



“MedPlus Health Services Limited Q1 FY23 Earnings Conference Call”

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**MANAGEMENT: MR. GANGADI MADHUKAR REDDY – CHIEF
EXECUTIVE OFFICER, MEDPLUS HEALTH SERVICES
LIMITED**

- Moderator:** Ladies and gentlemen, good day and welcome to MedPlus Health Services Limited Q1 FY23 Earnings Conference Call. As a reminder, all participants' 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 '*' then '0' on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Gangadi Madhukar Reddy, from MedPlus Health Services, thank you and over to you sir.
- Gangadi M. Reddy:** Thank you. Good afternoon. On behalf of MedPlus Health Services Limited, I extend a very warm welcome to everyone who has joined us on our call today. I'm Madhukar and I'm the CEO of MedPlus. I now request Prasad to make the necessary disclosure statements.
- Prasad:** Thank you, sir. Please note that anything which we say that refers to our outlook for the future is a forward looking statement which must be read in conjunction with the risk that the company faces. A complete statement is included in our investor presentation dated August 10, 2022.
- Gangadi M. Reddy:** Thank you Prasad. At MedPlus today we are over 18,800 colleagues and as on 30th June we cater to the health care and household needs of neighborhoods in 374 cities across 7 states through 2980 pharmacy stores. I would like to thank my team spread across these 374 cities and towns their hard work and persistent solution to providing a very vital service to our customers.
- Now, on our last year's performance last quarter's performance. Our revenue was 9,937 million and we had a gross margin of 2,103 million and an operating EBITDA of 260 million. Over 99% of our revenue comes from our pharmacy operations. The pharmacy operating EBITDA was 292 million and at the pharmacy segment level the operating EBITDA was 3%. While comparing our performance versus Q1 of last financial year, please keep in mind that Q1 FY22 performance was on the back of the second wave of COVID-19. Also, while comparing our performance with the previous quarter Q4 of FY22, please keep in mind that Q1 is a seasonally weak quarter because of lower incidence of typical ailments like cough and cold during the peak summer months of April, and May. Q4 of FY22 had also the advantage of month of omni virus in the month of January and that also led to a slight extra sales in that month.
- With that, I'll now continue with the update for Q1. I'll first cover the update on our network. We're continuing with our store expansion program. We have opened 815 stores in the last twelve months and out of which 288 stores were opened in Q4, the largest quarterly store openings in our history. In Q1 we continued with that and we opened 252 stores. The highest additions came in Karnataka and Tamil Nadu with 51 and 49 stores respectively. MedPlus will continue to push ahead in store opening while sticking to our cluster-based growth strategy. In Q1 50% of our store openings have been in Tier-2 and beyond. We have 1189 stores out of 2980 stores in Tier-2 and beyond. Business wise, these are good markets from a store economics standpoint. MedPlus can expand in these markets because of the maturity of our operations and supply chain capabilities. There are also 20 store closures in Q1 versus 17 stores in Q4. Overall, that makes it 232 store additions in Q1 versus 271 in Q4. For the last twelve months, the net additions have been 815.

The overall age of a network, today 30% of all stores which we have in our network are less than a year old. 15% are between one and two years and 55% of them are more than two years old. To give you a sense of the impact of our rapid store expansion on the age of our network, we ended Q1 with 46% of our stores in the less than two years bracket. Given that our stores typically need two years to mature and start delivering on their full potential, you can clearly see that the best is still to come or we are at least investing in the future right now, 45% of the network is still to realize its potential. While in a sub two year age bracket of stores are still in the ramp up phase. From a financial standpoint, they are drag on the operating EBITDA. However, as they mature as I said earlier, we expect these stores to part of the profits in network. We closely track the time to breakeven a few stores, and I'm happy to tell you that while our store expansion has been at the breakeven, it has not been at the expense of finding the right stores. Even today 75% of the stores achieve breakeven within six months of operations. We closed Q1 with 2980 stores with 1.73 million square foot. Last year Q1, this was 2165 stores and 1.3 million square foot. The average size in Q1 was 581 and to give you a sense of spread and store sizes we had 1976 stores, 1970 store less than 600 square foot and 1004 greater than 600 square foot.

