

Medplus Health Services Limited

Medplus Health Services Limited was incorporated in November 2006 by Gangadi Madhukar Reddy with other promoters. Medplus is the second largest pharmacy retailer in India, in terms of the number of stores as of March 31, 2021, and in terms of revenue from the operation. Medplus offers a wide range of pharmaceutical products and fast-moving consumer goods (FMGC), such as medicines, vitamins, medical devices, home, and personal care products, etc.

Positives (a) Medplus is the second largest pharmacy retailer in India, in terms of the number of stores as of March 31, 2021, and in terms of revenue from the operation. (b) Adding value proposition to the customer in terms of 2-hour delivery, competitive pricing and a wide range of Pharmaceutical and FMCG products. (c) Medplus is the first pharmacy retailer in India to offer an omnichannel platform i.e. customers can visit the stores or place the order online by mobile application or website. (d) Strong execution track record of stores expansion, from 48 stores in 2006 to more than 2300 stores in 2021.

Investment concerns: (a) Increase in competition, from offline as well as online companies like Apollo Pharmacy, Tata 1mg, Netmeds etc. (b) The company has got some benefit of Covid related revenue in 2021 and in H1FY2022, once Covid revenue normalizes it may be difficult for the company to have double-digit revenue growth. (c) Company may face certain challenges to expand its retail chain in other geographies.

Outlook & Valuation: Based on H1FY2022 numbers, the IPO is priced at a EV/EBITDA of 27.5 times and price to sales at 2.5 times at the upper price band of the IPO. Medplus is the second largest pharmacy retailer in India, company offer a good value proposition to its customer in terms of discount, wide range of product and fast delivery. We believe that the company omnichannel platform will help to deliver strong growth in future. Hence, we are assigning a **"SUBSCRIBE"** recommendation to the Medplus Health Services Limited IPO.

Key Financials

Y/E March (₹ cr)	FY19	FY20	FY21	H1FY21	H1FY22
Net Sales	2,272	2,871	3,069	1,463	1,880
% chg	-	26	6.9	-	28.5
Net Profit	12.1	2.2	63.4	22.4	66.6
% chg	-	(81.8)	2,782	-	197.3
EBITDA (%)	5.8	5.3	7.8	7.3	9.0
EPS (as stated)	1.3	0.2	5.7	2.1	6.0
P/E (x)	627	3,980	140	190	66.4
P/BV (x)	30.5	16.8	12.2	15.0	11.1
EV/EBITDA	69.7	60.2	38.6	43.1	27.5
EV/Sales	4.0	3.2	3.0	3.1	2.5

Source: Company, Angel Research

SUBSCRIBE

Issue Open: December 13, 2021
Issue Close: December 15, 2021

Issue Details

Face Value: ₹2

Present Eq. Paid up Capital: ₹6.44 Cr

Issue Size: ₹1398.3**Cr

Fresh Issue: ₹600**Cr

Offer for Sale: ₹798.3**Cr

Price Band: ₹780-₹796

Lot Size: 18 shares and in multiples thereafter

Expected Listing: 23th December 2021

Employee Discount - ₹78 per share

Post-issue mkt. cap: * ₹9,318 Cr - ** ₹9,497 Cr

Promoters holding Pre-Issue: 43.16%

Promoters holding Post-Issue: 40.43%

*Calculated on lower price band

** Calculated on upper price band

Book Building

QIBs	50% of issue
Non-Institutional	15% of issue
Retail	35% of issue

Post issue Shareholding pattern

Promoters	40.43%
Others	59.57%

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Company Background

Medplus Health Services Limited was incorporated in November, 2006 by Gangadi Madhukar Reddy with other promoters. Medplus is the second largest pharmacy retailer in India, in terms of number of stores as of March 31, 2021 and in terms of revenue from operation. Medplus offers a wide range of products, including pharmaceutical and wellness products, including medicines, vitamins, medical devices and test kits, and fast-moving consumer goods (FMCG), such as home and personal care products, including toiletries, baby care products, soaps and detergents, and sanitizers.

