



“MedPlus Health Services Limited Q2 FY23 Earnings Conference Call”

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Moderator: Ladies and Gentlemen, Good day and welcome to the MedPlus Health Services Limited Q2 FY23 Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing ‘*’ then ‘0’ on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Madhukar Reddy. Thank you and over to you, Sir.

Madhukar Reddy: 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 am Madhukar and I am the CEO of MedPlus. I will now request Prasad Reddy to make the necessary disclosure statements.

Prasad Reddy: Thank you sir. Good afternoon. Please note that anything which we said that refers to our outlook for the future is a forward-looking statement, which must be made in conjunction with the risks that the company faces. A complete statement is included in our investor presentation dated November 11, 2022.

Madhukar Reddy: Thankyou Prasad. At MedPlus, today we are over 20,000 colleagues and as on 30th September we cater to the healthcare and household needs of neighborhood in 454 cities across 7 states through 3,328 pharmacy stores. I would like to thank my team for their discipline and hard work that goes into providing a vital service to our customers.

I would now like to introduce our new CFO – Sujit Mahato. Sujit is joining us from Dr. Reddy’s where he worked for 22 years and was reporting to the Group CFO. He has extensive experience across functions like financial recording, business finance and partnering taxation and implementing controls and cost saving programs. He has worked in India, Germany and Russia. Sujit is a CA from the 1998 batch. I look forward to Sujit as an addition to our leadership team at MedPlus.

On our last quarter’s performance our revenue was 11,206 million. We had a gross margin of 2,428 million and an operating EBITDA of 283 million. Over 99% of our revenues came from our pharmacy operations. The pharmacy operating EBITDA was 336 million. So, at a pharmacy segment level the operating EBITDA was 3%. With that, I will now continue with the update for Q2. I will first cover the update on our network. We are continuing with our store expansion program; we have added 1,002 net stores in the last 12 months. In Q2 alone we added 362 stores. This is the highest openings in any quarter in our history. The highest additions were in Karnataka and Tamil Nadu where we added 86 and 78 stores respectively.

MedPlus will continue to push ahead on the store opening while sticking to our cluster-based growth strategy. In Q2 56% of our store openings have been in Tier-2 and beyond. We now have 1,387 of our 3,328 stores in Tier-2 and beyond. Business wise these are good markets from a store economic standpoint. MedPlus can expand in this market because of the maturity of our operations and supply chain capabilities. There are 14 store closures in Q2 versus 20 store closures in Q1.

So, overall, we had a net addition of 348 in Q2 versus 232 in Q1. For the last 12 months net additions have been 1,002. Our store network is split into 33% being less than a year old 16% being in that second year and 51% being two years and older.

To give you a sense in the impact of the rapid store expansion on the eve of our network we ended Q2 with 49% of our stores being in less than two years age bracket. In comparison for Q2 FY22 34% of our stores were less than two years old. Even in the sub two-year age bracket our stores are still in their ramp-up phase. From a financial stand-point they are a drag on the operating EBITDA however as they mature we expect these store to contribute to our profit at MedPlus. We closely track the time to breakeven of new stores and the stores opened between April 21 and March 22. 71% of the stores achieve breakeven within 6 months of our operations. We closed Q2 with 3,328 stores as I said earlier with 1.9 million square foot.

Last Q2 this was 2,326 stores and 1.4 million square foot overall. The average store size in Q2 was 567 square foot to give you a sense of spread in store sizes. We now have 2,271 stores less than 600 square foot and 1,057 stores that are greater than 600 square foot. So, we have been talking about our store expansion this quarter as I said earlier we opened 348, but I have to tell you that sometimes this is also a function of other outside factors. The store is open when all the infrastructure and network guys work and get the store done properly in line and all the regulatory authorities give us licenses and all also in expected time and all. So, there could be some variation in this as we go forward.

