenues has increased from 4.48% in FY19 to 10.36% in FY21 and further to 13.54% in 1HFY22. This has helped to improve gross margins from 18.86% in FY19 to 21.02% in FY21 and further to 21.3% in 1HFY22. As per the management, every 1% increase in private label share will increase the margins by 0.5%. Therefore, Medplus aims to (i) increase the penetration of private label pharmaceutical products by introducing private-label products for more therapeutic areas, in particular for sub-chronic and chronic ailments and (ii) introduce new private label products for FMCG products in the nutrition and wellness segment. In addition, the company intends to create awareness around private label products and train staff to push for more private-label products particularly for stores where share of revenue is less from private-label products.



#### Share of private labels (% of sales) - Gross margins

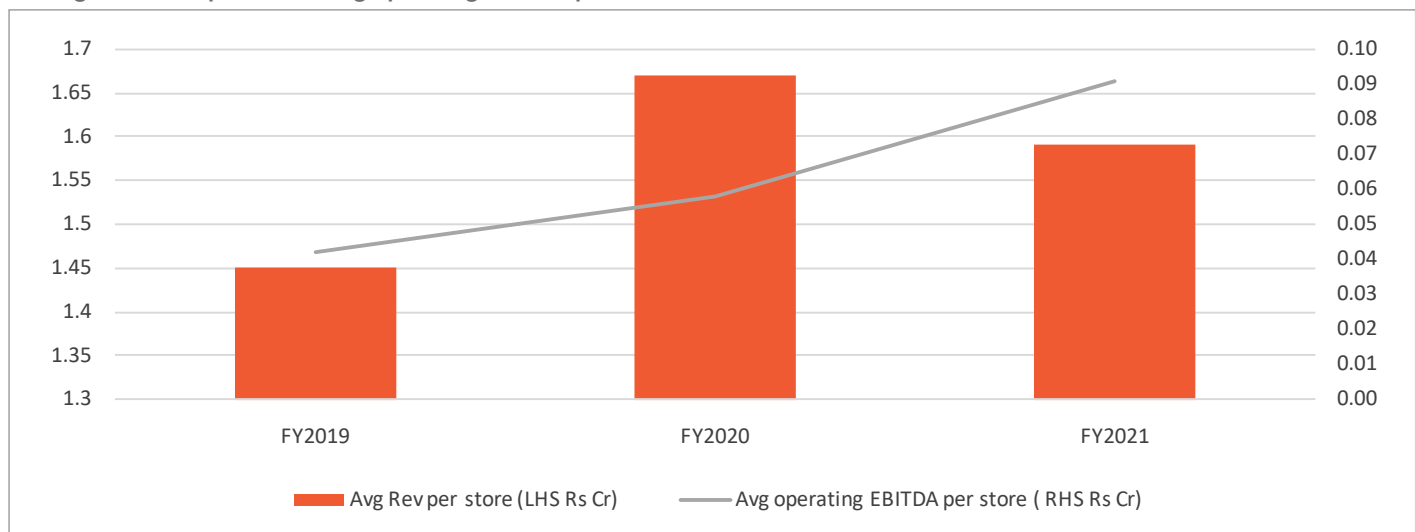


Source: Company RHP, Sharekhan research

Medplus derives higher gross margins from sales of private label products and intend to increase the range of private label products so as to grow overall contribution of private label business. Medplus is well-positioned to purchase and stock more private-label products, as it is less constrained by minimum order quantity requirements imposed by suppliers, due to the scale of the purchases it has achieved. This would, in turn, allow it to offer a wider range of private label products and, potentially boost customer wallet share and increase gross margins. To increase the share of private label products Medplus intends to introduce private label products for more therapeutic areas, in particular for sub-chronic and chronic ailments, introduce private labels for FMCG products in areas of nutrition and wellness and also plans to build a marketing framework, which could support the growth of the private label brands.

