Medplus Health Serv.

Operator: Ladies and gentlemen, good day and welcome to the MedPlus Health Services Ltd. earnings conference call. As a reminder, all participant lines will be in listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during this conference call, please signal an operator by pressing star, then zero on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Srinivas from MedPlus Health Services. Thank you, and over to you, sir.

Srinivas: Thank you. Good evening, everyone. On behalf of MedPlus, it is my utmost pleasure to welcome you all to the MedPlus Q2 FY27 earnings conference call to discuss MedPlus's financial results for the second quarter of FY27, which were announced earlier. We have with us today the senior management, represented by Mr. Madhukar Reddy 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 one 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 – CFO: Thank you, Srinivas, and good evening, everyone on this call.

An update on our network in terms of openings and closures: we opened 219 stores, and there were 53 store closures, including 14 relocation cases and 23 franchisee outlet closures. We achieved a net addition of 166 stores, including a net addition of 82 franchisee outlets during the quarter, compared to the 146 stores added during the last quarter. We continue with the outlook of adding 800 net new stores, including franchisee outlets, in FY27.

An update on the store network: in terms of the age of our store network, around 29% of our stores have been operational for less than 2 years, and the remaining 71% of our stores have been operational for 2 years or more. In terms of store size, at quarter-end, our network consisted of 5,642 stores, including 849 franchisee outlets, spanning over 3 million square feet. This compares with 5,476 stores, including 664 franchisee outlets, as of June 2026. The average store size stood at 539 square feet. During the quarter, we added 82 franchisee stores and converted 103 CoCo stores to the franchisee model.

An update on the revenue mix: presently, MedPlus offers a large range of SKUs spanning pharma and non-pharmaceutical categories. Private-label sales for Q2 FY27 constituted 21.4% of our total revenues, with pharma at 10.7% and non-pharma at 10.7%. Private-label non-pharma sales grew by 18% quarter-on-quarter, with the sales mix improving from 9.8% to 10.7%, primarily due to an improvement in supplies after Q4 FY26. We plan to further expand the product range to drive growth and increase the private-label non-pharma sales mix. Private-label pharma sales grew by 5.9% quarter-on-quarter, while the sales mix declined marginally from 11% to 10.7%. Gross margins increased from 24.5% in Q1 FY27 to 25.1% in Q2 FY27, driven by a higher private-label sales mix and lower discounts.

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During the quarter, we updated the presentation of the revenue mix by product category on slide 13 of the investor presentation by reclassifying revenues from franchisees, which were previously included under others, into the respective product category. To ensure comparability and consistency, the same reclassification has been applied retrospectively to the preceding quarters, covering all the periods presented.

Our consolidated revenue for the quarter stood at 20,371 million. Our consolidated operating EBITDA for the quarter stood at 981 million, representing 4.8%. This quarter included a one-time benefit of 79.6 million rupees. This relates to the reversal of the retention bonus provision for store employees. Excluding this reversal, consolidated operating EBITDA for the quarter would have been 901 million, representing 4.4%.

Revenue from pharmacy operations grew by 21.3% on a year-on-year reported basis. Pharmacy operating EBITDA stood at 885 million rupees, representing 4.4%.

An update on our store performance: for stores older than 12 months, revenue from these stores in Q2 was 17,325 million, representing 93% of pharmacy revenue. These stores had a store-level EBITDA margin of 11.7%. A word here on the store-level EBITDA margin by age: while stores older than 12 months had a margin of 11.7%, this was 11.9% for stores older than 24 months and 8.4% for stores in the 13-month to 24-month age bracket. On allocating all non-store-related costs, the operating EBITDA of stores older than 12 months would be 945 million rupees, which translates to a margin of 5.4%.

An update on our working capital: our net working capital for Q2 was 54 days. Inventory in our warehouse was 34 days. In Q2, the inventory level of our first-year stores was 86 days. In comparison, for our stores older than 12 months, inventory was 34 days.

An update on our diagnostic numbers: diagnostics revenue for the current quarter grew to 410.5 million, compared to 332.5 million in Q2 FY26. The diagnostics segment recorded operating EBITDA of 97.9 million rupees, representing 23.8%, compared to 50.9 million rupees in Q2 FY26. In July, we sold 648 plans per day. In August and September, this was 640 and 657, respectively. As of September 30, we had around 2.16 lakh active plans.