Company having more than 2300 offline retail network stores in 261 cities across the states of Tamil Nadu, Andhra Pradesh, Telangana, Karnataka, Odisha, West Bengal and Maharashtra. In 2020 company started focusing on online sales, now company able to deliver their online purchases customers within 2 hours of purchase in select cities of Hyderabad, Bangalore, Kolkata, Pune and Nagpur. Medplus employs a data analytics driven cluster-based approach to their store network expansion.

Medplus has 3 manufacturing plants in Telangana, company manufacture range of plastic products, optical frames, spectacles and liquid disinfectants etc.

Medplus hold strong market share in Chennai, Bangalore, Hyderabad and Kolkata, company has market share of approximately 30%, 29%, 30% and 22%, respectively in organized pharmacy retail market. Companies number of stores has grown significantly, as of September 30, 2021, company operate 546 stores in Karnataka, 475 stores in Tamil Nadu, 474 stores in Telangana, 297 stores in Andhra Pradesh, 224 stores in West Bengal, 221 stores in Maharashtra and 89 stores in Odisha.

Issue Details –

The issue comprises of new issue of ₹600 crores and offer for sale of ₹798.3 crores. With the IPO, price band of ₹780-₹796.

Pre & Post issue share holding

Particular	(Pre-issue)		(Post-issue)	
	No of shares	%	No of shares	%
Promoter	4,82,33,135	43.2%	4,82,33,135	28.4%
Public	6,31,00,810	56.5%	7,06,45,321	41.6%
Employee Trust	4,27,220	0.4%	4,27,220	0.3%
Total	11,17,61,165	100.0%	16,96,24,024	100.0%

Source: Company, Angel Research

Objectives of the Offer

- The IPO aims to utilize the net proceed for working capital requirement.
- General Corporate Purposes.

Key Management Personnel

Gangadi Madhukar Reddy is the Managing Director and Chief Executive Officer of the company. He is one of the Promoters of the company and has been a Director of the company since incorporation on November 30, 2006.

Anish Kumar Saraf is the Non-Executive Director of the company. He is the managing director of Warburg Pincus India Pvt Ltd and has been in the employment of the company for 15 years.

Cherukupalli Bhaskar Reddy is the Chief Operating Officer – outlet operations of the company. He joined the company on March 1, 2007. He has over 14 years of experience in the pharmaceutical industry.

Hemanth Kundavaram is the CFO of the company. He joined the company on January 2, 2021. He has over 15 years of experience in corporate finance and accounting in various industries.

Madhavan Ganesan is the Non-Executive Independent Director of the company. He has over 34 years of experience in various companies in the retail, technology and the industrial sectors.

Hiroo Mirchandani is the Non-Executive Independent Director of the company. Her business career has primarily been in the healthcare and consumer goods sectors.

Consolidated Profit & Loss account

Y/E March (₹ cr)	FY19	FY20	FY21	H1FY21	H1FY22
Total operating income	2,272	2,871	3,069	1,463	1,880
<i>% chg</i>	-	26	6.9	-	28.5
Total Expenditure	2,153	2,737	2,852	1,364	1,721
Raw material	1844	2337	2424	1144	1479
Employee Benefit Expense	211	272	339	180	180
Other Expenses	98	128	90	40	62
EBITDA	119	134	217	98	159
<i>% chg</i>	-	12	62	-	62
<i>(% of Net Sales)</i>	5.2	4.7	7.1	6.7	8.4
Depreciation & Amortization	58.5	74.8	88.2	42.2	54.7
EBIT	60.7	59.2	128.6	56.0	104.1
<i>% chg</i>	-	-2	117	-	86
<i>(% of Net Sales)</i>	2.7	2.1	4.2	3.8	5.5
Interest & other Charges	50	47	55	27	31
Other Income	12.2	17.2	21.5	8.4	10.9
<i>(% of Sales)</i>	0.5	0.6	0.7	0.6	0.6
PBT	22.9	29.7	95.3	37.4	83.7
<i>(% of Net Sales)</i>	1.0	1.0	3.1	2.6	4.5
Tax	10.8	27.5	31.9	15.0	17.1
PAT (reported)	12.1	2.2	63.4	22.4	66.6
<i>% chg</i>	-	(82)	2,782	-	197.3
<i>(% of Net Sales)</i>	0.5	0.1	2.1	1.5	3.5
EPS (as stated)	1.27	0.2	5.7	2.1	6.0
<i>% chg</i>	-	(84)	2,750	-	187