**Improving store operating efficiencies bodes well:** Over the years, Medplus has developed capabilities and process, which enables it to maintain a healthy store economics. Over FY19-FY21 Medplus has opened new stores at CAGR of more than 12%. Further as of FY21, the company's 53% of the stores are located in Metro cities, 26% in Tier-I, 17% in Tier-II and only 4% in Tier-III, and has substantial headroom for growth. Medplus has reported average revenue per store of Rs 1.59 cr, which is better than some of its peers, given the higher presence in metro and tier 1 cities. Basis its unique technique, Medplus achieves high store density in densely populated residential area within a target city and hence, it has higher store concentration in key cities of Chennai, Bangalore, Hyderabad and Kolkata. Medplus' typical store comprises 550-600 square feet and around 95% of company's stores are operated and managed exclusively by the company. As of FY21, over 60% and 75% of the new stores achieved a positive store level operating EBITDA within the first three months and first six months of operations, respectively. Further, as of H2FY22, the mature stores had a median payback period of less than three years and demonstrated a compounded average same store sales growth of 8.3% on MRP from FY19 to FY21. The company clocked an operating EBITDA margin of 5.74% as of September 2021, while store-level operating EBITDA margin stands at 10.26%. More importantly, store-level operating EBITDA margin for matured stores stands at 11.58% vs 8.59% for non-matured stores as of September 2021. Hence, there is likelihood of increased contribution from such stores as they mature and gradually would result in an overall EBITDA improvement.

#### Average Revenue per store - Avg operating EBITDA per store



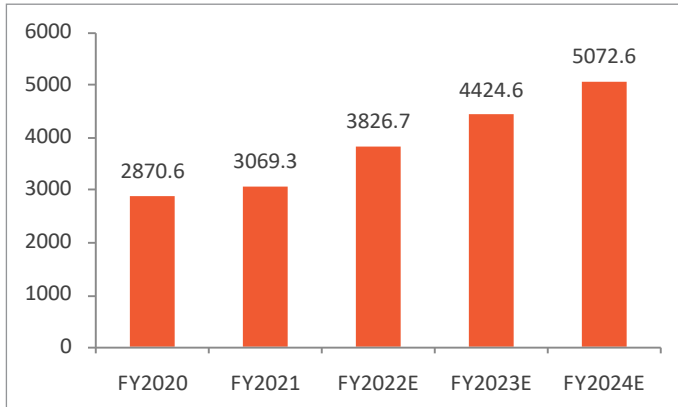
Source: Company RHP, Sharekhan research

**Eyeing higher revenues, greater customer wallet share through continued investment in technology infrastructure and expansion into adjacent healthcare vertical:** Medplus plans to enhance sales volumes and increase customer wallet share through continued investment in technology infrastructure, including enhancing mobile application and features on website. By leveraging technology infrastructure to gather and analyse customer data and insights would allow it to better fulfil the needs / understand customer requirements, also this would provide additional monetization opportunities with pharmaceutical companies. Secondly, as a part of its strategy to expand into adjacent healthcare verticals, it has started investment since last few years by leveraging its strong brand equity and retail network in home market like Andhra Pradesh and Telangana. Medplus is running a pilot project for diagnostic services in cities across seven states, in which it has a sizeable presence. In addition to this the company has also started its first radiology centre in Hyderabad and is now looking to expand this service to other states / cities as well. Also Medplus anticipates that its extensive retail presence across the country coupled with strong position in the organised pharmacy retail segment will enable it to expand into adjacent verticals in the healthcare industry, including diagnostics, pathology, and other healthcare service.



