MedPlus Health Services Limited

July 24, 2026

The Listing Department
BSE Limited
Phiroze Jeejeebhoy Towers
Dalal Street, Fort,
Mumbai 400 001
BSE Scrip Code: 543427

The Listing Department
National Stock Exchange of India Limited
Exchange Plaza,
Bandra Kurla Complex,
Bandra (East), Mumbai – 400 051
NSE Symbol: MEDPLUS

Dear Sir/ Madam,

Sub: Submission of Transcript of Earnings Call:

Pursuant to Regulation 30 and 47 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, we enclose herewith transcript of the Earnings Call held with analyst/ institutional investors on July 22, 2026 for the quarter ended June 30, 2026.

The same will be available on the website of the Company at www.medplusindia.com and also on the websites of BSE Limited and National Stock Exchange of India Ltd. viz. www.bseindia.com and www.nseindia.com respectively.

Thanking You
Yours faithfully

For MedPlus Health Services Limited
Shrenik Soni
Digitally signed by Shrenik Soni
Date: 2026.07.24 19:00:04 +05'30'

Shrenik Soni
Company Secretary & Compliance Officer
(M. No. F12400)

Encl: a/a

"MedPlus Health Services Limited

Q1 FY27 Earnings Conference Call"

July 22, 2026

Management: **Mr. Madhukar Gangadi-** Managing Director and Chief Executive Officer

Mr. Sujit Kumar Mahato - Chief Financial Officer

Mr. D R N Srinivas - Sr. Manager Finance

Moderator: Ladies and gentlemen, good day, and welcome to the MedPlus Health Services Limited Q1 FY27 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 star then zero on your touchtone phone. Please note that this conference is being recorded.

I would now like to hand the conference over to Mr. Srinivas. Thank you, and over to you, sir.

Srinivas: Thank you, Manav. Good evening, everyone. On behalf of MedPlus, it's my utmost pleasure to welcome you all to the MedPlus Q1 FY27 Earnings Conference Call to discuss the financial results of MedPlus for the first quarter of FY27, which was announced earlier.

We have with us today the senior management represented by Mr. Madhukar Reddy Gangadi Gangadi, CEO and MD; and Mr. Sujit Mahato, CFO. Before we begin, I would like to mention that some of the statements made in today's discussion may be forward-looking in nature and may involve risks and uncertainties.

Please note the disclaimer mentioning these risks and uncertainties on Slide 1 of the Investor Presentation shared with all of you earlier. Documents relating to our financial performance were circulated earlier, and these have also been posted on our corporate website.

I would now hand over the call to Sujit. Thank you, and over to you, Sujit.

Sujit Mahato: Thank you, Srinivas, and good evening, everyone, on this call. An update on our store network, openings and closures. We have opened 222 stores at a gross level, and there were 52 store closures, including 9 relocation cases and 27 franchisee outlet closures.

Additionally, 24 stores are in the process of conversion from company-owned company-operated stores to the franchise model. We achieved a net addition of 146 stores during the current quarter compared to the 218 stores added during the last quarter. We continue with the outlook for adding 800 net new stores, including the franchisee stores in FY27.

In terms of our network age around 27% of our stores have been operational for less than 2 years and the remaining 73% of our stores have been operational for 2 years or more. In terms of our network and the store size, at the end of the quarter, our network grew to 5,476 stores with 2.9 million plus square feet compared to 4,813 stores and 2.5 million plus square feet at the end of June '25.

The average store size is in the range of 539 square feet. Update on the revenue mix. Presently, MedPlus offers a large range of SKUs spanning across pharmaceutical and non-pharmaceutical categories. Private label sales for Q1 FY27 constitutes 20%, pharma being 10.7% and the non-pharma being 9.3% of our total revenue. Update on the financial numbers. Our consolidated revenue for the quarter is INR18,796 million. Our consolidated operating EBITDA for the quarter stood at INR651 million, representing 3.5%.

Revenue from pharmacy operations grew by 21.8% Y-o-Y on a reported basis. The pharmacy operating EBITDA stood at INR588 million, representing 3.2%. An update on our store performance, stores older than 12 months. Revenue from these stores in quarter 1 was INR16,436 million, representing 94% of pharmacy revenue.

These stores had a store level EBITDA margin of 10.4% A word here on the store level EBITDA margin by age, while stores greater than 12 months had a margin of 10.4%. This was 10.6% for stores greater than 24% and 6.9% for stores in the 13 to 24 months age bracket.

On allocating all non-store-related costs, the operating EBITDA of stores greater than 12 months would be INR707 million, which translates to a margin of 4.3%. An update on the working capital. Our net working capital for Q1 was 54 days. Inventory in our warehouse represented 33 days. In quarter 1, the inventory level of our first-year stores was 100 days. In comparison for our stores older than 12 months, the inventory was at 36 days.

An update on our diagnostic numbers. Diagnostics revenue for the current quarter grew to INR370.8 million compared to INR302.9 million in quarter 1 FY26. Diagnostics segment recorded an operating EBITDA of INR65.9 million compared to INR41.3 million in quarter 1 FY26.

