BUSINESS PLAN · INDIA

Pharmacy-Chain Franchise

If the model P and L only balances when the franchisee breaks your standard

PHARMACY RETAIL & DISTRIBUTION

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1. Executive Summary

This plan sets out a **Pharmacy-Chain Franchise** business in India — a franchisor operating a branded pharmacy network, earning from mandatory supply to franchisees, private-label brands, royalty, franchise fees and a small estate of company-owned outlets, growing to 118 trading franchisees and 8 company shops by Year 3.

> This plan inherits the pharmacy anchor's rules and applies them to the party who writes the rules rather than the party who follows them. **A franchisor does not dispense anything. It sells a brand, a model and a supply arrangement — and it is the only actor in the vertical whose decisions determine what several hundred counters do every day without it ever being present at one.**

> **THE MODEL P&L HANDED TO A PROSPECTIVE FRANCHISEE ONLY BALANCES IF HE BREAKS THE BRAND'S OWN PROMISE. The brochure economics of a branded pharmacy assume a category mix leaning hard on private label, generics and supplements, and a staffing cost that CANNOT FUND A REGISTERED PHARMACIST FOR EVERY OPENING HOUR — a shop budgeted for one pharmacist cannot cover thirteen hours a day, six and a half days a week, and the arithmetic is not close. So the franchisor is selling a business model WHOSE ADVERTISED MARGIN REQUIRES THE ANCHOR PLAN'S TWO VIOLATIONS: the rented licence and the margin ladder. The franchisee signs, discovers within two quarters that he cannot reach the numbers honestly, and every compromise from then on is one he makes alone, in his own shop, and is blamed for. So this franchisor PUBLISHES THE MODEL P&L WITH FULL-HOURS REGISTERED PHARMACIST COST INSIDE IT — showing a worse number than every competitor's brochure — and 26% of prospects walk away, at ₹2.84 crore a year. IF YOUR MODEL P&L ONLY BALANCES WHEN THE FRANCHISEE BREAKS YOUR OWN STANDARD, YOU HAVE NOT SOLD HIM A BUSINESS — YOU HAVE SOLD HIM A CHOICE YOU DID NOT DISCLOSE.**

> **AND A FRANCHISOR ENFORCES THE TERMS THAT PAY HIM, NOT THE TERMS THAT MAKE THE PROMISE TRUE. Franchise agreements across every branded trade police signage, opening hours, purchase minimums and royalty remittance with real teeth — and almost never police the things a customer actually relies on. So this network AUDITS AND PUBLISHES REFUSAL RATE AND PHARMACIST-PRESENT HOURS PER FRANCHISEE, and TERMINATES ON THOSE — eleven in three years — while NIL franchisees have been terminated for a purchase shortfall.**

> **AND THE ROYALTY LINE IS NOT THE TAKE. Per the food-franchise rule, the franchisor's real margin is the MANDATORY SUPPLY MARKUP AND THE PRIVATE-LABEL PUSH, of which the headline royalty is a small fraction — so ROYALTY, SUPPLY MARKUP AND PRIVATE-LABEL MARGIN ARE PUBLISHED AS ONE NUMBER: 12.5% of franchisee revenue, falling from 13.2%.**

This plan models an operator requiring **₹20.00 crore** (₹8.60 crore investor + ₹6.40 crore term loan + ₹3.20 crore promoter + ₹1.80 crore working capital), moving from **₹20.00 crore revenue and a ₹1.33 crore loss** to **₹96.00 crore revenue and ₹6.72 crore profit** by Year 3 — *a 7.0% net margin and 43.6% return on capital. (Pharmacy franchising — figures illustrative.)*

2. Business Description, Vision & Legal Structure

Concept: A franchisor that publishes the honest model P&L.

Vision: To be the pharmacy network whose franchisees can hit the brochure without breaking the brand.

Mission: Show the model economics with a full-hours pharmacist in them; publish every franchisee outcome including the closures; audit the refusal rate and terminate on it; state royalty, supply markup and private-label margin as one number; and honour territory and buy back on exit.

Legal structure

- **Private Limited** — recommended. Franchise agreements, wholesale drug licences, private-label ownership and outside capital all assume it.
- **LLP** — unsuited: a franchisor carries perpetual contractual obligations to dozens of counterparties.
- **Network audit function reporting to the board, independent of franchise development — because the team that signs franchisees must not be the team that decides whether to terminate them.**

> **Regulatory anchor:** the Drugs and Cosmetics Act 1940 and Rules 1945 — **a wholesale drug licence for each distribution centre from which the franchisor supplies, and a separate retail drug licence held by EACH FRANCHISEE IN HIS OWN NAME, which is the structural fact that matters: the franchisor supplies and brands, but the dispensing licence, the statutory liability and the pharmacist obligation all sit with the franchisee**; the Pharmacy Act 1948 and registered-pharmacist supervision at every outlet; Schedules H, H1 and X with the register maintained per shop; loan-licence and own-label manufacturing arrangements under the Act for private-label products, with the brand owner carrying the label's representations; NPPA and DPCO ceiling prices, which the franchisor's supply pricing must respect; trade mark licensing and the franchise agreement itself, which in India is governed by contract law rather than by any franchise-specific statute; Competition Act considerations on exclusive supply and resale price arrangements; FSSAI for nutraceutical private label; GST on supply and royalty; and EPF/ESI and POSH for company-owned operations. **The decisive structural fact is that INDIA HAS NO FRANCHISE DISCLOSURE STATUTE — no legal obligation to give a prospect audited unit economics, a closure record or a survival curve — so whatever a franchisor discloses, it discloses voluntarily.**

3. Promoter & Ownership

Led by a promoter with pharmacy retail, distribution or franchising background. Three competences decide outcomes. *Distribution economics*, because the supply business is where the franchisor's money actually is and it is a working-capital business before it is a brand business. *Franchisee selection*, since a network's survival curve is set at signing rather than at support. And *the willingness to publish the closures*, which is where this plan's proposition sits and which makes every sales conversation harder for as long as the business exists. Ownership, equity & investor terms are editable inputs; **the network audit function reports to the board and is structurally separate from franchise development, because the team paid to sign franchisees cannot be the team deciding whether to terminate them.**

4. Market Analysis — India

A fragmented trade consolidating into brands, sold to first-time business owners with no disclosure regime.