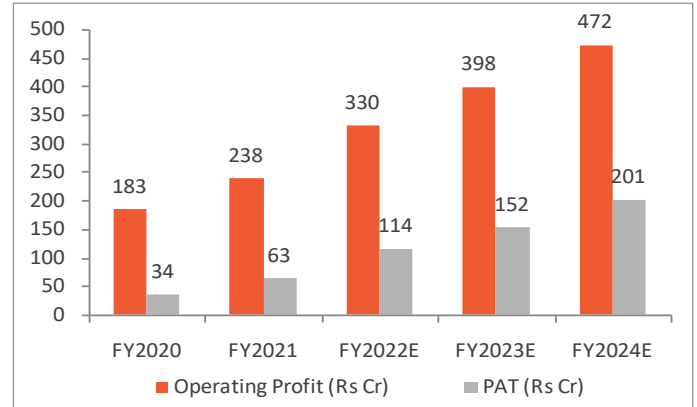
## Financials in charts

### Sales Trends (RS Cr)



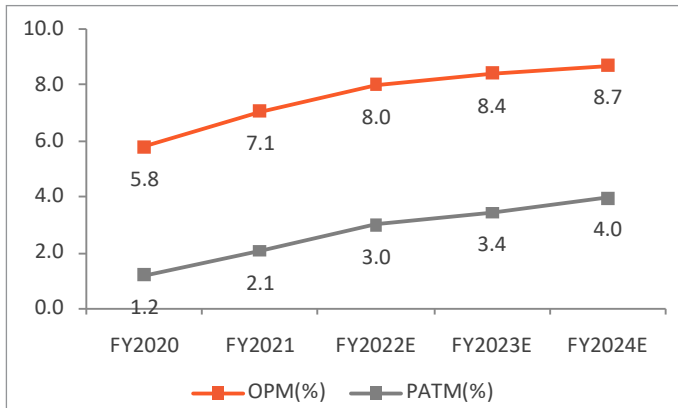
Source: Company, Sharekhan Research

### Operating Profit - PAT Trends



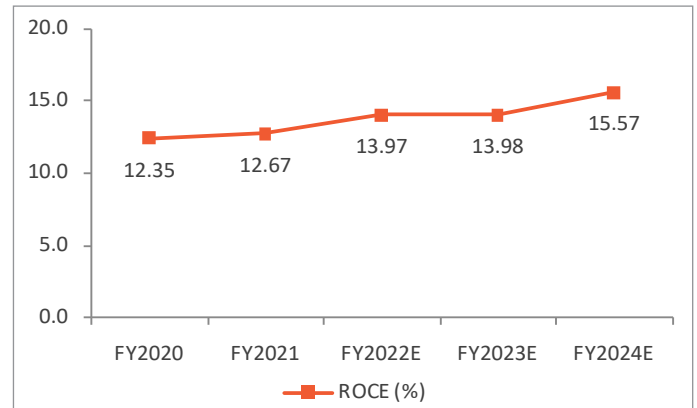
Source: Company, Sharekhan Research

### OPM Trends



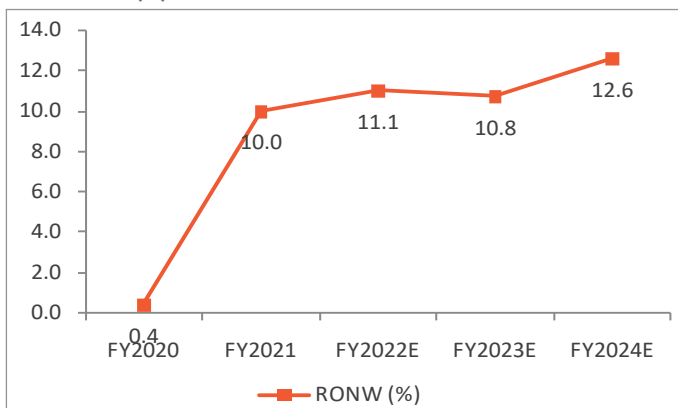
Source: Company, Sharekhan Research

### ROCE Trends (%)



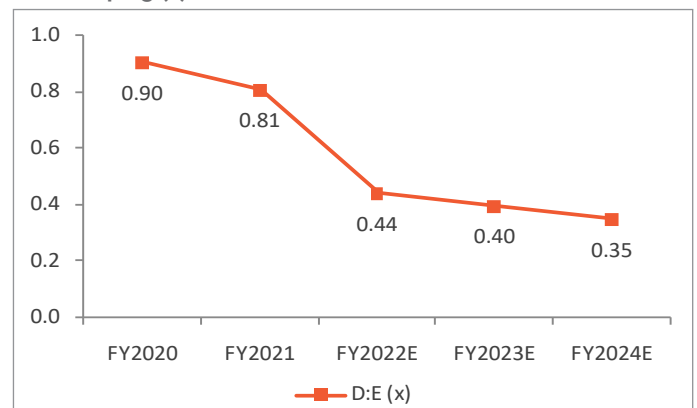
Source: Company, Sharekhan Research

### RoE Trends (%)



Source: Company, Sharekhan Research

### Debt : Equity (x)



Source: Company, Sharekhan Research

## Outlook and Valuation

### ■ Sector view - Organised pharmacy retail gradually gaining grounds

The pharmacy retails space off late has been an evolving one with companies present across the omni channels set to materially benefit. Penetration of modern retail in pharmacy is relatively lower than most other categories except food and grocery. With the inclination towards modern pharmacy is being seen on account of better customer experience, wider product range, value added services and transparent discount, the modern pharmacy retail is expected to grow at a faster pace as compared to other categories. Further the e-commerce and omni-channel retail are also expected to grow in strong double digits with pharmacy e-commerce expected to be one of the fastest growing segments next to food and grocery. Further, the shift from unorganized to organised pharmacy retail would be a key growth driver and the above triggers point towards a healthy growth for the Pharmacy retail companies.