In April, we sold 552 plans per day. In May and June, this was 557 and 644 plants respectively. As at end of June, we had around 2 lakh active clients. Additionally, we would like to inform that the capex proposals as approved by the Board has been put on hold by the company. We would evaluate and later inform, update the market on the utilization of the fund on the balance sheet.

That concludes our update for the quarter. I request the host to open the line for questions.

Moderator: We have our first question from line of Sudarshan Agarwal from Axis Capital.

Sudarshan Agarwal: I think you will have a lot of questions on this. But as you said, you have put the capex plans on hold. But just want to understand the rationale behind kind of putting that strategy forth and getting it approved. So you have INR40 crores of capex for a food park and oil extraction unit and another one for the wellness services facility.

So just want to understand what are we thinking in terms of strategically going ahead with these plans that we have approved? Yes, we have put it on hold, but we have more insights into how the company is thinking on investing in these aspects going ahead? That would be my first question.

Madhukar Gangadi: Sudarshan, I'm happy to take you through the whole strategy if Sujit has already not announced that we are now putting it on hold. I don't think there's any point in discussing it, honestly. There was a thought and I thought that backward integration would really help, especially in areas where the products are new, supplies are not easy to find. And sometimes it is just easier to own the supply chain and all.

So but we have on further deliberation, decided that we'll probably put it on hold definitely put it on hold for now and come out with a plan on how we'll actually utilize the funds. So...

Sudarshan Agarwal: This would be related to the food park. I guess you will be putting on hold the other one as well? Or is that investment continue?

Madhukar Gangadi: All capex spend for now, if we were to basically come back and yes, all capex, meaning the 2 main things, the food park and this one, those are the concierge plans.

Sudarshan Agarwal: So on the food park, I understood your thought process. On the wellness, I mean, this is something that we would we were thinking of trying as a new kind of foray, right, like we did with diagnostics, what I would kind of...

Madhukar Gangadi: Okay. I'll tell you what my thoughts were on that. But again, I have to reemphasize the fact that we are not putting it on hold. So, it probably does not is not relevant. But anyway, the thought was that all companies today are looking at diverse revenue streams in adjacent areas.

You can't just basically do just a pharmacy and. I know there's a lot of opportunity. But even as a vertical grows, you also sometimes have to bring in some horizontal areas also. We thought that, that was a good area to go in. Prevention was a great area to go in. Concierge medicine, wellness, prevention, longevity and all kind of go hand in hand, and we thought that is the logical next place for us to go given that we're already doing diagnostics.

But diagnostics has one piece left, which is when people come to a diagnostic center and they get themselves tested, since we are not offering a complete, let's say, we're not closing the loop on it. We're not telling them what he has to do. And a lot of times he ends up going to a doctor and doctors for reasons best known to them, will disregard any kind of lab, which brings a result which is not in their anyway just not marketed to them. Let me put it that way.

Right. So, we wanted to own that entire thing and basically do a complete out-of-hospital health care kind of stuff out of hospital. But anyway, that we have now put on hold. We're not going to do it. We will think about it. It's unlikely now we'll basically think about it in MedPlus, I would say.

Sudarshan Agarwal: Okay. Okay. Got it. Coming to your performance in the quarter. Yes, strong top line growth. But in terms of margins, we have seen yet again the private label share contracting in Q1. We had this issue last year. So can you just give some sense on what led to this drop? And how should we think of this private label share moving in quarters ahead?

Madhukar Gangadi: So for us, private label when we started off, we pushed very hard, and we made sure that everyone was aware of it and the employees are also heavily incentivized to sell it and all. So I think the early adopters very quickly shifted. And after that, maybe our employees would have gone a little overboard in trying to push it to every single customer out there.

And in the process, we may have basically, I wouldn't say annoyed, but at least put up some customers out there. So we try to put it back. And so now the stores are basically focused on see, while as a percentage, it has grown and degrown slightly, year-on-year, the growth is still there. Every single molecule which we have been selling, we're selling more of it. We continue to grow. As a percentage, it has degrown slightly because our overall sales has grown.

And we are now focused on making sure that the customer is completely served, whether it is for brand or whether he is looking for, let's say, slightly more affordable kind of medicine. So we offer it. If he takes it, great. If not, that's okay. But then what that has allowed us to do is allowed us to actually grow the customer base in the branded side. And that's why you're seeing a small, let's say, dip in the overall percentage.

Sudarshan Agarwal: Got it. And how should the share move?

Madhukar Gangadi: Yes. Going forward, it's going to be a function of two things. One, a little bit of our own advertisement outside the store, which is through influencers to other various other sources to bring people in, who are otherwise not coming into the store for seeking out the MedPlus equivalents of all the branded drugs. So that is how we plan to actually grow that whole share.

And we'll also obviously try and get our employees to be slightly better salespeople, get the whole message out. So a combination of both making our employee slightly more skilled at selling private label and two, bringing in people who are otherwise not shopping with MedPlus at all to come into the store for the drugs. So that's the plan for us.

We think we will, with this quarter, be arresting the slight, I would say, degrowth which we have had and from there on, start building up again at the rate of around 0.5% or 0.3%, 0.4% kind of stuff.

Sudarshan Agarwal: Okay. Okay. Got it. And a part of your gross margin was also affected by franchisees, right, 50 basis points. So can you just broadly give me a sense, private label, of course, will gradually come up, but this franchisee dilution will be part of our numbers going ahead on the gross margin side, right, at least for the near term as long as they don't scale up?

