

Medplus Healthcare Services Ltd.

Nifty: 25,598

CMP: Rs. 815

Healthcare

MEDPLUS reported a steady quarter with healthy topline growth and strong profitability despite a marginal revenue miss versus estimates. Consolidated revenue grew 6.5% YoY / 8.9% QoQ to Rs.16.8 bn, supported by new store additions and an increasing private-label mix. Gross margin expanded 240 bps YoY to 26.1%, aided by higher private-label contribution and efficient procurement. EBITDA rose 22% YoY to Rs. 1,488 mn, with margins improving 130 bps YoY to 9.9%, reflecting operating leverage and cost discipline. PAT grew 43% YoY to Rs. 555 mn, with margin expansion to 3.3%. Operating cash flow remained strong at Rs.1.26 bn, translating to 142% of EBITDA, while ROCE improved to 22.5%. The company added 117 net stores during the quarter, taking the total to 4,930 stores across 13 states and 1 UT. Mature stores (12+ months) continued to deliver robust profitability with 11.8% store-level EBITDA margin and 68.6% ROCE. Private-label portfolio expanded to over 1,450 SKUs, further supporting margin resilience. Overall, MEDPLUS continues to strengthen its position as a leading omni-channel pharmacy retailer through cluster-based expansion, higher-margin private-label growth, and efficient capital deployment.

Management call highlights

- Added 10 new warehouses in the last 18 months (6 operational) to strengthen backend infrastructure; fill rates improved with incentive-linked execution.
- Opened 145 new stores (net 117 adds) in 2QFY26; 23 closures in 1Q (8 franchise). FY26 guidance of 600 new stores (100 franchise) maintained. 2HFY26 likely to remain flat YoY. Average store size: 528 sq ft.
- Pharmacy GMV grew 8% YoY; PL pharma share stood at ~19.5% on a GMP basis.
- EBITDA margin for stores older than 24 months was at ~11%, and for stores older than 13-24 months at 6-9%, and stores >12 months at 10.9%.
- Active plan renewal rate at 24% in Q2; scale-up targeted post reaching 250,000 subscriptions.
- Subscriptions: 4 million MEDPLUS pharmacy subscribers.
- GST impact: 100% GST benefit passed on to customers; input tax credit accumulation up 7%. Negotiated extended credit terms with suppliers to offset temporary ITC blockage. Positive near-term GST impact expected to normalize gradually.
- SSSG outlook: Expected to improve gradually to high single digits over the next two years.
- Employee initiatives: Introduced retention scheme-Rs.18,000 after 1 year, rising to Rs.50,000 for longer tenure. Training period: 1 month. Attrition reduced by ~15% in year 1; employee cost growth to moderate YoY.

- Non-pharma initiatives: Redesigned outlets with open-shelf layouts to drive impulse purchases. PL gross margins: 75-78% (pharma) and ~34% (non-pharma). Consumer uptake driven by pricing and first-use experience, particularly in categories like toothpaste.

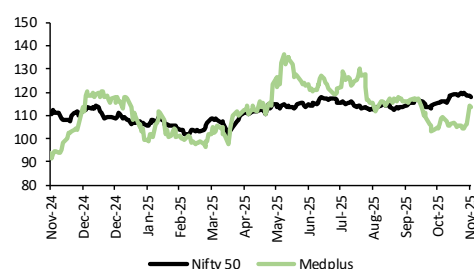
Valuation and outlook

We view MedPlus as a steady compounder in India's organized pharmacy retail space, supported by its scale advantages, growing private-label penetration, and prudent capital deployment. The company's high-margin private-label portfolio (~19.5% of GMV) is expected to reach ~30% over the next 12-18 months, driving sustained gross margin expansion. Strong unit economics from mature stores and improving backend efficiency provide structural margin tailwinds, while healthy free cash generation (~Rs.4.8 bn in FY25) enables self-funded growth.

We estimate Revenue / EBITDA / PAT CAGR of 10% / 18% / 28% over FY25-28E. Rolling forward to September FY28E EBITDA of Rs.7.6 bn and assigning a 20x EV/EBITDA multiple, we derive a target price of Rs. 1,204, implying ~48% upside from the CMP of Rs. 815. The premium valuation is justified by MedPlus's consistent execution, improving mix quality, and scalable cluster-based expansion model. With private-label traction, cost discipline, and internal funding of growth, MedPlus remains well placed for sustained value creation and margin-led compounding.