So, while we will continue to maintain the rapid growth. We expect that as we go forward there could be a little bit of variability in the actual number of stores opened per quarter. Same store metrics on our same store performance we have measured this as stores that have been in operation for 12 months and more as in the last day of the reporting call rate. Revenue from these stores in Q2 was 9,350 million, 85% of pharmacy revenue. These stores had a store level EBITDA margin in the range of 9.7%. The store level operating ROCE of these stores were 60% a world here on the store level EBITDA margin by age while stores greater than 12 months had a margin of 9.7%. These was 10.4% for stores which are greater than 24 months and 6.9% for stores in the 13 month to 24-month age bracket. If we allocated non-store cost then the operating EBITDA of stores greater than 12 months would be Rs. 433 million with a margin of 4.6%.

With a scale we are better poised to increase our share of revenue from private labels. Our private label range is intended to provide quality products at affordable prices. MedPlus has now over 920 curated SKU across pharmacy and non-pharma sectors. In Q2 13.9% of our revenue from our private label compares with 12.7% in Q1 13% in Q4 FY22 and 11.9% in Q3 FY22. I can point out that Q4 FY22 also had the impact from Omicron and hence the slight increase over the previous quarter. So, overall, the trajectory of increasing share of our private label in our customers basket continues. Within private label, our pharmacy range has been gaining share. In Q2 8.9% of sales was some private label pharma. This compares with 8.1% in Q1 and Q4 FY22 and 7.3% in Q3 FY22. Our increasing presence in Tier-2 and beyond is reflected in our revenue mix.

This quarter 31% of our pharmacy revenues came from stores and their tiers. This is up from 48% in Q2 last year omnichannel. We continue to extent our coverage of pin codes from where we take orders online. This compliment well with our stores, MedPlus will focus on increasing the coverage of our 2 hour delivery offering. The store picks up as a share of online order continue to maintain a higher share than home delivery reflexive of the convenience and accessibility of our store network. Our strategy on online remains unchanged. We have not spent to acquire customers online and we will continue to maintain our omnichannel as a profitable channel. We feel that the online channel is one other channel which is as important as the rest of the channels through which we operate while we recognize that customers will start moving this. We feel that acquiring customers paying Rs. 500 or Rs. 1,000 per customer acquisition cost is not at all warranted. Hence we have constantly been maintaining our advertisement spent in making sure that all channels are profitable with us.

Now, I will request Sujit to cover a few additional points.

Sujit Mahato:

Thank you Madhukar. Good afternoon everyone. I am Sujit Mahato and I am the Chief Financial Officer of MedPlus. While I am only beginning to settle in, I would like to add by covering some of our capital efficiency metrics. Our net working capital for Q2 was 61 days and the inventory in our warehouse corresponds to 36 days. As you are aware, because of the sales trajectory of our new stores their inventory turnover is lower in the first year. In Q2 the inventory level of our first-year stores stood at 111 days. In comparison for our stores older than 12 months the inventory corresponds to 37 days. The store level operating ROCE trend for our stores greater than 12 months stands at 60%. Our operating cash flow for Quarter 2 stands at Rs. 237 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 segment which are different from our regulatory filling. For example, the optical business has been grouped under others in the presentation whereas in our regulatory filing optical is grouped under retail segment.

We hope this will be useful for you. Back to you Madhukar.

Madhukar Reddy:

Thank you Sujit. As I have mentioned earlier in my past call we have initiated a test project in Hyderabad in diagnostic space the essence of this project is to hold, one, to have a larger share of our customers who all in the OPD basket which comprises pharmacy, diagnostics and doctor consultation and Two, to do this by a membership model. In spite of the competitive nature of the space in 6 months of operations we have successfully leverage the network effect of our pharmacy stores which have acted as a point of sales for our diagnostic plans. Upto 31st of October we have sold 51,000 plans with 90,000 underlying lives. I now request Chetan to give you a short update on the project.

Chetan Dikshit:

Thank you Madhukar. Good afternoon everyone. I am Chetan Dikshit and I am the Chief Strategy Officer of MedPlus. I will start with the brief overview of our diagnostic product.