Now, on our same store performance, we measure this as stores that have been in operations for twelve months and more and as in the last day of the reporting quarter. Revenue from these stores in Q1 was 8479 million or 86% of pharmacy revenue. These stores at a store level EBITDA is in the range of 9.5%. The store level operating ROCE of the stores was 56%. A word here on the store level EBITDA margin by age. Stores greater than twelve months had a margin of 9.5% while this goes up to 10% and more for stores which are greater than 24 months. The stores between 12 months to 24 months had an EBITDA of 6.4%. Revenue mix, scale of course has benefits. With scale, we are better poised to increase share of revenue from private label. This is not only in terms of us being able to give a wider range of products after making the minimum order quantities for most financial companies, but also because as the size also allows user brand to size also allows for better acceptance of our brand in the customer's mind and that helps us actually sell more private label. Our private label is intended to provide quality products at affordable prices. MedPlus has over 882 curated SKUs across pharma and non-pharma. In Q1 12.7% of our revenue came our private label. This compares with 13% in Q4 FY22, 9.9% in Q3 FY22 and 11.1% in Q2 FY22. I can point out that Q4 also had the impact from Omicron. But overall, the trajectory of increasing share of our private labels and our customer market continues. Within private label our pharma range has also been gaining share. In Q1, 8.1% of pharmacy sales was from private label pharma. This compared to the 8.1% in Q4 FY22, 7.3% in Q3 FY22 and 6.2% in Q2 FY22. Given that private label pharma is much more profitable, this obviously is very important to us and we continue to focus on increasing the share of this particular sector. Our increasing presence in Tier-2 and beyond is reflecting in our revenue mix. This quarter, 31% of our pharmacy revenues came from stores in these tiers. This is up from 28% in Q1 last year.

On the omni channel side, we continue to extend our coverage of course from where we take orders online. This complements well with our stores. MedPlus will focus on increasing the coverage of our two hour delivery offering. Store pickups as a share of online orders continues

to maintain a higher share than home delivery, reflective of the convenience and accessibility of our store network. In fact, they find greater stickiness in those customers who interact with omni channel than those that interact with us purely via online count. We have not spent heavily to acquire customers online, but we will continue to work to maintain our omni channel as a profitable channel.

A short update on the diagnostics operations, in March, we launched our first full-service diagnostic center in Hyderabad. In May, we launched our second center and as on date in the subscription model which we actually follow, we have sold 30,500 plans with over 53,300 underlying lives. I can confidently share that we have received strong adoption from our existing and new customers. A unique annual plan model provides an exhaustive range of radiology and technology services to our customers for a full year at very affordable price. As we proceed, our aim will be to leverage our pharmacy network and our existing customer base to acquire customers. At this stage, we're still in pilot mode at Hyderabad. We will provide a detailed update on the pilot post Q2 FY23 results.

Moving on to the capital efficiency metrics, our networking capital for Q1 was 66 days. In Q1 the inventory in our warehouse was 39 days. Because of the sales trajectory of new stores, their inventory turnover is lower in the first year and hence in Q1 the inventory level of first year stores was 115 days. In comparison, for our stores that are older than twelve months, where the inventory was only 39 days, this continues to be maintained at that level, at the previous levels. The store level operating ROCE trend for our stores greater than twelve months is 56%. While this is a drop from our typical 60% level, we expect to move back towards those levels as most stores approach the two full two-year maturity.

Our operating cash flow for Q1 was 202 million. On our segmental data, I would like to add an important note. In page 17 of our earnings update we have presented the business segments which are different from the regulatory filings. For example, opticals have been grouped under others in the presentation, whereas in the regulatory filings optical is grouped under retail. We hope this will be useful to you.