Demand drivers

- **Fragmentation** — hundreds of thousands of independent chemists facing organised competition.
- **Buying power**, which an independent cannot obtain alone and a network can.
- **First-time entrepreneurs** seeking a defined format with a known investment.
- **Brand trust** in a category where a customer cannot assess the product.
- **Systems and compliance** — licensing, registers and inventory that defeat a small operator.
- **Private-label economics** that only work at network scale.

Market sizing (illustrative framing)

Layer	Definition	Indicative scale
TAM	Indian retail pharmacy trade available for organisation	Very large; brand penetration still low
SAM	**Prospects who can fund the HONEST model, with a full-hours pharmacist in it**	**26% smaller than the brochure market**
SOM (Yr 1–3)	Trading franchisees plus company outlets	₹20cr → ₹96cr; 118 franchisees; 8 company shops

Revenue mix and share (Year 3)

Stream	Share of revenue	Gross margin — and where the take really sits
Mandatory supply of medicines to franchisees	**50.0%**	**11.0% — small margin, very large base: the real take**
Private-label and own-brand supply	**20.0%**	**34.0% — the second half of the real take**
Company-owned outlet retail	14.0%	25.5% — where we run the model ourselves
Royalty on franchisee sales	8.0%	100% — the headline number, and the smallest part
Franchise fees, fit-out & territory	5.0%	82.0% — one-off, and not a business by itself
Systems, training & audit services	3.0%	60.0% — includes the audits that terminate people

> **Read the first and fourth rows together and the franchising trade's oldest presentational habit becomes visible: royalty is 8% of the franchisor's revenue and supply plus private label are 70%, yet it is the royalty percentage that appears in every brochure, on every stall at every franchise expo, and in every conversation with a prospect. "Two per cent royalty" is a true statement that describes roughly a sixth of what the franchisor actually takes out of the franchisee's till. Per the food-franchise rule, the only honest presentation is the WHOLE take rate — royalty plus mandatory supply markup plus private-label margin, stated as one number against franchisee revenue: 12.5% in Year 3, declining from 13.2% as scale improves the terms we can pass down. A prospect comparing us against a competitor advertising "1.5% royalty" is comparing a complete number against a fragment, which is why we publish the arithmetic that produces ours.**

Constraints

- **Franchisee quality and capital**, which sets the survival curve at signing.
- **Working capital in supply**, which is the franchisor's real balance-sheet risk.
- **Registered pharmacist availability** in the franchisee's catchment, not ours.
- **No disclosure regime**, meaning honest disclosure is a competitive handicap before it is an asset.

5. Competition & Position

Competitor type	Strength	Weakness this plan exploits
Large pharmacy franchisors	Scale, brand, buying power, aggressive expansion, capital	**Brochure P&L without pharmacist cost; closures never published**

Company-owned chains	Full control of standards, no franchisee conflict	Capital-intensive; slow; no local ownership incentive
Wholesale distributors offering signage	Cheap entry, existing supply relationships	A banner, not a system; no standards at all
Independent chemists staying independent	No royalty, no supply obligation, total freedom	No buying power, no systems, no succession
This plan	**Honest model P&L, published outcome distribution, audits on the promise, whole take rate stated**	26% of prospects walk away; slower network growth

> **The positioning is aimed at a prospect who has already been to three franchise expos and been shown three sets of numbers he cannot check, and it makes one unusual offer: the worse-looking projection is ours. He can see the model P&L with a full-hours registered pharmacist costed into it; he can see how many outlets this network has opened, how many have closed and how many are still trading, with a MEDIAN rather than an average owner earning; and he can see the whole take rate with its arithmetic. None of that is required of anybody in India, which is precisely why it works as a differentiator — and why it is also a genuine handicap in the room, because a prospect comparing an honest projection against three optimistic ones has no way to know which is which until he has signed one of them.**

> **The cost of the honest position is stated in rupees rather than implied. Publishing the model P&L with full-hours pharmacist cost in it, and losing 26% of prospects who then sign elsewhere, cost ₹2.84 crore of Year-3 margin — the largest item. Auditing refusal rates and pharmacist-present hours across the network, and terminating eleven franchisees on those grounds, cost ₹1.86 crore in audit team, lost supply revenue and territory left empty. Publishing the whole take rate and holding it at 12.5% while competitors run several points higher cost ₹1.24 crore. Honouring territory protection and offering buyback on exit cost ₹68 lakh. Total ₹5.62 crore against ₹6.72 crore of profit — so a franchisor running trade-standard practice, with the same brand and the same distribution centres, would earn ₹12.34 crore.**

6. The Model P&L That Only Works If He Breaks It

This is the finding, and it operates before the franchisee has made a single decision.

Line in a typical brochure P&L	What it assumes	What it forces
Gross margin 24–26%	Heavy private label, generics and supplements	**The margin ladder**
Staff cost 4.5–5.0% of revenue	One pharmacist, two assistants, one shift	**The rented licence**
Opening hours 13 per day, 6.5 days	Nobody adds it up against the staff line	**Uncovered dispensing hours**
Expiry write-off 0.8%	Returns for credit up the chain	Short-dated stock moved on
Owner earnings ₹9–11 lakh	**An AVERAGE of the surviving outlets**	**The closures excluded**
Payback 26–30 months	**Every assumption above holding simultaneously**	

> **The two shaded assumptions are the ones that matter, and neither is presented as a choice. A staff line at 4.7% of a ₹1.7 crore outlet is about ₹8 lakh a year, which funds one registered pharmacist and two assistants — and a shop open thirteen hours a day for six and a half days needs about 1.6 pharmacists to have one behind the counter continuously. The brochure does not say "and for four hours a day there will be no**

pharmacist"; it simply presents a number that cannot produce one, and leaves the franchisee to discover the gap in his second quarter, alone, when the rent is already being paid. The gross margin works the same way: 25% cannot be reached on a normal prescription-led mix, so it silently requires the supplement and substitution lift the anchor plan describes. NOBODY LIES AT ANY POINT. The franchisor presents assumptions, the franchisee accepts them, and the compromise happens two hundred kilometres away in a shop the franchisor will visit twice a year — which is exactly the commissary structure in reverse: HERE THE PARTY WHO DESIGNED THE FAILURE IS INSULATED FROM IT, AND THE PARTY WHO COMMITS IT DID NOT CHOOSE IT.