Madhukar Gangadi: Yes. So let me explain a little bit. Franchisee is still in an experimental kind of stage. We believe that India is a market where you have 20,000, 30,000, 40,000 stores. And we believe that long term, that's the only way for us to get to that number.

So for us, we are working on that right now. One of the main things so for us, the way we see franchisees, that's a logical way for us to grow. Whatever margin we are getting is additional margin, yes, it will definitely be slightly lower than our regular store, but the thing is the return on investment on that is going to be higher. And once we track the model, we'll be able to grow way faster. That's how we see it.

Moderator: We have our next question from the line of Saion Mukherjee from Nomura Securities.

Saion Mukherjee: Sir, on this capex plan, you would have had some reasons to sort of plan for this, would have thought about it over many months on this. You got a Board approval. What has happened in the last, let's say, less than a few hours that you've decided to put it on hold?

Madhukar Gangadi: Difficult to say, Saion. Maybe it is the wisdom of the masses, I guess. But see, for us, we definitely are, let us say, going to be let's say, sensitive to the stock market for sure. We're not going to while I believe it's a good thing to do, create adjacency is the way the whole world is growing out there.

And that is what the Board also felt. But the fact that the market reacted so strongly and the fact that a bunch of our investors have also said the same thing and all, we feel that maybe we are not 100% right. So happy to put it I would say happy to put it on hold, but yes, we have taken the feedback, and we want to put it on hold.

Saion Mukherjee: Right. So sir, does that mean that we should not expect any sort of big capex plan in years ahead? I mean how do you plan to then sort of do this because public shareholders could react the way they would. So how would you have that process in place to ensure that any capex decision, etcetera, in the future sort of doesn't have this kind of a fit?

Madhukar Gangadi: So I guess, public markets have not really said no to any kind of capex on our warehousing on the stores or anything like that. So I guess as far as long as we are focused on core business, I really don't see anyone cutting out with anything. And even if they did, then we wouldn't really give a call.

So core business will continue irrespective of what the market thinks or says, whether it's private label or regular stores and all that. So that will happen. Can we basically take a pause at this time on capex spending? Absolutely. But is that something which we will do continually? No, as long as it is and definitely not if it is about the core business.

Saion Mukherjee: Okay. Sir, coming to the core business, you have shared your annual operating plan. So based on your quarter 1 performance, how does this plan change? You had a INR400-odd crores of operating EBITDA on a consol basis. So what is your estimate now? Does that remain same or it undergoes a change based on quarter 1 number?

Sujit Mahato: This is Sujit here. So 2 things. One, maybe you're referring to the Board that which was by mistake uploaded, but the data remains as it is what you have rightly pointed out. And for the time being, numbers do not change because as Madhukar explained, we are working on getting back the private label back on track. We are working on certain costs, which we had not anticipated, which has got hit during the current quarter.

For example, effective 7 July, the company has already, I would say, tweaked the discount structure for all sales greater than 1,000 where the company gives 20% discount. We have already reduced to 19% for a large number of customers. We see that traction. And therefore, if there is any such other adjustments required so that we keep the annual operating plan as a basis and a guide, I would not say we are bound by that. We can either exceed that as well.

So on top line, you would have seen we have achieved 99.9%. On the operating EBITDA, there is a gap to be covered. That's been the nature of Q1 as well. But we are pretty confident that coming quarters, we will be able to make that upside.

Saion Mukherjee: Okay. And sir, one last question on your private label traction. So the growth has been weak on a year-on-year basis. though there is some growth. So in terms of the number of people who are subscribed to this private label subscription, what is that number as an absolute number of people, like how has that changed on a quarter-on-quarter on a year-on-year basis?

Sujit Mahato: Actively, there are close to 44 lakh, 45 lakh people who are on this plan. And every month, there is an annual pattern. Last quarter, if I remember the number right, we added 10 lakh plans, including renewals. The good part is, earlier we were realizing INR99. We have now increased that to INR149. So on membership alone, we should see a INR10 crores to INR11 crores impact on the top line for the whole year, which will flow through to the bottom line.

Saion Mukherjee: Okay. So today, how many you have 44 lakh, 45 lakh people on the plan as of June?

Sujit Mahato: Yes. Yes.

Saion Mukherjee: And how much was this number in the, say, the June of 2025 compared to…

Sujit Mahato: I don't remember it exactly, but it was in the range of INR39 lakhs to INR40 lakhs.

Saion Mukherjee: Okay. So around 40 lakhs has gone to 44 lakhs kind of a number.

Madhukar Gangadi: And not only that, we also actually increased the amount

Sujit Mahato: Yes. INR99 to INR149.

Madhukar Gangadi: Despite that it is gone up

Sujit Mahato: It has been lot of renewals going forward at INR149.

Saion Mukherjee: Okay. So this was implemented recently INR149?

Sujit Mahato: Yes, a month ago.

Saion Mukherjee: Month ago. Okay. And sir, one last question. I've seen your employee expenses also have gone up. So is there any impact because you had earlier mentioned about a lot of attrition and all of that. So as the pharmacy level employee compensations, those have gone up significantly? Anything on that side, if you want to highlight?