### ■ Company outlook - Medplus to benefit from shift to modern-day retail:

Medplus is the second-largest pharmacy retailer in India, in terms of revenue from operations and number of stores as on March 31, 2021 and offers a wide range of products including Pharmaceuticals and FMCG products. The company has maintained a strong focus on scaling up their store network, which has grown from 48 stores in Hyderabad to around 2000+ stores across the states of Tamil Nadu, Andhra Pradesh, Telangana, Karnataka, Odisha, West Bengal and Maharashtra as of FY2021. Going ahead, Medplus aims to capitalise on the shift in consumer preference from unorganised to organised sector by leveraging its existing cluster based model and developing / strengthening its omni-channel platform with a hyperlocal delivery model, which could further strengthen the brand positioning and aid the growth. In addition, thrust to grow the private-label business, which yields higher margins, bodes well for Medplus from a growth prospective.

### ■ Valuation - Initiate viewpoint coverage with a positive view and expect a 22% upside

Medplus is the second-largest pharmacy retailer in India in terms of revenue from operations for FY21 and number of stores. Over the years, the company has grown from 48 stores in Hyderabad to over ~2300 stores across seven states. In this process, Medplus has built and established expertise in supply chain leading to better and sustainable efficiencies. Further the strategy to deploy a data analytics driven cluster-based approach for store network expansion has played out well for Medplus and is expected to support growth going ahead. Medplus' operations across the entire value chain are backward-integrated and are managed in house by the company, which bodes well for profitability. Collectively, Medplus' presence in fast growing modern pharmacy retail space, focus to strengthen omni-channel presence through efficient in house technology platform, geographic expansion are the key positives. IN addition, Medplus would benefit from a shift towards organised pharmacy retail space. At the CMP the stock is trading at 105x/78.9x/59.7x its FY22E/ FY23E/FY24E EPS. Basis the above positives, we initiate viewpoint coverage on Medplus with a positive view and expect 22% upside from current levels.

#### Peer Comparison

Company	CMP (Rs/ Share)	O/S Shares (Crs)	Mcap (Rs Cr)	P/E (x)				EV/EBITDA (x)				RoE (%)			
				FY21	FY22E	FY23E	FY24E	FY21	FY22E	FY23E	FY24E	FY21	FY22E	FY23E	FY24E
Medplus	1007.0	11.9	12014	190.4	105	78.9	59.7	52.1	36.3	30.0	25.1	10.0	11.1	10.8	12.6
Titan	2495.0	88.8	221476	-	100.4	76.8	62.0	-	64.8	50.5	41.1	13.8	26.5	27.8	27.3
Trent	1169.0	35.6	41562	-	-	80.1	60.3	-	51.1	34.1	28.6	-	8.6	17.8	19.9
Bata	1,807	12.9	23228	-	-	54.2	39.8	90.8	44.7	25.5	20.2	-	7.4	21.9	24.6

Source: Company, Sharekhan estimates

\*Medplus numbers are as per reported in the Company RHP

## About company

Medplus Health Services Limited (Medplus) was founded in 2006 by Mr Gangadi Madhukar Reddy, Managing Director and Chief Executive Officer, with the vision to set up a trusted pharmacy retail brand that offers genuine medicines and delivers better value to the customer by reducing inefficiencies in the supply chain using technology. Medplus is the second largest pharmacy retailer in India in terms of revenue from operations for FY21 and number of stores. Medplus offers a wide range of products, including (i) pharmaceutical and wellness products, including medicines, vitamins, medical devices and test kits, and (ii) fast-moving consumer goods, such as home and personal care products, including toiletries, baby care products, soaps and detergents, and sanitizers. Medplus has grown from operating initial 48 stores in Hyderabad at the conception of the business to operating India's second largest pharmacy retail network of over 2,000 stores distributed across Tamil Nadu, Andhra Pradesh, Telangana, Karnataka, Odisha, West Bengal and Maharashtra, as of March 31, 2021. The share of the organized pharmacy retail market, as of FY2021 key cities of Chennai, Bangalore, Hyderabad and Kolkata stood at approximately 30%, 29%, 30% and 22%, respectively. Medplus has adapted to a unique cluster-based approach for its store expansion, which is a key advantage. Medplus' business operations across the entire value chain are backward integrated and are wholly managed and operated in house, supported by integrated technology infrastructure, which has been developed in house.