We offer our customers a choice of plans. These could be single adult, couple or family. On purchase of any plans three benefits are extended, the first being free diagnostic test at MRP was the purchase price of the plan. This element of the plan is important to lock in the customer for a year. The second benefit is flat 75% discount on all diagnostic test while our pricing is no doubt attractive the key feature is that we offer the discount on all diagnostic test to deliver the full speed, we have three full-service diagnostic centers in Hyderabad where a plan participant can walk in and avail the full range of radiology example MRI, CT and onwards and the full range of pathology test. We expect to take the count of these full-service centers from 3 to 5. In addition, we also have 100 collection centers for pathology that are conveniently spread across the city and our house within our pharmacy premises. Customer can also avail a home collection. The third benefit for the plan is a 50% discount on all in-house doctor consultations. Once the customer has purchased the plan there is no restriction on visits or test. The plan benefits are for a period of 12 months after which the customer will have to renew, how are we able to offer a 75% discount. There are four differences in our model versus our typical peer. Firstly, we do not operate by franchisees and so there is no revenue sharing. Secondly our collection centers are housed within our pharmacies so there are only marginal incremental establishment cost at a consolidated level. Our plan is designed such that we do not depend on the referral network for patient walk in. As you are aware the referral model is often a 30% share of the customer bill.

Lastly, we expect our centers to achieve scale faster than peers. As an indication the capacity utilization for our advance radiology machines in 6 months of operation is nearly twice that of a typical new center. Up to 31st October we have sold 51,000 plans with 90,000 underlying lives, 65% of these plans was sold via our pharmacies. The average realization per plan sold was 1,292 to give you a sense of run rate of sign up we sold 233 plans per day in August, 264 plans per day in September and in October we sold 251 plans per day. We estimate that 80% of plans sold were to existing MedPlus customers. The average age of a participant is 44 years and 22% of participants are above the age of 60. The availability of the full battery of radiology test for plan participant is an important selling point. While 65% of customers have purchased the plan at the pharmacy 40% have availed their first service at our full-service discount centers. The balance 60% have availed their first service at collection center and via home collection. We have found that customer tends to add radiology test to their pathology test when visiting a diagnostic center and about 70% of the revenue as a full-service diagnostic centers is linked to radiology. Of this, 33% is standalone advanced radiology test that is MRI and CT. Based on our limited time of operations we expect 2.4 visits per plan over the 6 month horizon from date of joining. On profitability we expect our full-service diagnostic centers to be operating EBITDA breakeven in 6 to 8 months and collection centers by 2 months. At the end of first year, we expect the operating EBITDA margin for a full-service diagnostic center to be in the 19% to 23% range and collection centers to be at 20%, that is our special update on diagnostic.

Handing the call back to Madhukar.

Madhukar Reddy:

Thank you Chetan. I would like to add that the diagnostic space is an important adjacency to our pharmacy business. Various estimate pick the size of the diagnostic space to the US \$10 billion and growing at 14% per annum. The per capita consumption of diagnostic test is lower in our

country. It was well known that out-of-pocket share for healthcare in India is very high. So, I believe there is a room for a national full-service player catering to the composite OPD needs of customers. However, it is also a competitive space with new entrant and we will invest with cautions. This of course this competitive space is not to be confused with the bunch of new announcements which came out from pharma companies and all which have been entering into the space. They are primarily in the business of just bio-chemistry and pathology while we in short contrast actually offer a full-service the radiology and pathology service and in this case and in this sector actually the competition is not as high as one would expect from all the resource which are out there in the press.

Our allocated CAPEX for the test project in Hyderabad is 850 to 900 million. We will seek to start the benefits from this project before venturing into our other geographies. Going forward what can you expect from MedPlus, we operate in the very attractive pharmacy space and we are poised to grow on the back of our store expansion.

Our cluster base network enables profitable omnichannel service. Scale are also largest share of our private label basket and our diagnostic project has shown that we can use our pharmacy stores to cross-sell other healthcare solutions and we will explore other revenues that can add incremental sales without increasing cost.