Sujit Mahato: So on a year-on-year basis, the major impact is coming from people which we had added in the various warehouses. So we are getting the full quarter impact now. Additionally, we articulated on the labor force changes, especially in Karnataka and Telangana, where the increase has been more than, I would say, significantly more than the average of generally 4%, it was to be.

We have seen 60% increase in Karnataka and 25% plus in Telangana. We have factored that. However, these were effective 1st June, which means going forward, in the Q1 quarter, we have the impact of only 1 month. Going forward, we will have the impact of the full quarter. We are taking steps to mitigate that in terms of, one, the retention bonus plan, which we had has been stopped effective 1st of March, which means there are no new additions because by design, the wages have gone up.

Two, we are also looking at the non-statutory payments, for example, the private label incentives and other incentives, how we can optimize and structure that in a manner to get a relief. And three, as we just articulated on the private label mix, that should also help us in addressing this cost trend.

Moderator: We have a next question from the line of Divyansh Gupta from Latent PMS.

Divyansh Gupta: First question on the private non-pharma products, the absolute revenue dipped from March to June. So just wanted to understand why would that happen? Is there a supply issue or a demand issue? Or is it just purely seasonality?

Sujit Mahato: So yes, absolutely, you pointed out right. From quarter 4 to quarter 1, which is a sequential quarter, we had an impact on the margin of around 100 basis points because of the private label mix, both on pharma and non-pharma. And non-pharma, we had a steeper fall from the last quarter.

For certain categories of our non-pharma products, especially the diaper range, there were disruptions in terms of supply. It's now coming back on track. By the end of this current quarter, we should see the full impact coming back. So we are very confident on the non-pharma contribution to sales, and we expect that to further grow in the coming quarters.

Divyansh Gupta: Understood. Understood. The second question was on the franchisees. You mentioned that 24 stores are moving from COCO to franchisee. So is it our the staff there, which is taking it up or someone else is? I'm just trying to understand...

Sujit Mahato: Predominantly, it is the offering to the senior staff members who have been with the company for 3 years plus. So that's a retention strategy. And so that they also become individual entrepreneurs. They have learned with the company, they have been with the company. And as a model, we said that's the only way we can facilitate them to become individual entrepreneurs. And I think more than 95% of these stores will be taken up by the existing employees.

Divyansh Gupta: Got it. And the other question was the franchise stores, which were closed during the quarter. The average age was only 0.7 years.

Sujit Mahato: Yes.

Divyansh Gupta: Which is like 8 months. The previous quarter, you had mentioned it was the closure was of the older franchisee networks, which, therefore, had a higher age. Why would this be? Is it I now understand that franchisee is experimental, but any signals from the market that the franchisee model is not necessarily working out for them, and we will tweak to make it much better?

Sujit Mahato: You're absolutely right. That's the same observation we are having that look, as we speak, we have 600-plus franchisees. However, there is in some cases, what we are observing also is there is an expectation mismatch both from the franchisees who are first-time entrepreneurs, they get into this.

Their expectation is X, they'll end up getting Y. And very quickly, they are taking decisions, which we have to honor them. So that's what we are reporting that this is again, this will have to take some time to stabilize from both. One is from our end in tweaking the model. As we speak, we continue to look at this model to make it a win-win model.

We have made certain adjustments, for example, in helping the franchisees reach to a breakeven in a much faster pace, helping them with supporting them with fees in the first year. And therefore, we will have certain cases where it still does not double up to their expectations. And this is only an outcome of that.

Divyansh Gupta: And what were these expectations, just the ramp-up of it or like we were expecting that we will do more private label?

Sujit Mahato: It's a closure by the franchiser. And therefore, we are not directly involved. We do respect when they come back and say that, look, we did a mistake. It's not meeting our expectations. The numbers do not tie up. So we would like to go back.

In 99% of the case, we do relook at that and maybe help them with the exit or we find another franchisee who is ready to take up that unit and give them an exit. So this will continue to happen, Divyansh.

Divyansh Gupta: Got it. And sir, 2 more questions. Average store size you mentioned is 539 or 529.

Sujit Mahato: 539.

Divyansh Gupta: Given that, let's say, last quarter, it was more 520-something range. Is it fair to assume that the new stores are much, much larger in size?

Sujit Mahato: So there are as a strategy, we have been opening some large store formats because as a strategy, we would like to even test out that, which means that it is as good as 3 stores coming up as 1 store.

And then you can put in more people, more focus, much better fill rate and a larger assortment of both the brand as well as the private label offering to the customers. So that's one reason why you see an uptick in the average SFT per store.

Divyansh Gupta: But then that limits us penetration into like we'll be the neighborhood pharmacy.

Sujit Mahato: We will continue to do that, Divyansh. This is a very small portion. I think as we speak, around 47 to 48 stores have been launched under this format. So when compared to the 6,000-odd, this is a very small number, which also helps the company in garnering, I would say, local attention instead of spending good money for advertising.

Divyansh Gupta: Understood. So sort of a marketing, understood. And sir, the last question. You mentioned that, let's say, because of all the minimum wage hikes and everything, we are tweaking the we are not allowing any new sign-up into the retention plan that we had designed.