## Investment theme

Medplus is the second largest pharmacy retailer in India, in terms of revenue from operations and number of stores as of March 31, 2021 and offers a wide range of products including Pharmaceuticals and FMCG products. The company has maintained a strong focus on scaling up their store network, which has grown from 48 stores in Hyderabad to around 2000+ stores across the states of Tamil Nadu, Andhra Pradesh, Telangana, Karnataka, Odisha, West Bengal and Maharashtra as of FY2021. Going ahead Medplus aims to capitalise on the shift in consumer preference from unorganised to organised sector by leveraging its existing cluster based model and developing / strengthening its omni-channel Platform with a Hyperlocal delivery model which could further strengthen the brand positioning and aid the growth. In addition, thrust to grow the private label business, which yields higher margins bodes well for Medplus from a growth prospective.

## Key Risks

- ♦ Any slowdown in the new store opening momentum
- ♦ higher competitive intensity

## Additional Data

### Key management personnel

Mr. Gangadi Madhukar Reddy	Managing Director & Chief Executive Officer
Mr. Hemanth Kundavaram	Chief Financial Officer
Mr. Venugopal Siripuram	Chief Technology Officer
Mr. Chetan Dikshit	Chief Strategy Officer

Source: Company

### Top 10 shareholders

Sr. No.	Holder Name	Holding (%)
1	Lavender Rose Inv	17.24
2	Lone Furrow Inv Pvt Ltd	14.44
3	PI opportunities Fund I	13.96
4	Agilemed Inv Pvt Ltd	13.12
5	SBI Funds Management	8.78
6	Motilal Oswal Asset Management Co Ltd	0.82
7	Goldman Sachs Group Inc	0.74
8	ICICI Prudential Life Insurance Co	0.67
9	Nippon Life India Asset Management Co	0.65
10	Kotak Mahindra Asset Management CO Ltd	0.51

Source: Bloomberg

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## Understanding the Sharekhan 3R Matrix

Right Sector	
Positive	Strong industry fundamentals (favorable demand-supply scenario, consistent industry growth), increasing investments, higher entry barrier, and favorable government policies
Neutral	Stagnancy in the industry growth due to macro factors and lower incremental investments by Government/private companies
Negative	Unable to recover from low in the stable economic environment, adverse government policies affecting the business fundamentals and global challenges (currency headwinds and unfavorable policies implemented by global industrial institutions) and any significant increase in commodity prices affecting profitability.
Right Quality	
Positive	Sector leader, Strong management bandwidth, Strong financial track-record, Healthy Balance sheet/cash flows, differentiated product/service portfolio and Good corporate governance.
Neutral	Macro slowdown affecting near term growth profile, Untoward events such as natural calamities resulting in near term uncertainty, Company specific events such as factory shutdown, lack of positive triggers/events in near term, raw material price movement turning unfavourable
Negative	Weakening growth trend led by led by external/internal factors, reshuffling of key management personal, questionable corporate governance, high commodity prices/weak realisation environment resulting in margin pressure and deteriorating balance sheet
Right Valuation	
Positive	Strong earnings growth expectation and improving return ratios but valuations are trading at discount to industry leaders/historical average multiples, Expansion in valuation multiple due to expected outperformance amongst its peers and Industry up-cycle with conducive business environment.
Neutral	Trading at par to historical valuations and having limited scope of expansion in valuation multiples.
Negative	Trading at premium valuations but earnings outlook are weak; Emergence of roadblocks such as corporate governance issue, adverse government policies and bleak global macro environment etc warranting for lower than historical valuation multiple.

Source: Sharekhan Research

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