This is the end of my update. I request the host now to open the lines for questions.

Moderator: Thank you sir. We will now begin the question-and-answer session. We have the first question from the line of Aashita Jain from Nuvama Group. Please go ahead.

Aashita Jain: Just my first question is on growth so given your expansion plan you are adding almost 1,000 stores say on the base of 3,000 almost 33% addition, so do we believe we can grow much faster than a current run rate or this 20% growth should be the sustainable rate going forward and also please if you could update as on your store expansion plans for FY24 and 25?

Madhukar Reddy: I am sure we will be able to grow faster than what we are going forward, but right now because of the overall competitive intensity in the business itself I think it would be fair to assume a minimum growth of at least 20%, 22% for the year. On the expansion plan, I expect that we will basically be at this number for at least a year and we will be according to the guidance which we gave earlier in the year of a minimum of 1,000 and up to 1,200 or slightly more so that is the number we are still looking at.

Aashita Jain: And my second question is on competition only I think the last quarter call you made a comment on competition eating away from revenue share and you expect it to continue for some time, so how are things now what are our blended discount compared to the competitor how are you think on ground, any color on that?

Madhukar Reddy: So, MedPlus continues to be the number one value priced pharmacy retailer out there on the offline side, but that does not take into account all the online players are busy advertising with

the promotional discount of 25% for the first three purchases almost all the players are there including our largest player out there have been doing this for the last two quarters. I have not seen the intensity come down, but it does not gone up either. So, I think we will be slightly more stable going forward while there is going to be some impact whenever someone spent a lot of money advertising out there and then offering a much higher than usual discount. I expect that none of those things are sustainable for any of this people and they will end up actually trying to come back to the usual discounts which are 17% to 18% from most of them. For MedPlus also the overall discount remains at the same level which was earlier which was roughly around 16.45%, 16.5%.

Aashita Jain: Just lastly I think you made some comment in your opening remarks really interesting something about diagnostic breakeven of the big centers as well as the collection center in the profitability sorry I missed that can you repeat on that front?

Chetan Dikshit: Aashita on the full-service diagnostic centers we are expecting operating EBITDA breakeven at the center level in the 6 month to 8-month horizon. The two centers that have already been in existence for 6 months did so in the 6-month window, but we are giving a slightly shoulder room of 6 to 8. The collection centers we expect them to breakeven within the first two months.

Moderator: Thank you. We have the next question from the line of Aneesh Deora from Nomura. Please go ahead.

Aneesh Deora: Sir, I just wanted some color around how your prescription fill rates are cracking currently and where do you see them going forward?

Madhukar Reddy: We track the prescription filled rates continuously, but I have to tell you that this is not an exact science, but in a physical store when people walk up and ask for a product they do not necessarily leave a prescription or they do not necessarily leave any proof of their asking. So, it is as good as the diligence of the store employee who is writing down what is the product ask for and if the product was not available at the store at the time of customer visit. So, we have a bunch of other proxies to figure out this. We track the keystrokes of the employee when he is searching our product in our point of sale and based on that we are able to tell you that depending on the store and depending on the location it is anywhere between 85% to 90%, 92% fill rate. This is based on our understanding of the demand through the operation of the point of sales.

Aneesh Deora: And do you see scope for further improvement on this number, there is some color there?

Madhukar Reddy: Obviously we would like to get slightly better, but we know from our past experience it is extremely expensive in terms of inventory at the stores to actually maintain a higher level of fill rate at the store level itself, what we do though is basically offer a much wider range of inventory at the warehouse. So, if the customer were to walk in to a store and he was not to get one or two of the products which he has asked for then our store employee can quickly look up the warehouse which has got super set of all the inventory of us for all the stores out there in the city and typically a store would have around 4,000 to 5,000 SKUs whereas the warehouse has

anywhere between 25,000 to 30,000 SKU. So, most of the times whatever product is being asked for in the particular city could be there in the warehouse. So, we are able to offer it on the next-day delivery basis to the customer and this works very well for our customers. Our goal is to make sure that we have maintained it a healthy 90%, 92% kind of field rate which avoids the overall expiry problem and all because the long tale of this thing is very long unfortunately because of the hundreds and thousands of pharma companies with millions of brands being sold in every city. So, while we would like to do slightly better the intention is not to get to the 100% field rate at all in this store.