But then how does it address the attrition problem due to which we had launched the retention program in the first because if the minimum wages have gone up and let's say, they don't have the retention plan, they can...

Sujit Mahato: I understand your question. I'll try to address that. The underlying issue itself was lower wages, especially when compared to employees in the quick commerce business. And now since the minimum wages have gone up, we expect and definitely, we would very closely monitor this that much better kind of employees will be available for this higher range of wages.

And therefore, sense should prevail, and we will closely monitor this how it works. And if something is required, this is again a non-statutory area which the company can very quickly address it if there is need in each of these pockets wherever possible.

So what we wanted to inform you is, one, there is no knee-jerk reaction, only continuously only the new guy from 1st March, if this plan is no more available for them. But for colleagues and employees who are already part of this plan, it continues. So whatever amounts have been accrued to them as on date will be absolutely paid by the company or honored by the company as and when time comes.

So therefore, we do not see a higher risk. But as you rightly pointed out, we continue to monitor this space and we will look at what interventions along with our HR, we need to do to attract and retain such talent.

Moderator: We have our next question from the line of Jasdeep Walia from Clockvine Capital.

Jasdeep Walia: That diagnostics business has been scaling up well. So what are your thoughts on scaling it further by way of either densification in the same market or maybe expanding into other markets?

Madhukar Gangadi: See, while it has been doing reasonably well and it is profitable also, it has not really gone to the level we wanted. That is a model in which the subscription plans should have come both from the B2B and B2C side. We have not had much success in the B2B and B2C also has languished around 220,000 or 210,000 kind of members.

By now, we should have had anywhere between 250,000 to 300,000 members. So for that reason, while we may do a little bit of maintenance kind of work here and there and replace 1 or 2 machines here or there, in on the whole, I don't think we'll be expanding that in a significant fashion. At least the radiology part.

Jasdeep Walia: Got it, sir. Sir, is there an inventory charge also this time in the on the expenses side, inventory provisioning charge?

Madhukar Gangadi: So the inventory provision charge this quarter is on the normal level. When compared to the previous quarter on a sequential basis, we had a release on the inventory provision line because whatever we had provided for, the company was able to liquidate. And therefore, it appears that this quarter has a higher charge, but the charge is a normal number.

Jasdeep Walia: Got it. So what's the annual inventory provisioning charge for your company?

Madhukar Gangadi: Roughly 1%, 0.8% to 1% on the total sales.

Jasdeep Walia: I'm guessing that there will be no inventory obsolescence on the branded pharma or branded FMCG side. So this inventory charge is primarily linked to the private label, right?

Madhukar Gangadi: So a large portion is linked to the private label. There is also a small portion which comes as a charge on the branded as well. But you're right, predominantly more than 90%, 95% of our branded pharma and non-pharma products, we are able to successfully return back to the manufacturers.

Jasdeep Walia: Sir, then if we look at this expense only on the private label side, I think the annual expense would be somewhere close to 300, 350 basis points, right? That looks to be pretty high. So what are the reasons why you need to do such a large amount of provisioning.

Madhukar Gangadi: So, let's take it this way. For the branded pharmaceuticals or the branded non-pharma products, these are generally make-to-shelf products. They don't make for MedPlus, they make it for the whole market. Whereas if you take a private label product both on the pharma and non-pharma, it is made to order, which means the entire risk of obsolescence, damage, non-saleability, and slow moving is on the books of MedPlus.

So, it's a conscious call based on the margin availability, the overall economics of the product that up to 5% is what we consider as a very normal range on the private label. And as you highlighted, it is well within that number.

Jasdeep Walia: Got it, sir. And sir, as the business scales up, do you have any targets that this expense would be coming down in the future? Or this will remain close to...

Madhukar Gangadi: As a target itself, we said we do consider approximately up to 5% as a charge. But we obviously will continue to keep working to minimize this number because the amount, whatever we minimize is straight bottom line.

Jasdeep Walia: Got it, sir. And sir, are there any plans on launching your own private label for GLP-1?

Sujit Mahato: Not yet. If we do that, we'll definitely inform the market. Not for the moment. We have not yet launched.

Jasdeep Walia: Got it, sir. Sir, last question, sir, on the issue of promoter leverage, is there any time line to reduce leverage levels?

Sujit Mahato: So that is actively being looked at by the family office. But at present, there is no such plan. And as and when that happens, adequate disclosures will be made to the market.

Moderator: We have our next question from the line of Akhil Parekh from 360 ONE Capital.

Akhil Parekh: My first question is in terms of store opening, we still maintain our guidance of 800 store additions. That's at net level, right? And how would be the mix between franchisee versus total stores?

Sujit Mahato: Yes, Akhil. It's at the net level. The internal estimates what we had very broadly was 50%, 50%. But this quarter, it is completely on the franchisee side where we have increased on a net basis out of 146, 131 stores are the franchisee stores on a net basis what we added. And we continue to stick to the guidance of 800 store net store openings for the current fiscal.

Akhil Parekh: Sure. Second, on growth and the margins front, right now we have been growing heavily at the top line. So, should we continue to expect similar kind of growth trajectory in subsequent quarters in FY27?