So the model P&L is published with the honest lines in it. FULL-HOURS REGISTERED PHARMACIST COST AT 1.6 PER OUTLET IS COSTED INTO THE MODEL, which takes the advertised owner earnings down by roughly ₹2.6 lakh and pushes payback out by about seven months against a competitor's brochure. THE CATEGORY MIX IN THE MODEL IS A PRESCRIPTION-LED MIX, not a supplement-led one. NIL model P&Ls are shown without the pharmacist line, including in expo material and to walk-in prospects. 26% OF PROSPECTS DECLINE AFTER SEEING IT, cost ₹2.84 crore, and most of them sign with somebody else — which is the honest description of what this commitment buys and does not buy. IF YOUR MODEL P&L ONLY BALANCES WHEN THE FRANCHISEE BREAKS YOUR OWN STANDARD, YOU HAVE NOT SOLD HIM A BUSINESS — YOU HAVE SOLD HIM A CHOICE YOU DID NOT DISCLOSE.

7. The Denominator, the Audit and the Whole Take

Three further rules, the first inherited directly from the food-franchise plan.

□□ PERFORMANCE DATA THAT EXCLUDES THE FAILURES IS NOT PERFORMANCE DATA. "Average franchisee revenue" and "average owner earnings" are computed across surviving outlets, which silently removes every unit that closed — and the closures are precisely the outcomes a prospect is trying to price. So THE FULL OUTCOME DISTRIBUTION IS PUBLISHED: 134 outlets opened cumulatively, 16 closed or exited, 118 still trading, with MEDIAN owner earnings of ₹8.4 lakh rather than an average, and the survival curve shown by signing cohort. NIL average-only figures are published anywhere, in any material — because an average across survivors is not a summary of the truth, it is a selection of it. DEMAND THE DENOMINATOR.

□□ AND A FRANCHISOR ENFORCES THE TERMS THAT PAY HIM. Every franchise agreement in every trade polices signage, opening hours, purchase minimums and royalty remittance with real teeth, because each of those is directly measurable and directly monetary — while the things a customer actually relies on are neither. So this network AUDITS REFUSAL RATE AND PHARMACIST-PRESENT HOURS AT EVERY FRANCHISEE, publishes both per outlet, and TERMINATES ON THEM: eleven terminations across three years on refusal-rate and pharmacist-presence grounds, against NIL terminations for purchase shortfall. That second figure is the one that proves the first: a network that terminates for buying too little and never for dispensing too freely has told you exactly what it values. Median outlet refusal rate rose from 6.2 to 10.4 per thousand walk-ins and pharmacist-present hours from 88% to 97%, both because the audit has teeth.

□□ AND THE ROYALTY LINE IS NOT THE TAKE. Royalty is 2.0% of franchisee revenue and appears in every brochure; the mandatory supply markup is 8.4% and the private-label margin 2.1%, and neither appears anywhere. So ALL THREE ARE PUBLISHED AS ONE NUMBER — 12.5% OF FRANCHISEE REVENUE — with the arithmetic shown, declining from 13.2% as scale lets us pass terms down. MEASURE THE WHOLE TAKE RATE, because a franchisee comparing "2% royalty" against "1.5% royalty" is comparing two fragments of two different numbers.

AND THE FRANCHISEE'S CAPITAL IS AT RISK WHILE THE FRANCHISOR'S IS NOT. He funds the fit-out, the deposit and the inventory; we fund a contract. So TERRITORY PROTECTION IS HONOURED AT 100% with no second outlet opened inside a protected radius, and BUYBACK OF SALEABLE INVENTORY AND FIT-OUT IS OFFERED ON EVERY EXIT INCLUDING TERMINATIONS — ₹68 lakh — because a network that terminates a franchisee for a standards failure and then keeps his stock has converted enforcement into a revenue line.

8. Operations Plan (select, supply, audit, terminate)

Selection and disclosure

- **Model P&L with full-hours pharmacist cost at 1.6 per outlet**, in all material without exception.
- **Full outcome distribution published** — opened, closed, trading, by signing cohort.
- **Median owner earnings, never an average**; no figure quoted across survivors only.
- **Whole take rate published with its arithmetic** before any agreement is signed.

Supply and private label

- **Wholesale drug licence at each distribution centre**; batch and expiry captured at despatch.
- **Supply markup fixed and published**, not varied by franchisee negotiating strength.
- **Private label held to the same specification as the brands it substitutes**, with assay published.
- **DPCO ceiling compliance** checked at supply pricing, not left to the outlet.

Network audit

- **Refusal rate audited per franchisee**, with a zero reading investigated per the anchor rule.
- **Pharmacist-present hours audited** against opening hours, by unannounced visit.
- **Substitution-disclosure adoption audited** at the counter and on the bill.
- **Termination on those grounds**; never on purchase shortfall.

Franchisee economics and exit

- **Territory protection honoured**; no outlet opened inside a protected radius.
- **Buyback of saleable inventory and fit-out offered on every exit**, terminations included.
- **Contribution reported per stream**, never blended into a single network margin.
- **Company-owned outlets run on the published model**, so the model is testable against our own shops.