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

Operator: Thank you. We will now begin the question-and-answer session. Anyone who wishes to ask a question may press star and one on their touchtone telephone. If you wish to remove yourself from the question queue, you may press star and two. Participants are requested to use handsets while asking a question. Ladies and gentlemen, we will wait for a moment while the question queue assembles.

The first question comes from the line of Paresh Choudhary with Latent Advisors PMS. Please go ahead.

Paresh Choudhary – Latent Advisors PMS: Hi, can you hear me?

Operator: Yes, Paresh. Please go ahead.

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Paresh Choudhary – Latent Advisors PMS: In the previous calls, we had commented that we expected franchisees to have a higher share of private-label products compared to the CoCo stores. How has it played out on the ground? Could you give us a like-for-like comparison for, let us say, a particular geography?

Management: [pause] We will have to come back to you with details on that. Maybe starting next quarter, we will actually start splitting out the franchisee numbers for all of you. But for now, I think it is more or less in line with what the company has. Private-label sales are typically a function of two things: the region in which the store is located and the vintage of the store. For a rural franchisee, private-label sales are bound to be higher than those of a city store. Obviously, while we expect the franchisee to do more private-label sales as we move forward, initially it is still going to be less. Given that most of our franchisees are still new, their private-label sales may still not be at the same level as the overall company.

Paresh Choudhary – Latent Advisors PMS: Got it. That is all from my side.

Operator: A reminder to all participants: you may press star and one to ask a question.

The next question comes from the line of Sudarshan Agarwal with Axis Capital. Please go ahead.

Sudarshan Agarwal – Axis Capital: Hi. I am just checking on the private-label mix. This quarter, we have seen stabilization on the private-label pharma side, I believe. Where do you see this going in the coming quarters for private-label pharma? Secondly, on non-pharma, we are also seeing consistent growth on a year-on-year basis. Where do you see this moving over the next 3 to 4 quarters?

Management: On the pharma side, as we mentioned in the past, sales growth became muted. In fact, it declined slightly in absolute percentage terms because we wanted to make sure that our employees were not misselling or, I would say, being too aggressive in pushing private-label products. That was causing some problems with our regular customers, so we moderated it. Over the last 3 or 4 quarters, you would have seen that it declined by around 0.5% or 0.6% quarter-on-quarter. This quarter, though, I think that decline was largely arrested. The degrowth was much smaller, and in absolute terms, the number was actually higher than what we had sold in Q2. The big difference was that brand sales went up. So, while private-label sales declined slightly on the pharma side, overall sales actually grew in absolute terms. That is one point.

On the non-pharma side, the issue was more related to the supply chain and pricing not being quite right. Both of those issues have now been corrected. I think the mix increased from 9.8% to 10.7% quarter-on-quarter. This is now going to be a function of our adding as many new categories as possible. Obviously, we have to focus on adjacent categories; we cannot simply sell anything out there. It is also going to be a function of how many stores come up in a newer format with a self-service model, which is slightly more amenable to private-label non-pharma sales. But I do not see any cap on that, and I do not see any reason why it should not continue to grow.

Sudarshan Agarwal – Axis Capital: A few quarters back, you used to allude to the fact that we could increase the private-label mix by 50 to 100 basis points, either on a net basis or on the other basis, quarter-on-quarter. Does that trajectory now resume?

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Management: If you take both components of private label, pharma and non-pharma, I do not see any reason why we should not grow in the range of around 0.5% every quarter. It may be slightly less, but on the whole, I think that is the number we will reach if you combine both. The pharma side may actually grow slightly less, perhaps by 0.2% or 0.3%, while the other component may grow by 0.1% or 0.2%. The balance will be made up by the non-pharma side, where it is not a question of substitution; it is simply a question of adding new products and taking a larger share of the wallet.

Sudarshan Agarwal - Axis Capital: Got it. Lastly, I saw that your discounting has come down by approximately 1%, broadly across membership and otherwise. Is this related to the wage hikes, to offset the wage hikes that have happened? Will discounting remain at these levels? Is a similar trend being observed in the industry as a whole, with discount rates coming down slightly?