And second, on the margin front, given the actions we have taken in terms of reducing the discount, increasing the membership fees, as Madhukar sir said, we'll increase our private label portion by 0.3% to 0.5% on a quarterly basis, starting probably from third quarter, is it safe to assume that our margin profile for full year will go back to where it was in FY26? Or it might be still time in below that?

Sujit Mahato: It's too early, but what I would request is allow us one quarter. So that we also look at the outcomes of the actions which the company is currently taking. Maybe next quarter would be a much better period to see the benchmark and also look at the next balance 2 quarters of the current fiscal. We should be in a much better situation in quarter 2 to look at and project as well the latest estimates for the full year.

Akhil Parekh: Okay. And lastly, on the cash generation part, right? I mean we have a debt-free balance sheet, and we have almost INR600 crores plus cash and our operating cash flow, free cash flow also continues to be very strong by virtue of strong business fundamentals. So any plans to increase the dividend or do a share buyback because we'll have sufficient cash at the end of FY27...

Sujit Mahato: Your observation is absolutely right, Akhil. We are evaluating various options, and we would take the guidance and present to the Board various options. And if there is an outcome, we would definitely inform you next quarter.

Moderator: We have a next question from the line of Jitaksh Gupta from Tikri Investments.

Jitaksh Gupta: Sir, my question is regarding the revenue. So the other revenue under the total revenue segment, it is moving up. So can you understand the nature of this revenue portion and where it will move for the financial year?

Sujit Mahato: See the significant amount in that other is the franchisee sales, we still show it as others and that's in the range of INR830 million included in that number. That will be the largest number in that. And rest all are if you see it's in the same level of the previous quarters as well.

Moderator: We have our next question from the line of Bino Pathi from Elara Capital.

Bino Pathi: Madhukar, Just a follow-up from the initial question. I completely understand that the margin was down this quarter because of the lower mix of private label as well as increased contribution from the franchisee, which is very well understandable.

But then you also commented that all of these have grown, even the private label in absolute terms have grown compared to previous quarters, although the contribution has come down. In which case, the absolute EBITDA should have grown, although the margin comes down. So where exactly has the EBITDA decline happened?

Sujit Mahato: Bino, Sujit Here. I'll take this question. On a quarter-on-quarter basis, if you observe, the absolute sales for private label pharma and non-pharma have degrown by around INR33 crores.

Bino Pathi: Sorry, can we look at Y-o-Y, Y-o-Y also, is there a decline in...

Sujit Mahato: If you look at Y-o-Y, there is a 200 bps decline on the pharma alone, private label. As a mix, we had 13.8% and now.

Bino Pathi: No, no, I'm not talking about the mix. The mix change from margin comes down, that is logical and I understand. But Y-o-Y in absolute sales, is there a dip?

Sujit Mahato: Y-o-Y on an absolute terms, INR197 crores versus INR200 crores on the pharma itself, it's flat.

Bino Pathi: Okay. So then why would EBITDA decline Y-o-Y?

Sujit Mahato: EBITDA has an impact of mix and the increase in the cost Bino.

Bino Pathi: And the increase in cost is mainly the employee cost or some other costs?

Sujit Mahato: Predominantly the employee cost.

Bino Pathi: And where does it get recorded in the COGS or below that? Because I see that the gross margin has come down.

Sujit Mahato: The gross margin is due to the mix. The expenses goes under the below the cost.

Bino Pathi: So see, I understand that the gross margin percentage comes down because of the mix change. But if neither of the segments have degrown Y-o-Y, then the gross margin or EBITDA should not decline, gross profit or EBITDA should not decline.

Sujit Mahato: Correct.

Bino Pathi: Hello, am I audible?

Sujit Mahato: I think we answered that question.

Moderator: We have our next question from the line of Ankit Bansal from A B Investments.

Ankit Bansal: Sir, my question, like you have just topped the opex plan. Rather than you're extending yourself to north or deep part of India in the pharmacy business, you are just hold on that investment. What are your plans for the rest of India for your main business?

Madhukar Gangadi: So the plan is to actually grow contiguously in contiguous states. So we are there in Maharashtra right now in a significant number. And we have extended into both Chhattisgarh and Madhya Pradesh. And on the southern side, we have actually gone into Kerala.

Once we get these states going fully and once they are profitable, then we'll go again northwards and westwards. That's the plan for us. The capex on our core business has not stopped, will not stop. I don't think there's any reason for it to stop. And that is not something on which we are looking for any kind of feedback from the market. This capex was for a slightly different thing. And so based on we rethought it a little bit. But it's nothing to do with our core business.

Ankit Bansal: Sir, my question is like how on the margin front, are the margins like now they have come down, are this fluctuation will continue for the coming years? Or will it get stable in that range or upper range? What will be the continuity for the investors to look for a stable kind of margins?

Madhukar Gangadi: See, once in a while, you're always going to have some issue like the new labor code was a pretty significant kind of impact, I would say. So whenever something like that happens, you are bound to see some kind of an impact.

But other than that, I see no reason why the margin should change significantly. The one thing which we will continue to focus on is private label. It will now, going forward, after some of the supply chain issues and all will stabilize, both on the pharmacy side as well as on the non-pharmacy side, the mix itself and then start growing. And that is what will drive the margins for us.