The operational hinge is a franchisee doing ₹2.1 crore against a network median of ₹1.71 crore, buying well above his minimum, remitting royalty on time, popular in his town — whose audit shows pharmacist-present hours at 71% and a refusal rate of 1.4 per thousand. He is the network's best commercial relationship and its clearest standards failure, and the two facts are not unrelated: a shop that dispenses freely and staffs thinly WILL outperform one that does not, which is why the enforcement question is never about the weak outlets. So the AUDIT FUNCTION REPORTS TO THE BOARD, IS STRUCTURALLY SEPARATE FROM FRANCHISE DEVELOPMENT, and NO AUDIT STAFF MEMBER'S PAY IS AFFECTED BY NETWORK REVENUE, TERMINATIONS OR SIGNINGS. The system refuses rather than warns: two consecutive failed audits terminate automatically, with no commercial override available to anybody — because a discretion that exists will be exercised in favour of the ₹2.1 crore outlet every single time.

9. Franchising, Licensing & Operating Compliance (India)

- **Drugs and Cosmetics Act 1940 and Rules 1945** — **a wholesale drug licence at each distribution centre, and a retail drug licence held by EACH FRANCHISEE IN HIS OWN NAME: the franchisor supplies and brands, but the dispensing licence, the statutory liability and the pharmacist obligation all sit with the franchisee.**
- **Pharmacy Act 1948** — registered-pharmacist supervision at every outlet, which the franchisor can audit but cannot discharge.
- **Schedules H, H1 and X** — registers maintained per shop; Schedule X under NDPS conditions.
- **Private label** — loan-licence or own manufacture, with **the brand owner carrying the label's representations regardless of who made the product.**
- **NPPA and DPCO** — ceiling prices that the franchisor's supply pricing must respect, not leave to the outlet.
- **Franchise contracting** — **INDIA HAS NO FRANCHISE DISCLOSURE STATUTE: no legal obligation to give a prospect audited unit economics, a closure record or a survival curve, so whatever is disclosed is disclosed voluntarily.**
- **Competition Act** — exclusive supply, tie-in and resale price arrangements; trade mark licensing.
- **Commercial and workforce** — GST on supply and royalty, FSSAI for nutraceutical private label, EPF/ESI and POSH for company operations.

10. Organisation & Manpower Plan

Function	Yr 1	Yr 3	Notes
Promoter / managing director	1	1	Owns the honest model P&L
Distribution, warehousing & cold chain	38	126	Where the real take is earned
Company-owned outlets incl. registered pharmacists	14	56	**Run on the published model, so it is testable**
Network audit — refusal rate & pharmacist hours	6	22	**Reports to board; pay unaffected by revenue or signings**
Franchise development & support	8	26	Structurally separate from audit
Technology, systems & training	7	21	Publishes the outcome distribution
Finance, legal, compliance & admin	6	18	DPCO checked at supply pricing
Total	**80**	**270**	Audit at 8% of headcount

> **Twenty-two people auditing 118 franchisees is roughly one auditor per five outlets, which is far heavier than any network needs to check signage and purchase minimums — and that is the point, because refusal rate and pharmacist presence cannot be checked from a purchase ledger. They require unannounced visits, register inspection and time in the shop. The function reports to the board, sits outside franchise development, and NO AUDIT STAFF MEMBER'S PAY IS AFFECTED BY NETWORK REVENUE, BY TERMINATIONS OR BY SIGNINGS — the last of those matters most, because an auditor incentivised on terminations is as corrupted as one incentivised on revenue, just in the opposite direction. The eight company-owned outlets exist chiefly as evidence: they are run on the published model P&L, so a prospect can ask what our own shops actually earn under the assumptions we gave him.**

11. Implementation Timeline & Milestones

Phase	Window	Milestones
Formation, DC & first outlets	Month 0–7	Incorporation, wholesale licence, 2 company shops, format defined
Honest model P&L & disclosure pack	Month 3–9	**Full-hours pharmacist costed in; whole take rate published**
First franchisee cohort	Month 6–14	31 signed, 28 trading; territory protection defined in contract
Network audit function	Month 10–18	Board-reporting; unannounced visits; first terminations
Private label & second DC	Month 14–26	Own-brand supply at published specification and assay
Scale & publication	Month 24–36	118 trading; outcome distribution and survival curve published

Training and competence

- **Franchisee induction on the refusal rule** — why the network measures what he declined.
- **Rostering to 1.6 pharmacists**, which most first-time owners have never had to plan.
- **Audit conduct** — inspecting a register and a roster without becoming an adversary.
- **Selling an honest projection** against three optimistic ones in the same room.

12. Financial Plan (Illustrative)

> **All figures are illustrative model assumptions, not forecasts or guarantees.** They exist to show the drivers of a pharmacy franchisor's P&L and how the disclosure, audit and take-rate disciplines move them. Every input is editable. **The defining economics are that 70% of revenue and most of the margin sit in supply and private label rather than in royalty — so this is a distribution business wearing a brand, and its balance sheet risk is working capital rather than franchise fees.**

12.1 Project cost & funding

Item	₹ lakh	Notes
Working capital — franchisee supply receivables & inventory	**728**	**The franchisor's real balance-sheet risk**
Distribution centres, racking & cold rooms (4)	384	Wholesale drug licence at each
Company-owned outlets — fit-out & inventory (8)	296	**Run on the published model, as evidence**
Technology, franchise systems & audit platform	**216**	**Carries the refusal and pharmacist-hours audit**
Private-label development, registration & first production	168	Brand owner carries the label's representations
Licences, deposits & pre-operative	128	Wholesale licences and DC leases
Brand & launch	80	Modest; the disclosure pack does the selling
Total project cost	**2,000**	₹860L investor + ₹640L term loan + ₹320L promoter + ₹180L WC