Management: No, not really. We had this in our plans earlier as well. Unfortunately, the increased wage hike did not allow us to get the full benefit of this. Otherwise, we should have had slightly higher EBITDA. Given that we are the biggest discounters out there, I do not think anyone else is really following us. I do not think there is anything like that. It is not a general trend in the industry, let me put it that way. This is part of our plan to decrease discounts over a period of time.

Sudarshan Agarwal - Axis Capital: Got it. That is all from my side. Thank you.

Management: Thank you.

Operator: Participants, please press star and one to ask a question.

Operator: The next question comes from the line of Riken Singh, an individual investor. Please go ahead.

Riken Singh: Hello, sir. Regarding our profit margins, for example, we have sales of approximately 2,000 crores and net profit of 56 crores. When can these improve? What happens is that, for example, in the last quarter, there was some disruption due to a change in the supply chain, so the net profit margin declined. As an investor, I feel that it should be at least around 10%. What does management think about this? When will these margins improve? Because sometimes, if plastic prices or raw material prices change, or anything else happens, this can take us into negative territory. We could even go negative on a quarterly basis because a 3-4% fluctuation can occur. You also know that this is a normal matter. What does management have to say about this, sir?

Management: Thank you for your question, Riken. It is a journey if you look at the retail business. I think what you are referring to is 10% PAT. That is wishful thinking, but the process toward it is that, based on where we have been over the last 2 years, we should see continuous, steady improvement in PAT levels. That journey will continue. As Madhukar explained, as we expand the EBITDA margin, that flows down to PAT, and PAT continues to increase. But definitely, we would not allude to anywhere near 10% PAT. Currently, we are at 2.5%, 3% and 3.5%, and that is the trajectory we will follow and gradually increase.

Riken Singh: Okay, sir. Thank you.

Management: Thank you.

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Operator: A reminder to all participants: please press star and one to ask a question.

The next question comes from the line of Akhil Parekh with 361 Capital. Please go ahead.

Akhil Parekh – 361 Capital: Thanks for the opportunity. My first question is on margins. Last quarter, you said you would be in a better position to guide how EBITDA margins would look for the remainder of the year and going forward in FY28. It would be helpful if you could provide some guidance on EBITDA margins.

Management: This quarter, we are at around 4.8% EBITDA. I expect that we will only improve in the coming quarters. I cannot tell you exactly by how much, but it will definitely improve as we do two things: first, streamline costs, and more importantly, improve the product mix. Both of those are happening, and I expect EBITDA to increase.

For the year, though, overall EBITDA may be in the range of 380 to 400 crores. That is what I think the number will be, depending on how the next 2 quarters perform. That is something we can definitely commit to. I do not think that will be a challenge. The AOP that was circulated by mistake had a slightly higher number. Unfortunately, after that AOP, we saw a huge increase in salaries across Karnataka, Telangana and other areas. That has had a significant impact. If it were not for that, we should definitely have been at a much higher number.

On a percentage basis, however, EBITDA will continue to grow. The last quarter was an aberration. This quarter will probably be back at around 4.8%, 4.9% or 5% as we move forward.

Akhil Parekh – 361 Capital: So, 380 to 400 crores of annual pre-Ind AS EBITDA is what we can roughly achieve?

Management: Yes.

Akhil Parekh – 361 Capital: Got it. Second, on cash flows, the first half has been softer compared to last year because of the increasing working capital needs. Looking at the last couple of years, our cash flows have been very strong. In FY25 and FY26, they were roughly between 500 and 540 crores. Is it fair to assume that our cash flow generation for the full years FY27 and FY28 will return to what we delivered, with EBITDA-to-OCF conversion similar to what we achieved in FY25 and FY26?

Management: To a fair extent, yes, because if you look at it, it is also a function of the number of new stores we are adding. As and when we add new stores, there is a gestation period before the stores start generating positive cash. Subject to that, absolutely, we will be back on track.

Akhil Parekh – 361 Capital: That is very good to hear. I have 2 final questions. One is on the age structure of our stores, which has deteriorated from 79% to 71% over the last 2 quarters, obviously because we are adding stores at an aggressive pace. Do you think that streamlining costs and increasing private label can offset the impact of the inferior age structure of our stores going forward? Will that play a role in margins?