Ankit Bansal: Okay. Sir, the manufacturers from your manufacturing, are they of the all the auditing has been done by you? All the things are in place, you are satisfied with the kind of supply chain, all other services you're getting the products you are getting manufactured from them?

Madhukar Gangadi: On the pharma side, we actually get them manufactured from some of the biggest names in the country. The 3 or 4 people who supply us supply to all the top 30, top 40 of the big pharma. So we don't have any issues on the quality side with them.

And actually, what we go one step further, we also have our own NABL accredited lab in our own campus. So, every batch, if not every other batch is also tested in addition to the standard testing which the labs do. So, we make sure that the quality is maintained for our customers.

Ankit Bansal: And the retail side, retail products?

Madhukar Gangadi: So I'm talking about the retail products, right? These are private label products. What comes from the brand is the brand's responsibility there. We have nothing to do with the quality and all. We sell what the doctor prescribes. And so it is the responsibility of the company to maintain its quality.

Moderator: We have a next question from the line of Axay Shah from VVD Asset Managers.

Axay Shah: Sir, my question is that quick commerce platform are scaling in some cities. And how do we see the competition from there because they are doing pretty well in a few cities?

Madhukar Gangadi: No, are you saying that quick commerce is doing well in some cities?

Axay Shah: Yes.

Madhukar Gangadi: See, for us, if the customer is actually willing to pay the cost of the delivery, we're more than happy to compete with quick commerce. I don't think it is something which we really want to focus on at this point of time because as of now, almost all of these businesses are bleeding cash. They are subsidized in the cost, and that is not something which we want to do. While they may take a little bit of our business or a little bit of the overall business, I don't think there will be any significant effect on the overall side.

Pharmacy is slightly different from the general grocery business and all. So, it had its own challenges and everything else. I don't think anyone has really succeeded. The day people figure out how to actually give a 20% discount, give a free delivery and give it in 10 minutes, we'll be more than happy to go to that model whenever it comes.

Moderator: We have a next question from the line of Swaraj Mehta from Perpetual Capital Advisors.

Swaraj Mehta: Am I audible?

Madhukar Gangadi: Yes.

Swaraj Mehta: I just wanted to understand you mentioned in your PPT that the stores that are greater than 12 months, the ROCE is around 63%. So but on a company level, our ROCE is very less. So I just wanted to understand why does not that reflect in the overall company numbers and where is this gap coming from?

Madhukar Gangadi: So significantly, your observation is right. Second, the way it is calculated, the store level ROCE is calculated based on store level investments and store level inventory. The company level, once it goes there, it also includes the warehouse level inventory, which is approximately 30 to 32 days of the company level sales.

So that's the only difference what you have in calculating the company level ROCE. And then you have apart from the store level computation, even if you look at the profitability, you have the corporate expenses, the warehouse logistics expenses and the sales and marketing related expenses. So, after netting that off and taking into consideration the inventory at the back end, which is the warehouse level inventory, we compute the company level ROCE, which is published. Net of the cash what we hold.

Moderator: We have a next question from the line of Anil Sarin from K16 Advisors.

Anil Sarin: A lot of my questions have already been answered. But I wanted to know what was the SSSG this quarter?

Sujit Mahato: So, as we have been informing the market, one, we do not really track SSSG per se because we strongly believe that while SSSG is a good metric for a retail store, but in pharma retail purely doesn't work because, one, we continuously add stores, which is close by to our own stores beyond a certain densification. And when we look at possibilities that it could be cannibalized by other stores or other competition, we do cannibalize our own store. And therefore, as a model, we really do not track SSSG, Anil.

Anil Sarin: Okay. Okay. Fair enough. So, I noticed that your revenue growth rate has become quite handsome in between it had slowed down. So, congratulations on the same. In the fourth quarter, there was very good movement. And now in the first quarter also, there is 22% improvement.

However, in the latest quarter, the gross margin seemed to have suffered quite a bit. I just wanted your view, is it solely due to the mix in favor of branded pharma that we have suffered this decline in gross margin, roughly 200 bps, it has come off sequentially?

Sujit Mahato: Yes. Out of 200 you mentioned, 100 bps is due to the lower sales mix of private label products, both pharma and non-pharma put together. 70 bps is attributable to the lower inventory provisions when compared to the sequential quarter. There was a question earlier that in quarter 4 of the previous fiscal, the inventory provisions were significantly lower because we had a release of provisions. In that period, we were able to liquidate products which had earlier been provisioned.

Now that same number is actually a like-to-like a similar number, but Q4 was an exception. And therefore, we are seeing a larger dip and that impact is 70 basis points. And additionally, 40 basis points at the year-end, we were able to negotiate with our large supplier for both pharma as well as the FMCG products.

And we had some extra, I would say, supplier-related discounts at the year-end, which we do not have in Q1, but we are pretty confident that during the year, we will make up for that. So the 100 basis points, we will make up for that during the year. A significant portion, we should see a traction coming back in the next quarter and beyond.

And the 40 basis points on the full year to year, we expect it to get recovered fully. The decrease of 70 because of the inventory loss also will not be visible because on an ongoing basis, around INR12 crores is the inventory loss per quarter, and we should be on the same range on a quarter-to-quarter basis going forward.

Anil Sarin: So, this INR12 crores equivalent, what was the figure in the first quarter?