12.2 Operating metrics

Metric	Yr 1	Yr 2	Yr 3
MODEL P&L SHOWN TO PROSPECTS CARRIES FULL-HOURS REGISTERED PHARMACIST COST (1.6/outlet) / **model P&L shown WITHOUT it, anywhere including expo material** / **prospects who DECLINED after seeing the honest version**	100% / NIL / 34%	100% / NIL / 29%	**100% / NIL / 26%**
FULL OUTCOME DISTRIBUTION PUBLISHED INCLUDING CLOSURES — opened (cum.) / closed or exited / still trading / **MEDIAN owner earnings (₹L)** / **average-only figures published anywhere**	31 / 3 / 28 / 4.6 / NIL	78 / 10 / 68 / 6.8 / NIL	**134 / 16 / 118 / 8.4 / NIL**
REFUSAL RATE and PHARMACIST-PRESENT HOURS AUDITED per franchisee and published per outlet / **franchisees TERMINATED on those grounds** / **franchisees terminated for PURCHASE SHORTFALL**	100% / 1 / NIL	100% / 4 / NIL	**100% / 7 / NIL**
THE WHOLE TAKE RATE published as ONE number with its arithmetic — royalty + mandatory supply markup + private-label margin, as % of franchisee revenue	2.0 + 9.1 + 2.1 = **13.2%**	2.0 + 8.6 + 2.1 = **12.7%**	2.0 + 8.4 + 2.1 = **12.5%**
Median outlet refusal rate per 1,000 walk-ins / **median pharmacist-present hours as % of opening hours** / substitution-disclosure adoption at the counter	6.2 / 88% / 61%	8.8 / 94% / 82%	**10.4 / 97% / 96%**
Trading franchisees / company outlets / median outlet revenue / franchisor contribution per franchisee / **territory protection honoured** / **buyback offered on exit incl. terminations**	28 / 2 / ₹1.42cr / ₹18.7L / 100% / 100%	68 / 5 / ₹1.58cr / ₹20.0L / 100% / 100%	**118 / 8 / ₹1.71cr / ₹21.3L / 100% / 100%**

> **Row two is the food-franchise rule made concrete: 134 opened, 16 closed, 118 trading, with a MEDIAN owner earning of ₹8.4 lakh — where a competitor would publish an average across survivors and produce a number several lakh higher without stating anything untrue. Row three's second figure is the one that validates the first: NIL franchisees terminated for purchase shortfall against seven terminated on refusal rate and pharmacist presence, because a network that terminates for buying too little and never for dispensing too freely has told you exactly what it values. Row four states the whole take with its arithmetic — royalty is 2.0% and the total is 12.5%, so the number every competitor advertises is a sixth of the number that matters. Row five shows the audit working at the counter rather than on paper: median refusal rate rising 6.2 to 10.4 per thousand and pharmacist-present hours 88% to 97%, both of which move only because terminations follow.**

12.3 Revenue build

Stream	Yr 1 (₹L)	Yr 2 (₹L)	Yr 3 (₹L)	Gross margin
Mandatory supply of medicines to franchisees	1,000	2,600	4,800	**11.0%**
Private-label and own-brand supply	400	1,040	1,920	**34.0%**
Company-owned outlet retail	280	728	1,344	25.5%
Royalty on franchisee sales	160	416	768	100%
Franchise fees, fit-out & territory	100	260	480	82.0%
Systems, training & audit services	60	156	288	60.0%

Total revenue	**2,000**	**5,200**	**9,600**	**29.8% blended**

12.4 P&L summary

Line	Yr 1 (₹L)	Yr 2 (₹L)	Yr 3 (₹L)
Revenue	2,000	5,200	9,600
Cost of goods — supply, private label and outlet purchases	(1,405)	(3,652)	(6,742)
Gross profit	**595**	**1,548**	**2,858**
Distribution, warehousing & logistics	(148)	(286)	(476)
Company-owned outlet operating cost	(72)	(164)	(268)
Network audit — refusal rate & pharmacist hours	**(64)**	**(128)**	**(216)**
Technology, systems & training	(112)	(168)	(248)
Brand, marketing & franchisee acquisition	(142)	(196)	(264)
Admin, legal, compliance & other	(118)	(178)	(246)
EBITDA	**(61)**	**428**	**1,140**
Depreciation & amortisation	(118)	(196)	(268)
Finance cost	(84)	(132)	(172)
Other income — supplier trade schemes on network volume *(disclosed and passed down in part)*	86	124	196
PBT	**(177)**	**224**	**896**
Tax	44	(56)	(224)
PAT	**(133)**	**168**	**672**
Net margin	**(6.7%)**	**3.2%**	**7.0%**
ROCE	**(9.0%)**	**11.6%**	**43.6%**

> **Other income of ₹1.96 crore is supplier trade schemes earned on aggregated network volume, and its treatment is a disclosure question rather than an accounting one: the volume that earns it is the franchisees', not ours. So it is stated as a line, the basis is disclosed to franchisees, and a defined share is passed down through supply pricing rather than retained silently — which is the commission-disclosure rule applied to a scheme paid by a third party on somebody else's purchases. Working capital of ₹7.28 crore is the largest item in the project cost and the franchisor's real risk: this is a distribution business wearing a brand, and a network of 118 outlets on credit terms is a receivables book before it is a franchise system. Commitments of ₹5.62 crore against ₹6.72 crore of profit mean a franchisor with the same brand and the same distribution centres running trade-standard practice would earn ₹12.34 crore.**

12.5 Break-even & sensitivity

Scenario	Yr 3 revenue	Yr 3 PAT	Comment

Base	₹96.0cr	₹6.72cr	As modelled, 118 trading franchisees
Trade-standard franchisor practice	₹108.3cr	₹12.34cr	**Brochure P&L, no audits, take rate unstated**
Network grows to 150 franchisees	₹118.4cr	₹9.70cr	Operating leverage sits in distribution
Franchisee closure rate doubles	₹84.8cr	₹3.97cr	Why selection beats support
Supply markup cut 2 points to defend share	₹96.0cr	₹3.69cr	The take rate is the whole business
Receivables stretch by 20 days	₹96.0cr	₹6.33cr	Distribution risk, not brand risk

13. Funding Requirement & Bankability

Source	₹ lakh	Terms (indicative)
Investor equity	860	Network expansion; disclosure and audit covenants
Term loan	640	Distribution centres, company outlets, systems; 5–6 years
Promoter contribution	320	Cash and network experience
Working capital facility	180	Supply receivables and inventory
Total	**2,000**	Illustrative structure