Management: For a growing company like ours, that trade-off will always be there. Historically, that is the reason we explain the details about the age of the network. As you rightly pointed out, there

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will be an interaction between mature stores and stores that we believe are still at a nascent stage. To that extent, the drag from the increasing network size, relative to our growth, will certainly offset some of the benefits, and we should still be able to deliver positive net growth.

Akhil Parekh – 361 Capital: That is helpful. Lastly, on promoter pledging of shares, given that our business fundamentals are so strong, as an analyst I feel we are not getting the right multiple, and the share pledge is probably one of the overhangs. Any thoughts on that? If the promoters take any corrective measures, I think that could reduce the price pressure on the stock.

Management: The pledging is only a function of the pricing of the stock, unfortunately. We are not really selling shares, taking cash, or taking any additional loans. I believe it is the wrong time for me to sell any stock and reduce the debt, although that is on the cards. However, it is not going to happen immediately or in the next quarter or so.

We will probably do other things to make sure that the price goes up, but eventually, it is the overall performance of the company that will take the share price up, in my belief. One of the things we think is that the entire story around private label, and our ability to sell a high-value product such as medicine under our own brand, is not being communicated properly. I am sure that eventually the message will get through.

Just look at the fact that today, out of the 650 to 670 crores that we sell every month, 21% comes from private label. General goods account for 70 crores. If you take that into account, that is almost 800 crores of our own-brand products being sold in general goods, with an equal amount being sold on the medicine side, which is again a substantial amount. We are seeing small but steady growth in both these areas. I think this is what will help us increase EBITDA, improve the overall percentage and increase the share price.

Akhil Parekh – 361 Capital: I appreciate the detailed answer. Thanks a lot, and I wish you the best of luck for the coming quarters.

Management: Thank you.

Operator: The next question comes from the line of Aakash Shah with Investec Capital Services. Please go ahead.

Aakash Shah – Investec Capital Services: Sir, am I audible?

Operator: Aakash, please unmute. Yes, now you are.

Aakash Shah – Investec Capital Services: In Q1, you had guided for same-store sales growth to remain at 9% to 10% for FY27. Do you maintain that guidance? Second, you had alluded to a quarter-on-quarter improvement of 30 to 50 basis points in the overall private-label share going forward. I wanted your confirmation on these 2 points.

Management: On private label, combining pharma and non-pharma, I think that should be fairly easy to achieve. We have already seen that in this quarter. Private-label pharma, which had actually declined for a while, has now started to plateau. Although it is growing in absolute numbers, as a percentage it has declined slightly. But I think this will be the end of that decline. We will probably

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start seeing growth there as a percentage as well.

Aakash Shah – Investec Capital Services: So, in your opinion, would an improvement of 0.5 percentage points every quarter be achievable?

Management: Yes. That ballpark number should be achievable.

Aakash Shah – Investec Capital Services: And regarding SSSG growth?

Management: For mature stores, we continue to believe it will be between 9% and 10%, or 10.5%.

Aakash Shah – Investec Capital Services: And, lastly, any thoughts on the capex plans that we had withheld?

Management: No. I do not think we are going to revisit that anytime soon. Capex is now out of the question. Our focus will be only on opening new stores and developing our private label.

Aakash Shah – Investec Capital Services: Lastly, in Q4 FY26, you mentioned that you would maintain the gross and EBITDA margins that were reported at that time. Should we assume that the percentages reported in Q4 could be normalized from FY28 onward?

Management: They should be. This year also, we would have been able to do it fairly easily if not for the 2 events that occurred. First, there was a huge increase in salaries across a couple of states. In fact, across the board, we also saw several different revisions to various components of the wage bill. If not for that, we should have been able to do it easily. Going forward—

Aakash Shah – Investec Capital Services: I think for FY27, the impact is because of the private-label issue and the salaries. That is what you wanted to allude to, correct?

Management: That is right.

Aakash Shah – Investec Capital Services: Thank you, sir. That is all.

Operator: The next question comes from the line of Ashutosh Parashar with MIT. Please go ahead.

Ashutosh, please unmute your line in case you are on mute.

Ashutosh Parashar – MIT: Hello.

Operator: Yes, Ashutosh, please go ahead with your question.