Source: Company, Angel Research

Consolidated Balance Sheet

Y/E March (₹ cr)	FY19	FY20	FY21	H1FY21	H1FY22
SOURCES OF FUNDS					
Equity Share Capital	0.2	0.2	0.4	0.2	6.4
Other equity	291	529	731	591	795
Shareholders Funds	291	529	731	591	801
Total Loans	287	321	401	344	464
Other liabilities	8.1	17.7	18.3	18.7	17.6
Total Liabilities	586	867	1,151	954	1,282
APPLICATION OF FUNDS					
Net Block	47	60	87	61	108
Current Assets	469	816	923	828	987
Sundry Debtors	9	6	5	4	7
Cash & Bank Balance	25	114	107	42	26
Other Assets	17	25	49	67	74
Current liabilities	372	481	415	431	464
Net Current Assets	97	335	508	397	524
Other Non Current Asset	442	473	555	496	651
Total Assets	586	867	1151	954	1282

Source: Company, Angel Research

Consolidated Cash Flow Statement

Y/E March (₹ cr)	FY19	FY20	FY21	H1FY21	H1FY22
Profit before tax	22.7	29.3	95.0	37.2	83.5
Depreciation	58.5	74.8	88.3	42.2	54.7
Change in Working Capital	(33.1)	(251.4)	(130.6)	(76.4)	(69.0)
Interest Expense	14.1	6.5	8.3	4.7	2.6
Direct Tax Paid	(12.5)	(14.8)	(28.7)	(8.9)	(16.3)
Others	16.8	20.9	30.5	42.2	1.8
Cash Flow from Operations	146.4	(6.6)	2.9	5.7	156.3
(Inc.)/ Dec. in Fixed Assets	(21.6)	(30.1)	(54.0)	(9.5)	(41.6)
Investment	(1.3)	(1.9)	14.9	(3.7)	(58.6)
Interest received	3.6	5.3	4.2	1.7	1.6
Other	0	(0.9)	0.2	0.2	-
Cash Flow from Investing	(19.3)	(27.6)	(34.7)	(11.3)	(98.6)
Proceeds Convertible Preference Sh.	-	203.8	98.0	-	-
Dividend paid on equity shares	(14.1)	(6.5)	(8.3)	(4.7)	(2.6)
Others	-	0.6	-	-	0.4
Cash Flow from Financing	(82.8)	89.8	(5.6)	(47.6)	(60.6)
Inc./(Dec.) in Cash	44.5	55.6	(37.2)	(53.4)	(2.6)
Opening Cash balances	(91.3)	(46.8)	8.8	8.8	(28.4)
Closing Cash balances	(46.8)	8.8	(28.4)	(44.6)	(31.0)

Source: Company, Angel Research

Key Ratios

Y/E March	FY19	FY20	FY21	H1FY21	H1FY22
Valuation Ratio (x)					
P/E (on FDEPS)	627	3,980	140	190.4	66.4
P/CEPS	126.0	115.5	58.7	68.9	36.7
P/BV	30.5	16.8	12.2	15.0	11.1
EV/Sales	4.0	3.2	3.0	3.1	2.5
EV/EBITDA	69.7	60.2	38.6	43.1	27.5
Per Share Data (Rs)					
EPS (fully diluted)	1.27	0.20	5.70	2.09	5.99
Cash EPS	6.3	6.9	13.6	5.8	10.9
Book Value	26.1	47.3	65.4	52.9	71.7
DPS	-	-	-	-	-
Number of share	11.18	11.18	11.18	11.18	11.18
Returns (%)					
RONW	4.1	0.4	8.7	3.8	8.4
Turnover ratios (x)					
Asset Turnover (net)	25.4	27.3	23.2	27.5	24.4
Receivables (days)	1.4	0.8	0.6	0.5	0.7
Inventory Days	63.3	81.8	89.2	85.5	78.6
Payables (days)	31.3	36.6	22.3	28.9	27.6
Working capital cycle (days)	33.4	46.1	67.5	57.1	51.8

Source: Company, Angel Research

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