> **A lender should read the survival curve, the receivables ageing and the take rate, in that order. The survival curve — 134 opened, 16 closed, 118 trading — is the only honest measure of whether this network works, and doubling the closure rate takes Year-3 profit to ₹3.97 crore because a closed outlet stops buying long before it stops appearing in the count. Receivables are the real exposure: ₹7.28 crore of working capital against 118 franchisees on credit terms makes this a distribution book, and a twenty-day stretch costs ₹52 lakh of profit in finance cost alone. The take rate at 12.5% is the whole business, and the sensitivity shows that two points of supply markup given away to defend share nearly halves the profit — which is why publishing it is defensive as well as honest: a number you have published is much harder to concede quietly.**

- **Use of funds** — 36% working capital, 19% distribution centres, 15% company outlets, 11% technology and audit platform, 8% private label, 6% licences and deposits, 4% brand.
- **Repayment** — term loan from Year 2–3 cash flow; working capital revolving against the supply cycle.
- **Investor exit** — sale to a national pharmacy chain, a distributor integrating forward, or a healthcare group; or promoter buyback. **Disclosure and audit obligations survive change of control.**

14. Risk Analysis & Mitigation

Risk	Impact	Mitigation

The model P&L that only works if he breaks it	Brochure economics for a branded pharmacy assume a gross margin of 24–26% (requiring a private-label, generic and supplement-heavy mix) and a staff cost of 4.5–5.0% of revenue — ABOUT ₹8 LAKH ON A ₹1.7 CRORE OUTLET, WHICH FUNDS ONE PHARMACIST AND TWO ASSISTANTS AGAINST THIRTEEN OPENING HOURS A DAY FOR SIX AND A HALF DAYS, NEEDING ABOUT 1.6 PHARMACISTS FOR CONTINUOUS COVER. So the advertised margin REQUIRES THE ANCHOR PLAN'S TWO VIOLATIONS — THE RENTED LICENCE AND THE MARGIN LADDER — and neither is presented as a choice. THE BROCHURE DOES NOT SAY "AND FOR FOUR HOURS A DAY THERE WILL BE NO PHARMACIST"; it presents a number that cannot produce one and leaves him to discover the gap in his second quarter, ALONE, WHEN THE RENT IS ALREADY BEING PAID. NOBODY LIES AT ANY POINT: the franchisor presents assumptions, the franchisee accepts them, and the compromise happens two hundred kilometres away in a shop visited twice a year — THE COMMISSARY STRUCTURE IN REVERSE, WHERE THE PARTY WHO DESIGNED THE FAILURE IS INSULATED FROM IT AND THE PARTY WHO COMMITS IT DID NOT CHOOSE IT	**PUBLISH THE MODEL P&L WITH FULL-HOURS REGISTERED PHARMACIST COST AT 1.6 PER OUTLET INSIDE IT — which takes advertised owner earnings down about ₹2.6L and pushes payback out about SEVEN MONTHS against a competitor's brochure — with a PRESCRIPTION-LED category mix rather than a supplement-led one, and NIL model P&Ls shown without the pharmacist line ANYWHERE, expo material included. 26% OF PROSPECTS DECLINE AFTER SEEING IT AND MOST SIGN WITH SOMEBODY ELSE (₹2.84cr), which is the honest description of what this buys and does not buy. IF YOUR MODEL P&L ONLY BALANCES WHEN THE FRANCHISEE BREAKS YOUR OWN STANDARD, YOU HAVE NOT SOLD HIM A BUSINESS — YOU HAVE SOLD HIM A CHOICE YOU DID NOT DISCLOSE**
The best franchisee is the worst franchisee	An outlet doing ₹2.1cr against a network median of ₹1.71cr, buying well above minimum, remitting royalty on time, popular in his town — WHOSE AUDIT SHOWS PHARMACIST-PRESENT HOURS AT 71% AND A REFUSAL RATE OF 1.4 PER 1,000. He is the network's best commercial relationship and its clearest standards failure, AND THE TWO FACTS ARE NOT UNRELATED: A SHOP THAT DISPENSES FREELY AND STAFFS THINLY WILL OUTPERFORM ONE THAT DOES NOT, WHICH IS WHY THE ENFORCEMENT QUESTION IS NEVER ABOUT THE WEAK OUTLETS	**THE AUDIT FUNCTION REPORTS TO THE BOARD, IS STRUCTURALLY SEPARATE FROM FRANCHISE DEVELOPMENT, and NO AUDIT STAFF MEMBER'S PAY IS AFFECTED BY NETWORK REVENUE, BY TERMINATIONS OR BY SIGNINGS — the last matters most, since AN AUDITOR INCENTIVISED ON TERMINATIONS IS AS CORRUPTED AS ONE INCENTIVISED ON REVENUE, JUST IN THE OPPOSITE DIRECTION. THE SYSTEM REFUSES RATHER THAN WARNS: TWO CONSECUTIVE FAILED AUDITS TERMINATE AUTOMATICALLY WITH NO COMMERCIAL OVERRIDE AVAILABLE TO ANYBODY, BECAUSE A DISCRETION THAT EXISTS WILL BE EXERCISED IN FAVOUR OF THE ₹2.1cr OUTLET EVERY SINGLE TIME**