Going forward, what can you expect from us going forward? As you all know and as I've been saying, we operate in an extremely attractive pharmacy space and we operate in a market which is extremely fragmented. Even with the entry of several new players, the overall organized retail continues to be in the 10 to 12% kind of penetration. We find this a great opportunity for us to actually go and expand as the second largest pharma retail company out there in the country and with the ability to really grow rapidly we feel that the large network presence in the seven states in which we are there will allow us to get special benefits as we go forward from the industry, will allow us to actually increase our margins as we go forward, both on the backs of operating efficiencies and all and also in better buying capabilities.

Our cluster based network also enables profitable omni channel service. Today, 95% of all the deliveries which are made in the five cities in which we operate and 62 cities in this we actually deliver everything are delivered in 2 hours. In this we actually deliver everything profitably.

Scale will also allow us to actually get a larger share in the private market. This is something which we have in the last several quarters. This is the end of my update. I request the host to now open the line for any questions.

Moderator: Shall we open the floor for questions?

Gangadi M. Reddy: Yes. Thank you very much. We will now begin the question and answer session. The first question is from the line of Prakash Agarwal from Axis Capital. Please go ahead.

Prakash Agarwal: Just wanted to do some flashback in terms of store additions which you talked about thousands of stores. We are very much in line with about 232 net store addition but two quarters back we had different operating metrics, right? Now we are seeing SFG decline of 8.7%. Your twelve month operating margins are 9.5%, which you had guided around 10% and ROCE, which were much healthier and now going lower into 5.5. Is there a rethink in terms of how do we balance these operating metrics along with the growth plans that we have or how do you think about it going forward?

Gangadi M. Reddy: The way I see it Prakash, is we will continue to grow of course, some of the metrics which may have gotten slightly, I would say muted out here, probably the result of just of really rapid growth, that's all. I tell you why. For several years we have grown at the rate of about 100 stores a year or something like that. For us then looking at the fall stores which are more than a year was perfectly okay because the new stores added to the overall pool was so less that when we said more than twelve months was the reasonable number. Now, given that we have added nearly 815 stores in the last one year itself and even before we added a significant number, some of them have now moved into the pool of those 12 to 24 months and they are muting the overall EBITDA out there. As I read out in the commentary earlier, 12 to 24 months stores operate at EBITDA for only 6.5. Now, this becomes a much bigger chunk than usual. It is bound to bring the overall things like slightly under, but the real thing is when we start looking at stores which are above 24 months now. For us that of course is one reason the rapid growth and everything else. It would not be right for me to completely negate the overall competitive intensity also at this point of time. As you all know, there are at least three companies out there which are constantly advertising for 25% discount, and I have been spending quite a lot of money in trying to acquire new customers. I expect that is warm for a little while. As long as I don't think that kind of numbers are at least unviable, promotional kind of discounts are viable for a long time. Even as they continue, our goal would be to continue to expand and still remain profitable and continue to grow. So that would be the thing. Yes, the effects of both growth and competitive intensity is going to mute a little it. Hopefully, it answers.

Prakash Agarwal: Internal is your store expansion and external is highly competitive intensity with higher discount, et cetera. Is there a rethink in terms of next year store expansion or how do we think about expansion in next fiscal?

Gangadi M. Reddy: The way I see it Prakash, none of the competitive intensity store is going to be around forever. It is not really sustainable. If the whole market suddenly discovered a way of becoming

profitable at 25% and if they are basically continuing it forever then we would be resonant and not breaking then viewed as misconduct right? We'll just go and correct out there immediately. I don't think that is the case. I think as long as the market continues majority in the hands of unorganized retail and Mom and Pop retail and all and as long as we know that this is only a temporary thing we just going to continue our store expansion in the same rate. Of course we always go back and revisit but now it's not the time. I don't see any reason to change the next year plan.

Prakash Agarwal: Perfect. Last one is on how do we feel about the remaining 9 months both in terms of growth and EBITDA?