Shareholding (%)	Sep-25
Promoters	40.29%
FII	16.53%
DII	26.51%
Public	16.60%
Others	0.05%

Relative Price Performance



Key Data		(RS. mn)	FY25	FY26E	FY27E	FY28E	CAGR
NSE Symbol	MEDPLUS	Sales	61,360	65,836	74,047	86,504	10%
Bloomberg Code	MEDPLUS	EBITDA	4,871	5,653	6,812	8,477	18%
Share outstanding (Rs mn)	120	EBITDA Margin	7.9%	8.6%	9.2%	9.8%	127bps
Mcap (Rs mn)	107,890	Net Profit	1,503	1,926	2,472	3,330	28%
52 week H/L	1,052/603	EPS (Rs)	12.6	16.1	20.7	27.6	28%

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Quarterly Result update (consolidated)

Particulars (Rs mn)	2QFY26	2QFY25	YoY	1QFY25	QoQ
Revenue	16,793	15,762	7%	15,426	9%
EBITDA	1,488	1,245	20%	1,307	14%
EBITDA M	8.9%	7.9%	97bps	8.5%	39bps
PAT	555	387	43%	423	31%
EPS (Rs)	4.6	3.2	43%	3.5	31%

- Revenue grew 7% YoY / 9% QoQ to Rs.16,793 mn, driven by healthy store additions and steady pharmacy growth (+8% GMV).
- EBITDA rose 20% YoY / 14% QoQ to Rs.1,488 mn, with margin expanding ~97 bps YoY to 8.9%, aided by improved fill rates and operational efficiencies.
- PAT increased 43% YoY / 31% QoQ to Rs.555 mn, reflecting

strong operating leverage and cost discipline.

- EPS stood at Rs.4.6 (vs Rs.3.2 YoY).
- Store network expansion continued with 117 net new stores during the quarter; total store count reached 4,930 across 13 states and 1 UT.
- Mature stores (12+ months) delivered 11.8% EBITDA margin and 68.6% ROCE.
- ROCE improved to 22.5% from 17% in the previous quarter

Segment Results

Revenue Mix	2QFY26	2QFY25	YoY	1QFY26	QoQ
Branded Pharma	10,598	10,399	2%	9,526	11%
Non Branded pharma	1,481	1,656	-11%	1,437	3%
Private label pharma	1,991	1,625	23%	1,936	3%
Private label others	1,580	1,223	29%	1,316	20%
Others	806	573	41%	590	37%

- Branded pharma** grew **2% YoY / 11% QoQ** to Rs.10,598 mn, supported by steady prescription-led demand and expansion in chronic categories.
- Non-branded pharma** declined **11% YoY**, reflecting product rationalization and higher focus on branded and private-label offerings.

- Private-label pharma** rose **23% YoY / 3% QoQ** to Rs.1,991 mn, driven by deeper penetration, attractive pricing, and improved shelf visibility.
- Private-label others** grew a robust **29% YoY / 20% QoQ** to Rs.1,580 mn, benefiting from redesigned outlets and wider assortment of impulse-buy categories.
- Others** segment surged **41% YoY / 37% QoQ** to Rs.806 mn, led by traction in diagnostics and non-core services.

Changes to our Estimates

Particulars (Rs mn)	Previous			Revised			Change		
	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Revenue	67,341	76,830	91,324	65,836	74,047	86,504	-2.2%	-3.6%	-5.3%
Ebitda	5,512	7,068	9,132	5,653	6,812	8,477	2.6%	-3.6%	-7.2%
Ebitda M	8.2%	9.2%	10.0%	8.6%	9.2%	9.8%	41bps	1bps	-21bps
PAT	1,888	2,694	3,859	1,926	2,472	3,330	2.0%	-8.3%	-13.7%
EPS (Rs)	15.8	22.5	31.9	16.1	20.7	27.6	2.0%	-8.3%	-13.7%