Aneesh Deora:

And my second question being around the fact that we have increased our private label contribution to 13.9% in this quarter, but the same has not been reflected in the improvement in operating EBITDA margins, so any color there like I was expecting some improvement on the operating EBITDA margins, but they have remained kind of flattish, so can you throw some light on the fact here?

Madhukar Reddy:

See the gross margins continues to go up if you actually look at it, the reason why the overall operating EBITDA margins in the company has not gone up as much is because of the new stores which are dragging down the overall EBITDA. If you look at it all stores which are more than one year are today now operating with a operating EBITDA margin of 43.3 crores, but the drag because of the new stores, the stores which are less than 12 months and the stores which are yet to be opened both of these are pulling it down that is the reason, but otherwise the gross margin continues to go up.

Moderator:

Thank you. We have the next question from the line of Ameya Gawande from Metaverse Equity Fund. Please go ahead.

Ameya Gawande:

So, my question is with regard to the diagnostic centers what we can expect in within next three years expansion plans in your opening?

Madhukar Reddy:

Little early for us to comment on the next three-year plan. We have started off with the whole thing because we think it should be a good adjacency to our pharmacy platform. Given the fact that 60% of our sales are the people who are monitoring some kind of a level of something out there we thought the diagnostic would be a good adjacency than **(Inaudible) 28.20**. Now, but to that we also added the overall radiology which we think actually works very well because anyone who grows to a diagnostic centers typically has both the radiology needs typically ultrasound, chest x-ray or in lot of cases the echo or a TMT or an MRI NCD along with the usual. So, hence we started make sure we are the first to add that, but in a lot of cases our three thesis actually proving out to be what we expected, but we still will give it some more time. We will go to five centers in Hyderabad stayed the same collection centers and add some more small satellite radiology centers and all, but as we said in our earlier commentary we are not going to extend our investment in this beyond the 85 to 90 crores in Hyderabad only after we are fully sure are we going to go ahead and expand to other geographies. Now a little bit early for me to tell you why are we will be in three years it will all depend on how well we actually grow from here. We

are confident that we will make money, but the speed and the amount will determine how fast we grow to other places.

Ameya Gawande: And just another question like do not think the pricing in the diagnostic business is little bit aggressive as compared to....

Madhukar Reddy: As Chetan said earlier given the fact that we do not have referrals that everything is serviced by us, there is no franchise involve and there is no referral being paid. The acquisition is through our own stores and we also have a model in which we are actually taking a subscription fees. I think it is the right number and give the fact that such large centers have actually become EBITDA positive within the first 6 months clearly proves that we are in the right track here.

Moderator: Thank you. We have the next question from the line of Pathanjali Srinivasan from Mirabilis Investment Trust. Please go ahead.

Pathanjali Srinivasan: We said first 6 months the stores that we opened breakeven, but when does the cash burnt in the first 6 months usually get recover by the store, how much time does it take for that?

Madhukar Reddy: Is this question meant for the diagnostic health service center.

Pathanjali Srinivasan: No, I am asking for the pharmacy business like generally you mentioned that the new store breakeven about 6 months.

Madhukar Reddy: Typically, the amount which has lost during the time or ramp up to the breakeven has made up which is the first 12 months to 15 months.

Pathanjali Srinivasan: Sir and with respect to our diagnostic business do we have a home collection facility or that is still not there how is it currently?

Madhukar Reddy: We do have a home collection center facility. Customers can go online on to app and request home collection and service. They can also go to our call center and enter it is a same service.

Pathanjali Srinivasan: And do we charge for it or is it included in the subscription plan how does it work?