Gangadi M. Reddy: Typically Prakash, the first quarter of every year is a lean month for pharmacy mainly because the extreme summer months of March and April really have no significant ailments out there and also there is not much sales, people also travel out and all that kind of stuff. This year of course it's been slightly different but the second and third quarters are typically better for us and I expect that we will continue to get better.

Prakash Agarwal: Something on margin, some outlook on margins for the remaining 9 months?

Gangadi M. Reddy: For us the margins are driven by a couple of things. One of course bought in margin which continues to remain stable at the usual number. We continue to enjoy the highest margin out there because of a scaling and because of the various things we actually work on with the companies and all. But the product-mix also drives this margin significantly. As I said earlier in my commentary, the pharma product-mix has been growing up significantly. It is today 8.4. I see no reason why we cannot push it to another 100 or 150 basis points in the next one year or so. The goal would be to take it around 9.5%. That's the plan and that will add to our margin.

Moderator: The next question is from the line of Ameya Chalke from Haitong Securities. Please go ahead.

Ameya Chalke: I have related question which earlier participant had asked, basically it's been two quarters since the IPO and since we are in rapid expansion phase. What has been the insight so far for us in terms of do you think that we have enough manageable bandwidth to maintain this rapid expansion phase? Also is there any change in store metrics after we have started expanding which could have hurted our profitability and also whether the capital is enough for you to expand because we have already consumed, I see in the balance sheet that 200 crores from the cash during the quarter. So the remaining 460 crores is it enough for you to keep expanding at this pace for more than a year?

Gangadi M. Reddy: Okay, for us now there's been no change in the plan since we started the whole expansion plan and all. We continue to expand. We only look at it from two things. Once we set up a store, is it breaking even in time and is it going towards the 10% EBITDA within two years or not? As long as it is doing that, then we should actually set up the store, because if that's the location and if you don't do it, obviously competition will come and do it anyway. For us, it's critical to maintain our market share in each of the micro markets. So that's one, two, as I said, we closely

monitor the breakeven times for our stores. They continue to do well. As I said, 75% of our stores now are breaking even within six months. That's nothing different from what we had actually said earlier. So that continues. On the bandwidth side, we have been continually building up this bandwidth over the last three years we basically went from doing 150 stores to 350 to 750. Now we expect we'll do slightly over 1000 or much more than 1,000. Yes, so we are adding that capability every year. The way it works when I say 1000 stores a year it is 80 stores a month and this 80 stores a month are across 7 states and across almost 30 territories in which there are different teams of people doing this stuff and for us, capability wise, I think we're well set. On the financial side, I think there is money in the bank right now. We don't have any kind of debt at all in the company. We can easily raise some more money if we need to as we go forward. As we go forward, as more and more stores go to two-year age, we will start to also bring in more EBITDA in the company. So that's the plan for us.

Ameya Chalke:

Sure. I have a second question related to the discount comment you had made even in the presentation that the competitors have increased the discount. What we see since the May, I guess, many of your online competitors have discontinued their blanket discounts they are sticking to the first purchase discount largely. There is some disconnect if you can explain that, also do you see any in the near term whether you are planning to reduce discount at your end?

Gangadi M. Reddy:

Well, almost all the competitors claim that it is a first time, second time or a third time or first three times and all, they continually expand it, physically increase that. And even the people who are buying too continually keep changing their accounts to avail of the discounts. Effectively it is the same discounts from these guys most of the times, its 25% till they decide to actually put a stop to it completely. For us, it doesn't matter. For us, we are a flat 40% discount, and we continue at that. Given that some of the online guys are advertising so heavily, they will end up attracting at least some people and now will they go and stick with them or not is a question. We believe that most of the people will end up going back to the medical stores once they stop getting the discount out there, the promotional discount and that's what we've seen. Otherwise, these guys would have been adding customers like maybe right now online has been there for now at least seven or eight years, one. They have been advertising the same discounts forever. If all you required was a one-time promotional discount to get you hooked on to the online app and then you had that customer forever, I wonder why none of the guys are at least not ten times their size. Mainly because of one thing, a chronic ailment customer who comes with diabetes or hypertension, some of the medications is almost a customer for life. So, you should not really be losing customers at all, right, if people are only coming for the convenience side of it. So, I mean to summarize, while people may say that they are giving it only for the first, second or third purchases, customers find a way of basically using this forever continuously.