Ashutosh Parashar – MIT: I have a couple of questions. First, on the gross margin front, given that the improvement in the private-label mix will largely come from non-pharma rather than pharma, how should we expect that to play out in gross margins? That is my first question.

On the EBITDA margin front, given that we have a significant headwind from the minimum wage hike, apart from the discounting that we have reduced, what else are we doing? I have a couple more questions that I will ask in the follow-up.

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Management: The impact of the general-goods side is not going to be very high, I must say. It will simply help us grow sales because private-label general goods will represent a larger share of the customer's wallet, while the margin is roughly in the range of what we normally obtain. But that does not mean that we are not going to grow the private-label pharma side. The overall growth will be around 0.5%, but we expect private-label non-pharma and private-label pharma to both continue growing, and the impact from that will be much better for us.

That is one point. On the other question, I think you had one more question.

Ashutosh Parashar – MIT: Apart from discounting, what else are we trying to do?

Management: I do not think there will be any more shocks on the wage side. I do not think we really want to do anything more in that area. Now it will be about improving same-store sales growth, adding new stores, improving the product mix and streamlining costs at the back end. These factors will essentially drive the improvement. I do not think we are going to do anything on the discounting side as of now.

Ashutosh Parashar – MIT: On store additions, given that we are close to around 300-310 in the first half, are we on track toward adding 800 stores this year and, potentially, next year as well? In terms of store size, are we doing anything different with the new stores we are opening, such as opening larger stores to accommodate more non-pharma private-label products? Are we making any such changes? Lastly, on diagnostics, we have seen a very good margin improvement over the last 2 quarters. What are the plans there?

Management: We have a net addition of 340 stores overall, I think. That brings the total to around 458. We will easily reach 800 stores this year. For next year, we may provide guidance next quarter or so. I think the number will be higher next year. It will definitely be at least 800, but I would expect it to be much higher than that. [cut off]

Management: Regarding store size, we now have around 100 to 150 large-format stores. What has happened is that, over a period of time, our store size has grown significantly. Every store that we add now has space to display our private-label non-pharma products outside the counter, so that is already happening. Irrespective of the number of large-format stores we have, the non-pharma side is still going to grow. That is for sure.

Ashutosh Parashar – MIT: Just one follow-up, if I may. What would be the minimum SSG that we need to maintain operational EBITDA margin expansion, in order to [inaudible]

Operator: Sorry to interrupt, Ashutosh. You are not audible. Would you please use your phone in handset mode if you are using a hands-free device?

Ashutosh Parashar – MIT: Hello, is this better now?

Operator: Yes.

Ashutosh Parashar – MIT: Just one last question on the SSG front. I wanted to understand what minimum SSG we need in order to continue the operational EBITDA margin expansion. We are currently at double-digit growth, but that base will also become higher and more challenging in the

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second half. What kind of SSG do we expect, and what minimum threshold would allow us to continue achieving margin expansion?

Management: Given our gross margins and everything else, and given the fact that rents increase by roughly 5% every year and salaries increase by roughly 6% to 7% at the store level, overall growth of around 4% is enough to keep a steady store at the same EBITDA level.

Operator: Does that answer your question, Ashutosh?

Ashutosh Parashar – MIT: Yes, thank you.

Operator: The next question comes from the line of Paresh Chaudhari with Latent Advisors PMS. Please go ahead.

Paresh Chaudhari – Latent Advisors PMS: Thanks for the follow-up. I wanted the current quarter's number. Could you give the EBITDA margin breakup across categories, including branded pharma, private label and both private-label pharma and branded pharma?

Management: That entire split is a little difficult to provide right now. You can reach out to us later, and we will get back to you.

Paresh Chaudhari – Latent Advisors PMS: I will connect offline regarding that. My other question was about the quantum of the one-time benefit we received. What exactly was it for, and the amount was 8 crores, correct?

Sujit: Yes, the amount is correct. It was related to the store-level retention plan, or employee retention plan. Following the increase in minimum wages and other factors, the company evaluated the plan. The first change was effective March 1, when new enrollments were stopped. This quarter, there was a modification to the existing plan. For all existing employees, the company gave them the option of encashing the accrued benefit, which most employees exercised. As a result, the future cost related to this plan was reversed in the current quarter.

Paresh Chaudhari – Latent Advisors PMS: Got it. Thank you.