Madhukar Reddy: Any home collection is charged it is Rs. 100 as of now the collection fees Rs. 100 at the discount at which we give it is high I do not think it is possible for us to give a free service. What we do though is we have opened 100 collection centers across the city making it very convenient for people to go out there and give a sample. So, for anyone who is not wishing to actually pay that money he can actually easily access our collection services where it is free, but if he wants a service at home then he pays for it.

Pathanjali Srinivasan: At the current pace that are adding stores do we have enough cash for us to expand at this space or will we look at raising money?

- Madhukar Reddy:** It is unlikely that they will be looking at raising money right now because we do not have any debt at all. We have cash in the bank and we are accumulating cash too. So, the raising money is not on the books at least as of now.
- Moderator:** Thank you. We have the next question from the line of Sayantan Maji from Credit Suisse. Please go ahead.
- Sayantan Maji:** So, I have a couple of questions so first is on the store network expansion, so do we aim to maintain this run rate of 1,000 to 1,200 stores each year for say FY24 expire?
- Madhukar Reddy:** Absolutely because the opportunity to grow in the 7 states is very high and we continue to actually achieve that opportunity and we continue to get our stores to breakeven and to grow to the 10% EBITDA level very quickly. So, I actually notice them to back off.
- Sayantan Maji:** And what is the CAPEX for store that we are incurring today?
- Madhukar Reddy:** So, all in cost come to around 30 lakhs out of which 6 to 7 lakh, 7 to 8 lakh goes towards the build out of the store 2 to 3 lakhs go towards the store rental advance and the balance is into inventory. So, when I say 30 lakh that also includes the inventory otherwise we have to strictly look at only the build out and rental advance it is only anywhere between 9 to 10 lakhs.
- Sayantan Maji:** And in terms of store network expansion strategy so we have been adding more number of stores beyond Tier-2 and Tier-3 towns, so will this continue as a strategy that in the states where we are present we will continue to add more number of stores or are we planning to enter some new state as well and grew our franchise over there?
- Madhukar Reddy:** So, the 7 states in which were there account for roughly around 45% of the overall pharmacy market. We are also very dense and affluent stage. We see a lot of opportunities in these states so we will continue to grow and whether it is Tier-2 or Tier-3 depends on the current state or current number of stores in each of these states, for instance, the states in which we enter first which is AP and Telangana. Here we are there at the district headquarters Tier-1 level even a significant manner and we are growing to Tier-2 and Tier-3 at these places whereas states which we entered towards the later part in West Bengal and Maharashtra for instance we are entering into new districts. So, that would be mainly the Tier-2 and less Tier-3 and Tier-4 states I would say. So, it all depends on our saturation has been Tier-1, 3 basis once that is done we go down that level and as regards to the new states we are looking at a couple of states at least to see this year and which will enable us to actually start growing at some point of time may be next year or something like that. So, looking at three states in fact Kerala, Madhya Pradesh and Chhattisgarh to see some kind of expansion in their major cities which will be Cochin either Bhopal or Indore and Raipur.
- Sayantan Maji:** My next question is on diagnostic so you mentioned that the sustainable EBITDA margin would be somewhere around 19% to 20% for the full-service diagnostic centers and 20% for the collection centers, so how soon do we think we can achieve these level of EBITDA margin?