A franchisor enforces the terms that pay him	Every franchise agreement in every trade polices signage, opening hours, purchase minimums and royalty remittance WITH REAL TEETH, because each is directly measurable and directly monetary — while the things a customer actually relies on are NEITHER	**AUDIT REFUSAL RATE AND PHARMACIST-PRESENT HOURS AT EVERY FRANCHISEE by UNANNOUNCED VISIT and register inspection, publish both PER OUTLET, and TERMINATE ON THEM: 11 terminations across three years on those grounds against NIL FOR PURCHASE SHORTFALL — AND THAT SECOND FIGURE IS WHAT PROVES THE FIRST, BECAUSE A NETWORK THAT TERMINATES FOR BUYING TOO LITTLE AND NEVER FOR DISPENSING TOO FREELY HAS TOLD YOU EXACTLY WHAT IT VALUES. 22 auditors for 118 outlets (one per five) because these cannot be checked from a purchase ledger. Median refusal rate rose 6.2 → 10.4 per 1,000 and pharmacist hours 88% → 97% ONLY BECAUSE TERMINATIONS FOLLOW (₹1.86cr)**
Performance data that excludes the failures	"Average franchisee revenue" and "average owner earnings" are computed ACROSS SURVIVING OUTLETS, silently removing every unit that closed — AND THE CLOSURES ARE PRECISELY THE OUTCOMES A PROSPECT IS TRYING TO PRICE. India has NO FRANCHISE DISCLOSURE STATUTE, so nothing compels a closure record or a survival curve	**PUBLISH THE FULL OUTCOME DISTRIBUTION INCLUDING CLOSURES: 134 opened cumulatively, 16 closed or exited, 118 still trading, with MEDIAN owner earnings of ₹8.4L RATHER THAN AN AVERAGE, and the survival curve shown BY SIGNING COHORT; NIL average-only figures published anywhere in any material, BECAUSE AN AVERAGE ACROSS SURVIVORS IS NOT A SUMMARY OF THE TRUTH, IT IS A SELECTION OF IT. DEMAND THE DENOMINATOR (food-franchise rule)**
The royalty line is not the take	Royalty is 2.0% of franchisee revenue and appears in every brochure, at every expo stall and in every prospect conversation; the MANDATORY SUPPLY MARKUP IS 8.4% AND THE PRIVATE-LABEL MARGIN 2.1%, AND NEITHER APPEARS ANYWHERE. "Two per cent royalty" is a TRUE STATEMENT DESCRIBING ROUGHLY A SIXTH OF WHAT THE FRANCHISOR TAKES OUT OF THE FRANCHISEE'S TILL	**PUBLISH ALL THREE AS ONE NUMBER WITH ITS ARITHMETIC — 12.5% OF FRANCHISEE REVENUE, declining from 13.2% as scale lets us pass terms down. MEASURE THE WHOLE TAKE RATE, because a franchisee comparing "2% royalty" against a rival's "1.5% royalty" IS COMPARING TWO FRAGMENTS OF TWO DIFFERENT NUMBERS. Supply markup FIXED AND PUBLISHED, not varied by a franchisee's negotiating strength; supplier trade schemes on network volume DISCLOSED and a defined share PASSED DOWN through supply pricing, because THE VOLUME THAT EARNS THEM IS THE FRANCHISEES', NOT OURS (₹1.24cr)**

The franchisee's capital is at risk and ours is not	He funds fit-out, deposit and inventory; WE FUND A CONTRACT. A network that terminates a franchisee for a standards failure and then keeps his stock HAS CONVERTED ENFORCEMENT INTO A REVENUE LINE	TERRITORY PROTECTION HONOURED AT 100% with no second outlet inside a protected radius; BUYBACK OF SALEABLE INVENTORY AND FIT-OUT OFFERED ON EVERY EXIT INCLUDING TERMINATIONS (₹68L); private label held to the SAME SPECIFICATION as the brands it substitutes, assay published; and eight company-owned shops RUN ON THE PUBLISHED MODEL, so a prospect can ask what our own outlets actually earn under the assumptions we gave him
Working capital and receivables	₹7.28cr of working capital against 118 franchisees on credit terms makes this A DISTRIBUTION BOOK BEFORE IT IS A FRANCHISE SYSTEM; a twenty-day receivables stretch costs ₹52L of profit in finance cost alone, and a closing outlet stops paying long before it stops trading	Credit limits set per franchisee against audited outlet performance rather than optimism; supply on stop for overdue balances under a published escalation; receivables ageing reviewed monthly at board level; buyback obligations netted against outstanding balances at exit; and THE SURVIVAL CURVE USED AS THE LEADING INDICATOR OF THE RECEIVABLES BOOK rather than the ledger alone
Take-rate and network-growth pressure	Two points of supply markup conceded to defend share nearly halves profit to ₹3.69cr; a doubled closure rate takes it to ₹3.97cr; and the temptation in both cases is to sign faster and audit less, which is how networks fail slowly and then all at once	Take rate PUBLISHED, which makes it much harder to concede quietly; FRANCHISE DEVELOPMENT PAID ON COHORT SURVIVAL AT 24 MONTHS RATHER THAN ON SIGNINGS, because a network's survival curve is set at signing rather than at support; and no territory opened that cannot be audited on the same unannounced-visit cycle as the rest

15. SWOT Analysis

Strengths	**Weaknesses**
• Model P&L published with full-hours pharmacist cost in it • Full outcome distribution and survival curve published • Whole take rate stated as one number: 12.5% • 11 terminations on standards; nil on purchase shortfall • Company outlets run on the published model, as evidence	• ₹5.62cr forgone against ₹6.72cr of profit • 26% of prospects decline and sign elsewhere • Heavy working capital in the supply book • Slower network growth than brochure-led rivals
Opportunities	**Threats**
• Prospects who have been burned by an optimistic projection • Consolidation of independents seeking buying power • Private label at network scale, honestly specified • Audit capability sellable as a service • Any future franchise disclosure regime favours us	• Rivals advertising better numbers that cannot be checked • Receivables risk across a widening network • Pharmacist scarcity in franchisee catchments • Take-rate pressure from distributors offering signage

16. Recommended AiSevak Tools for This Business

- **Honest model P&L generator** — full-hours pharmacist cost structurally required; no variant without it.
- **Outcome distribution publisher** — opened, closed, trading, by cohort, with medians not averages.
- **Network audit platform** — unannounced-visit scheduling, refusal-rate and pharmacist-hours capture.
- **Auto-termination rule** — two consecutive failed audits, with no commercial override path.
- **Whole take-rate calculator** — royalty plus supply markup plus private-label margin, published.
- **Franchisee credit & receivables monitor** — limits tied to audited performance, not optimism.
- **Territory & buyback register** — protection honoured, exits settled including terminations.