Operator: A reminder to all participants: you may press star and one to ask a question. The next question comes from the line of Viresh Sangwan, an individual investor. Please go ahead.

Viresh Sangwan – Individual Investor: I am somewhat new to the company. I wanted to understand the franchisee model. If I am not mistaken, I heard you say that once we refine this model, we can grow it at a pace of approximately 3,000 franchisees a year. Where are we in that refinement process, and what is stopping us from accelerating it?

Management: As we said earlier, we will probably release the numbers starting next quarter or so, but the model itself is more or less complete. When we provide guidance for next year, perhaps next quarter, we will let you know how many more franchisees we can add and how quickly we can accelerate.

Viresh Sangwan – Individual Investor: On the diagnostic business, I have been hearing that we are still in the planning stage. Do you want to share any developments on that, or how long will we

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remain in this planning or observation mode?

Management: We had started diagnostics on a subscription-model basis. For it to work effectively and generate the level of returns we want, we would have needed at least 300,000 to 400,000 subscriptions annually. By now, we should have reached that level. Given that we are still at 260, {? 215,000 ?}, we are still waiting. Once we reach at least 300,000, we will be ready to decide on any further investments in that business. Otherwise, it is a profitable business and it is growing, but we are still figuring out the best way for us to move forward with it.

Viresh Sangwan - Individual Investor: Do we have any large-format stores? I am based in Australia, and the major players here open large-format stores, which help build the brand and its premium positioning. Do we have such stores, or do we plan to have them in good catchment areas or locations where our sales are strong?

Management: Yes, we do. Our large-format stores are roughly 1,200 to 1,500 square feet. Some of them are as large as 2,000 square feet. I think we now have around 80 of these stores operational. The plan is to open another 70 to 80 this year. We will see how this format works for us, but they have largely been quite effective, both as profitable ventures and for building the brand. We will most likely continue with this format going forward.

Viresh Sangwan - Individual Investor: Lastly, is there any revival of the plans for clinics that you highlighted last quarter, such as concierge or wellness clinics?

Management: No. We have withdrawn that plan. I do not think we are going to do that.

Viresh Sangwan - Individual Investor: Thank you. That is all from my side. [crosstalk]

Management: Thank you. Thanks.

Operator: The next question comes from the line of Harit Ahmed with Avendus Spark. Please go ahead.

Harit Ahmed - Avendus Spark: Good evening, and thank you for the opportunity. Under the franchisee model, the net store addition this quarter appears to be around 80, which is somewhat lower than what we have done in previous quarters. What is the outlook here? Sujit, could you share the revenue from franchisee stores for this quarter, which you shared for the last quarter? Also, could you provide some color on the economics of the franchisee model? What is the revenue per store compared to our own stores, what is the gross margin, and is the EBITDA margin profile of franchisee stores currently dilutive to overall margins?

Sujit: Thank you for the question, Harit. In terms of revenue, it was 83 crores, or 830 million, in the last quarter, and the current-quarter revenue is 116 crores. This is the net revenue from the franchisee business.

Regarding the other details, as you mentioned, we also plan to provide these details regularly, perhaps starting next quarter. At a very high level, as we explained for the model, consider the same 100 rupees of MRP. When we sell to the franchisee, the gross margin is split. If the gross margin of the pharmacy business is, for example, 24%, we retain around 13% to 14% and pass on 10% to 11% to

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the franchisee. I am sorry. We retain around 10% to 11% and pass on around 14% to 15% to the franchisee. This means we recognize revenue of 85 and have an absolute margin of 10 or 11, which translates into more or less the same store-level margin compared to a CoCo store. I have made a note of the additional details you requested. Going forward, we may provide them on a quarter-on-quarter basis.

Harit Ahmed – Avendus Spark: Just to confirm, Sujit, the majority of these franchisee stores will be in the less-than-12-month cohort as of today, correct?

Sujit: Yes.

Harit Ahmed – Avendus Spark: So, the revenue profile will be somewhat lower on a per-store basis.

Sujit: Absolutely.

Harit Ahmed – Avendus Spark: The second question is on operating EBITDA margin. It is good to see the sharp quarter-on-quarter improvement. Given that private-label pharma's share is now stabilizing, and some of the cost impacts related to wages are already reflected in the second-quarter and first-half numbers, how should we think about the operating EBITDA margin profile in the second half and for FY28?