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Financials

Income Statement

Y/E Mar (Rs mn)	FY25	FY26E	FY27E	FY28E
Sales	61,360	65,836	74,047	86,504
Expenses				
Cost of materials consumed	617	426	-	-
Purchases of stock-in-trade	45,724	47,951	54,794	63,581
Changes in inventories	64	636	-	-
Employee Cost	7,260	8,171	9,108	10,554
Other expenses	2,823	2,999	3,332	3,893
EBITDA	4,871	5,653	6,812	8,477
EBITDA margin	7.9%	8.6%	9.2%	9.8%
Depreciation	2,499	2,774	3,161	3,686
EBIT	2,373	2,879	3,651	4,792
EBIT Margin	3.9%	4.4%	4.9%	5.5%
Other Income	486	665	680	720
Interest	1,026	1,158	1,280	1,400
Profit before tax	1,833	2,386	3,051	4,112
Tax expense	331	461	580	781
Net Profit	1,503	1,926	2,472	3,330
EPS	12.6	16.1	20.7	27.6

Key Ratios

Y/E Mar	FY25	FY26E	FY27E	FY28E
Effective Tax Rate	18.0%	19.3%	19.0%	19.0%
Gross Profit	24.4%	25.6%	26.0%	26.5%
Ebitda Margin	7.9%	8.6%	9.2%	9.8%
PAT Margin	2.4%	2.9%	3.3%	3.8%
ROE	9.1%	10.5%	12.0%	14.2%
ROCE	8.5%	9.4%	10.6%	12.3%
Balance sheet Ratios				
Current Ratio	3.2	3.4	3.6	3.9
Inventory Turnover Ratio	3.5	3.4	3.5	3.6
Fixed Asset Turnover	4.76	4.81	5.10	5.71
Debt to Equity Ratio	0.64	0.64	0.62	0.59
Interest Coverage Ratio	2.31	2.49	2.85	3.42
Net (debt) /cash	(7,526)	(7,158)	(6,536)	(4,954)
Working Capital in days	63	63	61	57
Inventory	80	80	78	74
Trade Recievables	1	1	1	1
Trade Payables	18	18	18	18
Valuation Ratios				
Book Value	146	162	182	210
Price-to-Earnings (P/E) Ratio	65	51	40	30
Price-to-Book (P/B) Ratio	5.63	5.07	4.50	3.90
EV/EBITDA Ratio	20.9	18.1	15.0	12.0
YoY growth				
Sales	9%	7%	12%	17%
EBITDA	38%	16%	21%	24%
PAT	130%	28%	28%	35%

Balance Sheet

Y/E Mar (Rs mn)	FY25	FY26E	FY27E	FY28E
Equity	17,399	19,324	21,796	25,126
Lease Liabilities	11,198	12,318	13,549	14,904
Trade Payables	2,990	3,247	3,652	4,266
Provisions	712	712	712	712
Other Liabilities	1,302	1,302	1,302	1,302
Total Liabilities	33,601	36,903	41,011	46,311
Net Fixed Assets	3,321	3,436	3,902	4,442
Rou	9,579	10,252	10,625	10,699
CWIP	132	132	132	132
Inventory	13,451	14,430	15,824	17,538
Trade Receivables	133	180	203	237
Cash	3,672	5,160	7,013	9,950
Other current assets	3,313	3,313	3,313	3,313
Total Assets	33,601	36,903	41,011	46,311

Cash Flow Statement

Y/E Mar (Rs mn)	FY25	FY26E	FY27E	FY28E
Net cash generated from operating activities (A)	5,404	5,088	5,901	7,282
Net cash (used in) / generated from investing activities (B)	(3,176)	(3,500)	(4,000)	(4,300)
Net cash used in financing activities (C)	(2,280)	(38)	(48)	(45)
Net (decrease) / Increase in cash and cash equivalents (A+B+C)	(52)	1,550	1,853	2,937
Cash and cash equivalents at the beginning of the year	912	860	2,410	4,263
Cash and cash equivalents at the end of the year	860	2,410	4,263	7,200
Capital Expenditure	(595)	(3,500)	(4,000)	(4,300)
FCF	4,810	1,588	1,901	2,982

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Arete Securities Ltd: Mittal Court, A-Wing, 10th Floor, Nariman Point, Mumbai - 400 021, Tel. No. : +91-022-4289 5600, Fax: +91 (22) 2657 3708/9

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