Ameya Chalke:

Sure. I have just last question if I could squeeze in. The price hike has been taken for the Allium portfolio by large part of the company and there is also at least mid-single digit price hike for non Allium portfolio as well. This generally happened post April. Do you expect it to reflect in our revenue number as well from the next quarter onwards and why it has not reflected in this quarter? Thank you.

- Gangadi M. Reddy:** See, this quarter as I said, is coming on the back and if you compare it to last year's quarter then it is because of the huge bump of COVID sales out there, it will always compare unfavorably. And even if you compare the Q1 of this year to Q4 of last year, Q1 of any year is always going to be in a slightly worse off because of seasonality and all. And Q4 of last year also has the added advantage of one month of COVID. So, for those two reasons it doesn't really look all that good. And as I said again, I don't want to shy away from the fact that competition will take away a little bit of our overall top line. I expect that to continue for a little while, while we continue to take market share from the smallest loads.
- Moderator:** Thank you. The next question is from the line of Harith Ahamed from Spark Capital. Please go ahead.
- Harith Ahamed:** There's been some news around trade margin rationalization in pharma. So, is there anything that you've heard from the government or regulators on this and how should we think of the impact of this if this were to happen on our private label business on the pharma side?
- Gangadi M. Reddy:** So, Harith we have not really heard anything, there's nothing concrete out there. Maybe some announcement will come out. What we have heard though is that there's going to be a cap on the margins of distributors and retailers on some of the products out there. So, what that means is that the smaller generic-generic kind of companies which usually have these high margins, will find it a little difficult. For instance, there are trade generics which sell at 50% and 70% margins in the market. And a lot of the smaller stores, the mom-and-pop stores, usually end up making all their money out of this. If that margin is capped, then I think a lot of those stores will find it really tough to actually survive. In our case though we are getting the drug manufactured, so we are the manufacturer, and we don't really need to...we can keep the margin either at the retailer or at the manufacturer, really it doesn't matter to us, so we want to keep the same MRP and go on. So that's the plan for us.
- Harith Ahamed:** Okay. What would be your blended discount rate currently at the overall level?
- Gangadi M. Reddy:** So, our blended discount today its around 15.5%.
- Harith Ahamed:** Okay. And you don't see this inching up further from this level?
- Gangadi M. Reddy:** Well, probably it will stay there. It's unlikely. Today already around 60% to 70% of people who buy medicines from us buy in the (+) 1000 bill size and they get a 20% discount. I don't think it can get any higher than that, that on the average bill value continues to rise, I don't think it can get any higher than that, that on the average bill value continues to rise I don't think it will go much beyond the point.
- Harith Ahamed:** And on the omnichannel side, there's been a revenue decline quarter-on-quarter and when I look at our coverage in terms of number of pin codes, it is around 1700 which is lower than our store count. So, I am just trying to understand what's stopping us from being more aggressive here, not in terms of discounts, but just in terms of expanding our coverage?