Management: We have already taken the hit, as you said. So, unfortunately, it will impact overall EBITDA for the year. What we had planned for, around 420 to 440 crores, is now going to be around 380 to 400 crores, in my view. The percentage will be on a similar line. EBITDA will probably increase from 4.8% to a maximum of 5%. The goal, however, is to keep moving forward from here by streamlining costs at the back end and increasing private label at the front end.

While private label has stabilized, that does not mean it will remain at that level. It is definitely going to start growing now. We are feeling very confident that we can grow private label on both the pharma and non-pharma sides. Pharma may grow by a slightly smaller increment each quarter, but there will be definite growth.

Harit Ahmed – Avendus Spark: Thanks for that. Lastly, I am not sure whether you have explained this previously, but what exactly explains the increase in inventory that I am seeing in the first half?

Sujit: On a full-year basis, I think this should be taken care of. In the previous quarter, toward the end of the quarter, we made certain purchases for which payables were also outstanding as of June 30. Therefore, from a cash flow perspective, it showed an adverse number. This quarter, those payables, as well as the normal payables, were paid off, and there was an increase in inventory. That is why you are seeing an increase in net working capital. I have looked into this and discussed it internally as well. Going forward, by year-end, we should again return to normal levels.

Harit Ahmed – Avendus Spark: Got it. Thank you for taking my questions.

Operator: Participants, please press star and one to ask a question. The next question comes from the line of Jatin Chawla with RTL Investments. Please go ahead.

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Jatin Chawla – RTL Investments: Good evening, and thank you for the opportunity. My first question is on the franchisee side. When I look at your store closures, I see that franchisee withdrawals account for a very large share of store closures, even though franchisees represent a much smaller percentage of total stores. Is this a recurring feature that we should expect going forward, or are these initial teething troubles as you get the franchisee model right?

Sujit: Your observation is correct. This is part of the initial setup, or readjustment, I would say. It is an initial teething issue that we believe will stabilize going forward. This is the situation with the number of store closures on the franchisee side.

Jatin Chawla – RTL Investments: Regarding the 116 crore revenue from franchisees that you mentioned, how many total franchisee stores did you have at the end of the quarter?

Sujit: There were around 849 active stores.

Jatin Chawla – RTL Investments: My second question is about the impact from the 2 states where there was a significant increase in wage costs. What is the absolute impact you have seen for the full year on account of that?

Management: It is roughly around 7 crores a month.

Jatin Chawla – RTL Investments: 7 crores a month, so roughly 80 to 85 crores for the year. You mentioned that, to improve EBITDA margins, the first step is increasing the private-label share and the second is streamlining costs. On the cost side, what areas are you looking at for cost reduction, and over what period should we start seeing some of those benefits?

Management: I am thinking over a period of 4 quarters. There are 2 things. First, we are using AI to automate a lot of work at the back end, and we are already seeing the benefits of that. Second, over a period of time [trails off]

Management: Our warehouses have also grown somewhat haphazardly. Every time we needed to add 20,000 or 30,000 square feet, we kept adding it. As a result, in most of the cities where we started early, we have several warehouses. That creates a lot of additional costs in terms of transportation, manpower and everything else. We are now looking to consolidate all of them into one location in each of these places. We expect significant benefits to come from that. Both in warehousing and in overall operational costs, we expect to use technology more effectively and reach a more rationalized cost structure in this area.

Ashutosh Parashar – MIT: Over a 4-quarter period, is there any rough ballpark figure for the cost reduction we could see?

Management: For the entire initiative, I see no reason to believe that we should not achieve at least a 0.5% to 0.75% reduction in costs.

Ashutosh Parashar – MIT: Got it. Thanks a lot. That was very useful.

Operator: Ladies and gentlemen, that was the last question for today. I would now like to hand the conference over to management for the closing remarks.

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Management: 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.

Operator: Thank you, sir. Ladies and gentlemen, on behalf of MedPlus Health Services Ltd., that concludes this conference call. Thank you for joining us, and you may now disconnect your lines.

Note: {? ... ?} indicates a figure or name where audio clarity was insufficient for confident transcription. Verify against the source audio or the company's published filings.

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