17. Key Assumptions & Notes

- **All financials are illustrative model assumptions, not forecasts, projections or guarantees.** Revenue, franchisee counts, take rate, closure rates and median earnings are editable inputs; actual outcomes depend on selection, catchments, credit discipline and pharmacist availability. Figures are in Indian rupees. **This plan inherits the pharmacy vertical anchor's rules from `retail-pharmacy` and the denominator and take-rate rules from `food-franchise`.**
- **The central integrity finding is that the model P&L handed to a prospective franchisee only balances if he breaks the brand's own promise.** A staff line at 4.5–5.0% of a ₹1.7 crore outlet funds one registered pharmacist and two assistants, against thirteen opening hours a day for six and a half days needing about 1.6 pharmacists for continuous cover; and a 24–26% gross margin cannot be reached on a prescription-led mix, so it silently requires the supplement and substitution lift the anchor plan describes. **The advertised margin therefore requires the anchor's two violations — the rented licence and the margin ladder — and neither is presented as a choice. The brochure does not say "and for four hours a day there will be no pharmacist"; it presents a number that cannot produce one, and leaves the franchisee to discover the gap in his second quarter, alone, when the rent is already being paid. Nobody lies at any point: the franchisor presents assumptions, the franchisee accepts them, and the compromise happens two hundred kilometres away in a shop visited twice a year — which is the commissary structure in reverse, where the party who designed the failure is insulated from it and the party who commits it did not choose it.**
- **So the model P&L is published with the honest lines in it.** Full-hours registered pharmacist cost at 1.6 per outlet is costed in, which takes advertised owner earnings down by roughly ₹2.6 lakh and pushes payback out by about seven months against a competitor's brochure; the category mix modelled is prescription-led rather than supplement-led; and nil model P&Ls are shown without the pharmacist line anywhere, expo material included. **26% of prospects decline after seeing it and most sign with somebody else, at ₹2.84 crore a year — which is the honest description of what this commitment buys and does not buy. IF YOUR MODEL P&L ONLY BALANCES WHEN THE FRANCHISEE BREAKS YOUR OWN STANDARD, YOU HAVE NOT SOLD HIM A BUSINESS — YOU HAVE SOLD HIM A CHOICE YOU DID NOT DISCLOSE.**
- **A franchisor enforces the terms that pay him, not the terms that make the promise true.** Every franchise agreement in every trade polices signage, opening hours, purchase minimums and royalty remittance with real teeth, because each is directly measurable and directly monetary, while the things a customer relies on are neither. **So refusal rate and pharmacist-present hours are audited at every franchisee by unannounced visit and register inspection, published per outlet, and terminated on — eleven terminations across three years against NIL for purchase shortfall, and that second figure is what proves the first, because a network that terminates for buying too little and never for dispensing too freely has told you exactly what it values.** The hardest case is not a weak outlet but the best one: a shop doing ₹2.1 crore whose audit shows 71% pharmacist hours

and 1.4 refusals per thousand — and the two facts are not unrelated, which is why two consecutive failed audits terminate automatically with no commercial override available to anybody.

- **Performance data that excludes the failures is not performance data.** Average franchisee revenue and average owner earnings are computed across surviving outlets, silently removing every unit that closed — and the closures are precisely the outcomes a prospect is trying to price. India has no franchise disclosure statute, so nothing compels a closure record or a survival curve. **The full outcome distribution is therefore published: 134 opened cumulatively, 16 closed or exited, 118 still trading, with median owner earnings of ₹8.4 lakh rather than an average, and the survival curve shown by signing cohort — because an average across survivors is not a summary of the truth, it is a selection of it.**
- **The royalty line is not the take.** Royalty is 2.0% of franchisee revenue and appears in every brochure; the mandatory supply markup is 8.4% and the private-label margin 2.1%, and neither appears anywhere — so "two per cent royalty" is a true statement describing roughly a sixth of what the franchisor takes out of the franchisee's till. **All three are published as one number with the arithmetic shown: 12.5% of franchisee revenue, declining from 13.2%.** Supply markup is fixed and published rather than varied by a franchisee's negotiating strength, and supplier trade schemes earned on aggregated network volume are disclosed with a defined share passed down through supply pricing, because the volume that earns them is the franchisees' rather than ours.
- **The economics are a distribution business wearing a brand.** Supply and private label are 70% of revenue and most of the margin, royalty is 8%, and ₹7.28 crore of working capital against 118 franchisees on credit terms makes this a receivables book before it is a franchise system — which is why a twenty-day stretch costs ₹52 lakh and why credit limits are set against audited outlet performance rather than optimism. **Commitments of ₹5.62 crore against ₹6.72 crore of profit mean a franchisor with the same brand and the same distribution centres running trade-standard practice would earn ₹12.34 crore, and two points of supply markup conceded to defend share nearly halves the profit — which is why publishing the take rate is defensive as well as honest, since a number you have published is much harder to concede quietly.**
- **Compliance and professional advice.** The Drugs and Cosmetics Act 1940 and Rules 1945, with a wholesale drug licence at each distribution centre and a retail drug licence held by each franchisee in his own name — so the dispensing licence, the statutory liability and the pharmacist obligation all sit with the franchisee while the franchisor supplies and brands; the Pharmacy Act 1948 and registered-pharmacist supervision at every outlet, which the franchisor can audit but cannot discharge; Schedules H, H1 and X with registers per shop; loan-licence or own manufacture for private label, with the brand owner carrying the label's representations regardless of who made the product; NPPA and DPCO ceiling prices respected at supply pricing; franchise contracting under general contract law, since **India has no franchise disclosure statute**; Competition Act considerations on exclusive supply, tie-in and resale price arrangements; trade mark licensing; GST on supply and royalty; FSSAI for nutraceutical private label; and EPF/ESI and POSH for company operations. Professional advice should be taken on franchise agreement terms, supply exclusivity, private-label liability and DPCO compliance across states.

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