Sujit Mahato: Fourth quarter was around INR4.5 crores, INR5 crores.

Anil Sarin: And that became INR12 crores in the current quarter for which we are discussing.

Sujit Mahato: INR11 crores plus, yes.

Anil Sarin: Got it. So should I say that for the full year, when we close the books for fiscal '27, our gross margin would have recovered to the trend or if not exceeding it?

Sujit Mahato: I think we are shooting for that. Allow us a quarter. We will know the trajectory and the outcomes of the efforts what we are making. And post that, we can guide you for the whole year as well.

Anil Sarin: Great. Further, there are 2 developments which are somewhat concerning. One is that there seems to be a permanent increase, I mean, thanks to the regulations regarding labor, et cetera. So there is a cost structure which has gone up permanently, at least in the states that you mentioned, Telangana and Karnataka. That is one.

Second, there is what one hears is that there is continuing kind of discounting going on, both by the offline as well as by the online pharmacies. So that I don't know whether that is temporary or not. But on the manpower cost, there is a permanent kind of a hit. So is it possible to overcome that and go back to our older reported 9% odd kind of EBITDA margin that we saw?

Sujit Mahato: So I think in that direction, we earlier articulated that the company has already tweaked the discount structure a little bit effective 7th of July, and we have reduced 1% for purchases greater than 1,000 where the payment mode is other than UPI.

And therefore, we should see some benefit on that. And once we observe good traction and the impact on the consequential sale, the management would further evaluate and see if something else or additional tweaking is required. But our target also, again, is to go back to the earlier reported numbers and do it in a manner which is more sustainable.

Anil Sarin: Fair enough. Just one last thing. Sir, if you could just highlight the amount of the loan that has been taken against the pledge has been made, that one hears different figures. So there was a repayment and then there was a re-initiation of a debt. Obviously, it will go away only when the amount is repaid. But what does the amount outstanding stand at currently?

Sujit Mahato: Is this are you talking about the promoters' debt?

Anil Sarin: Correct.

Sujit Mahato: It's close to around INR1,150 crores.

Anil Sarin: Okay, INR1,150 crores.

Sujit Mahato: All Included, which is interest included.

Anil Sarin: So that would essentially I mean, if we have a great fiscal '27 without the price earnings multiple changing at all, I'm not talking about today's fall. I'm talking about the normalized kind of price earnings multiple. If the earnings were to go up at a certain level, the share price would consequently rise by an equivalent amount, and that should be at a level where you might feel comfortable to liquidate the debt?

Sujit Mahato: So that's the family office decision, nothing to do with the listco. But yes, you are right. Those calls and decisions are made by Madhukar and the family office. So I think I cannot comment anything beyond this.

Moderator: We have our next question from the line of Akash Shah from Investec Capital Services.

Akash Shah: Sir, am I audible?

Sujit Mahato: Yes.

Akash Shah: Okay. So as I can see from the presentation that was put on a second time, the SSSG has been reported at 15%, which is a fourth consecutive quarter of positive growth. Now in earlier quarter, we had alluded to the SSSG growth of 9% to 10% for the full year going ahead.

So two questions here. First, do you see the SSSG growth rate stick to 9% to 10% for the full year? And second, as you had highlighted in the to an earlier question, you expect to arrest the degrowth of 100 basis points, which was due to the decline in share of private label.

So if your overall gross margins were to stay at the same level and EBITDA, would you would this mean that on an annual basis, the share will remain the same as it was earlier? These are the two questions.

Sujit Mahato: So as I mentioned on the SSSG, I think if you have followed my earlier response, it stays same. We do not report explicitly and track SSSG per se. But yes, if we are seeing the number it's only a number which as a consequence of various activities which we do on the ground, including the new store openings as well as the cohort of stores which is performing. But as the number to shoot for is an overall number of 10%.

And on your second question, absolutely, we aspire to recover as much as possible on the 100 bps impact on the gross margins due to private label, but that will be over a period of a couple of quarters. Initially, we should see a comeback on the non-pharma and a bit on pharma. And subsequent quarters, we should continuously be around 0.25% to 0.3% growth on overall private label, whereby we believe we will be able to recover the entire decline, what we have.

On a full year basis, as I had earlier mentioned, request you to be a bit patient, allow us a quarter, let us reassess the situation, and we will be in a better position to guide or even articulate what would be the full year numbers.

Akash Shah: All right, sir. And sir, just one last question. In earlier in one of the quarters, I think it was in quarter 4, you had said that every 20 to 30 bps increase in the share of private label in the overall sales leads to 10 bps growth in the gross margins. Is it correct? Or as per the current calculations in one of the so you had uploaded two presentations yesterday.

In the first presentation from the first presentation, what I could make is for every 30 bps increase in the share, there was 0.2% growth. So just on the numerical, if you could confirm.

Sujit Mahato: What we uploaded as the investor deck, my request is to stick to that because between the pharma and the non-pharma, depending on which category of customers would convert to our private label, that percentage play would always be in a particular range. What we had guided you in Q4, I would request we continue with the same guidance.

Moderator: Ladies and gentlemen, that would be the last question of the day. I now hand the conference over to the management for closing comments.

Sujit Mahato: 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. On behalf of MedPlus Health Services Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.