- Gangadi M. Reddy:** So, Harith see on the online side, there is a huge cost to acquisition of customers. If you don't and if you're not there out there in front of the center, you are going to lose some of the customers over there, that's for sure. We're not really spending money to go acquire new customers because we feel in the long run it really doesn't matter. As long as the store coverage is there, people will basically shop either online or offline or sometimes in between both. For us, the increase in pin codes is only a function of the number of stores out there and all, but that alone is not enough because you also have to follow it up with a lot of advertisements and all. We're not really looking to do that. We feel our money is better spent in just adding stores, than rather spend, let's say, Rs. 100 crores in doing 330 stores odd than basically spending that money on advertisements because the 330 stores will actually give you a far more loyal base of customers and which will actually be more profitable to us then just go and spend that money on just acquiring new customers. So, that been the philosophy for us, we will continue to follow that.
- Harith Ahamed:** Okay. Last one for my side I'm looking at the operating EBITDA margin that you have disclosed in the presentation and it's 3% excluding the diagnostic and other segment losses. So, there's a 100-bps decline versus the fourth quarter and I believe it's coming because of the network extension that we have undertaken. So, when I look at the plans for the rest of the year and when we'll be adding 1000 stores for the year, can you give a sense of where this 3% margin figure will be for the rest of the year? Should we expect further decline as we add more stores? So, some directional sense will be helpful?
- Gangadi M. Reddy:** Sure. I don't think there will be much change from here, Harith. Because while the margin pressure will continue to be because of the new store expansion and all, we ourselves are working very hard to make sure that the private label sales go up. And we'll also be aided by a little bit more advantages, let's say seasonal thing going forward in the next two seasons out there. And I also hope, not hope, we also know that our stores which are now getting into the (+) 2 year will also start contributing a little bit more. I don't foresee too much of a change unless we decide to suddenly ramp up even faster which is not likely.
- Moderator:** Next question is from the line of Ankit Bansal, individual investor. Please go ahead.
- Ankit Bansal:** My question is, sir, after seeing the results in quarter three, quarter four, quarter one, profits are declining sequentially. Sir, I'm going to ask you are we going to see you are like a growth company rather than a profit-making company. I'm just a little bit confused. You are compromising profit against growth. Sir, how much longer this will continue? Sir, please your guidance.
- Gangadi M. Reddy:** See, Ankit when we came to the markets, we basically said that it's a huge growth opportunity in the pharmacy retail side and we want to pursue that. We've always said that we are going to do 1000 stores out there this year and that's what we're following up on. Now, market competitive intensity is not really in our hands. If they decide to up it a little bit and there is a little bit of making of profit, so be it. We cannot sacrifice the future for immediate one quarter, two quarters, even two or three quarters kind of growth. So, for us the long-term strategy remains intact which is get to the number one position, make sure that the brand is accepted widely, and

you can sell more and more private label drugs, more and more drugs from our own company, which is what will basically drive profitability in the long run. We're not going to be basically worried too much about what is happening in the current quarter, if that answers your question.

Ankit Bansal: Okay. Sir, so can we see you turning into a loss in the next two or three quarters with the kind of highly aggressively growth you are planning?

Gangadi M. Reddy: No, I don't think so.

Ankit Bansal: Okay. My next question, sir, with this kind of growth strategy, how much long vision are you seeing? Like one year, two years, three years, five years? Because investors have bet on your comment that you give on the time of IPO, picture abhi baaki hai. Sir, I am not seeing any picture right now because I am very concerned about your profit, you are just doing growth, growth, growth. But I am seeing the new age companies like Zomato, they are doing widening losses and the market is punishing them. Investors are losing their money, sir. Please, can you comment on that?

Gangadi M. Reddy: So, Ankit it is a growth story. Absolutely. And we will grow while being profitable. Now, the profits dip a little bit here or there, but it is quite clear that our performance in the new stores as well as old stores continues to be maintained. Stores which are more than a year, still make 9.5%. Stores which are opened, are breaking even in the right time. Now, if we decide to pursue a very rapid growth, I don't think we should be taken to task for that.

Ankit Bansal: Okay. I'll follow up on the next con call. Thank you, sir.

Moderator: Thank you. The next question is from the line of Amey Chalke from Haitong Securities. Please go ahead.

Amey Chalke: I have a question on the tier one, tier two, tier three break up which we have given in the PPT. Is it possible for you also to tell how is the revenue per store across these three segments and how is the market dynamics difference in the tier two and tier three cities in terms of competitive intensity, online pharmacy presence, etc.? Thank you.