- Chetan Dixit:** We have three full-service centers in operation currently, the third one went online only last month so it is early. The other two have been in operation for 6 months and they have broken even on operating EBITDA.
- Sayantani Maji:** But the EBITDA margin guidance that you had given on say 19% to 20%, so when do we expect to achieve these level so is it after one year, two years?
- Chetan Dixit:** Yes that is at the exit of the first 12 months. So, 12 months that is when we expect the 19 to 23 to come in.
- Moderator:** Thank you. We have the next question from the line of Prakash Agarwal from Axis Capital. Please go ahead.
- Prakash Agarwal:** First question in slide 13, just wanted to understand this operating EBITDA margins for past 3 year at 5% plus and now at 4.3 and 4.6 though we have improved QoQ and these are again 12 plus months pharmacy stores, so is it all a function of higher discounting by the peers as well as inflation or there is more to it?
- Madhukar Reddy:** You mean the decrease in the margins from 5.3 to 4.3 and now to 4.6 that is that what you are asking Prakash?
- Prakash Agarwal:** Yes sir.
- Madhukar Reddy:** I would say it is more a function of the number of new stores which have got me added into the 12 plus months category. We have roughly around 1,000 stores which are less than 12 months and have been around 500 efficient stores which are in the 12 to 24 months. This is what is actually pulling it down given the fact that our full ramp up to the expected EBITDA actually happens only in 24 months. So, that said definitely the headwinds which you are seeing because of the increased competition in the online space and the increased discounting by the online players has also I would say muted our growth a little bit. We are countering with increased sales little bit of increase operation in this thing out there, but more importantly through increase in the private label product out there and that has been driving our margins. We do not expect that anyone can sustain at a 25% discount level so we expect that to come down as we go forward and once that comes down I think we should be able to take off from here to even higher levels.
- Prakash Agarwal:** And you said 1,000 plus stores are under 12 months and the number you gave for 12 to 24 month is?
- Chetan Dixit:** So, number of stores in the year 1 bracket is 1,083, number of stores in the 13-to-24-month category is 543.
- Prakash Agarwal:** And typically, what is the margin at 12 to 24 months given that you mentioned on a blended basis above 10%, but I would assume that 12 to 24 months would be a little lower is this in a 5% to 6% range?

- Management:** Yeah it is around 6.9% right now for the stores which are in that 13 to 24 months age bracket.
- Prakash Agarwal:** And secondly on your omnichannel strategy, I mean the shares seems to be coming off a bit what are we planning to do, are we still investing or wanting to keep that share up or are we okay with the way things are panning out?
- Madhukar Reddy:** The way I see it we rather spent 50 crores per month on opening new stores which will give you people who will keep coming back to a store and spent it on advertisement and creating new customers because if you actually look at it Prakash the fact of the matter is on purchases beyond the phase 3 we have the best discounts. We have field rate and availability better than anyone else out there, to our delivery day is at around 95% to 98%. So, on the service side we do not lack we know that there is a market and people will come here, but we do not think this is a right way to spend money to acquire customers at this point of time. We believe as customers get more and more used to the online sets especially the demographics in which our customers primarily lie as these guys get more and more convinced. They will come and we are ready to service them at that point of time. At this point we do not foresee spending any extra money and acquiring customers for this.
- Prakash Agarwal:** And secondly on your expansion plan and obviously mentioned 45% of the market that you are going deeper but have we got plans to move into the remaining 55 especially of North?
- Management:** No, it is unlikely that we are getting any time soon, but we are looking to see it at least a couple of the neighboring states was on the Southern side Kerala and on the central side we probably do Chhattisgarh and Madhya Pradesh. We are looking at some opening some stores in the next two quarters or so in Cochin and Bhopal or Indore and Raipur. A plan, a sustained listing into a North side is not on the card as of now.
- Prakash Agarwal:** And lastly on Mumbai so last time there was an evaluation like having a excess store kind of thing much smaller given the rental are very high, is there wanted a thought process are we doing that or there is another thought or you plan in Mumbai?
- Management:** So, Mumbai as we said last time we want to open stores which are more in line with the expected revenue and all or at least we want to open stores whose rents are more in line with our national average. So, 30,000 to 35,000 is the usual rents we pay for stores which are 300 square foot. In Bombay we are okay with paying may be 10,000 or 5,000 more, but not much more. So, we are opening stores that way and they are working out reasonably well for us. It is definitely working out better than opening up large stores.
- Moderator:** Thank you. I would now like to hand it over to the management for closing comments.
- Madhukar Reddy:** Thank you. I thank all participants in this call for your interest in the MedPlus journey, our investor relations team can be contacted at ir@MedPlusindia.com. Thank you.
- Moderator:** Thank you. On behalf of MedPlus that concludes the conference. Thank you for joining us and you may now disconnect your lines.