Gangadi M. Reddy: Amey, I can tell you this for sure, the tier two and tier three towns typically have slightly lesser top line, but their costs also remain much-much lesser than the tier one counterparts. Typically, these are the employee costs are less, the rental costs are less, and more importantly the product mix is much more in favor of us selling a lot more private label, so it makes for much better margin. Overall, what we have seen is our stores and tier two, tier three contribute to a better EBITDA margin for us, but topline wise, it's always going to be slightly lesser. Now, competitive intensity is not necessarily lesser, it is definitely lesser in terms of the online presence. But the regular intensities, the regular offline stores are just as many as you would see in a larger city. What helps though is the fact that all the big companies like us which are a well-known names people would have seen us in these stores and in these cities when they come 350-200 stores in each of these cities. So, when they go back to the small towns and they see our store, then we

have a natural client base already formed which comes to us with the brand and all, and for the guarantee of genuine medicines out there. So, while the competitive intensity is not any less, the value proposition is even stronger in a small town.

Amey Chalke: Sure. The second question is on the store opening in the Mumbai kind of a metro region. We have been saying that we don't want to open stores where you think the rents are on the higher side. However, we are seeing in Mumbai there are a lot of MedPlus stores getting opened up and these stores are a bit different in terms of size and the look and feel of these stores compared to the stores which we have seen in other parts of the country. So, is there a change in strategy over there or what's the rationale in opening stores in cities like Mumbai?

Gangadi M. Reddy: In cities like Bombay, you said?

Amey Chalke: Yes.

Gangadi M. Reddy: See, for us, we always wanted a cluster-based approach. We go to a city, we set up as many stores as possible out there so that the warehouse then is fully taken care of and all that, if the cost is fully amortized Now we put a store according to the market of the local market. In Bombay, maybe a couple of stores we have slightly bigger, but otherwise our regular stores which are coming right now are very much in the same lines as the regular medical store.

Amey Chalke: Sure. Thank you so much. I will join back the queue.

Moderator: Thank you. The next question is from the line of Kunal Randeria from Edelweiss Financial Service. Please go ahead.

Kunal Randeria: Sir, spread across west, east and south India with a dominant presence in the south and again you are present across tier one to tier three cities. So, just want to understand if the discount dynamics are also the same across all the regions and all the tier one to tier three cities or do they tend to vary? Because I presume the smaller town and cities may not have the kind of e-pharmacy or the organized players penetration as high as some of the metros.

Gangadi M. Reddy: One thing that the smaller towns probably would not have the same thing, to be quite honest, it's not really that different. As I said, in the southern states in which both MedPlus and Apollo are quite prevalent, most of the people have seen stores like us give discounts in the bigger cities. And even before we have entered some of the markets, they have already had some kind of a discounting model out there, whether it is 10% or 15%. MedPlus, of course, continues with the same discount model everywhere in every city we go to. For us, honestly, we haven't seen too much of a difference. Maybe we will discover it when we start going to other states, like Madhya Pradesh and Chhattisgarh or maybe in Kerala. But for now, in the states in which we're there, we don't see too much of a deviation.

Kunal Randeria: Sure sir. So, it's fair to understand on an average that 16.5% discount that you speak of is most likely evenly spread.



Gangadi M. Reddy: Yes.

Kunal Randeria: Sure. And I'm not sure if it's too early to ask you about any kind of expansion plans you have thought of for FY24 and beyond?

Gangadi M. Reddy: No, not as of now. I mean, I don't see any...we don't have a one-year plan, we obviously have a five-year plan out there and I don't see any deviation from what we have today. We'll probably grow just as fast.

Kunal Randeria: Sure. That means around 800 to 1000 stores every year for the next two years. Is my understanding correct here?

Gangadi M. Reddy: Obviously, I can't commit to that number right now. We will see as we go forward. But that's the tentative plan, yes.

Kunal Randeria: Got it. Thank you and all the best.

Moderator: Thank you. Ladies and gentlemen, that was the last question. I now hand the conference over to the management for closing comments.

Gangadi M. Reddy: Thank you. 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 very much. On behalf of MedPlus Health Services Private Limited, that concludes this conference. Thank you for joining us. You may now disconnect your lines. Thank you.