



BUSINESS PLAN · INDIA

Retail Pharmacy / Chemist

The only honest metric is what you refused

PHARMACY RETAIL & DISTRIBUTION

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August 2026

This document is confidential and prepared for planning purposes. All financial figures are illustrative model assumptions for an Indian MSME context and must be validated against live quotes, local rates and professional advice before any investment or borrowing decision.

1. Executive Summary

This plan sets out a **Retail Pharmacy / Chemist** business in India — a chain of neighbourhood medicine shops dispensing prescription medicines, running a chronic-care refill programme, and selling branded generics, OTC medicines, nutraceuticals and surgicals, growing from 8 to 28 outlets and roughly 906,000 bills a year by Year 3.

This plan opens the pharmacy vertical and sets the rules the other eight plans inherit. **It begins from a piece of arithmetic that explains almost everything else in the trade. A well-run neighbourhood pharmacy earns a net margin of about four and a half per cent — this plan models 4.4% — and it earns 17.5% gross on the scheduled medicine the patient actually came for and 48% on the supplement he did not. Every distortion described below follows from those two numbers rather than from anybody's character.**

☐ **DISPENSING A PRESCRIPTION-ONLY MEDICINE WITHOUT A PRESCRIPTION — ANTIBIOTICS ABOVE ALL — IS THE DEFINING INTEGRITY QUESTION OF INDIAN RETAIL PHARMACY, AND IT IS THE HARDEST VERSION OF A PROBLEM THIS LIBRARY HAS MET BEFORE.** The customer in front of the counter wants it, has a genuine complaint, is often correct that he needs it, cannot easily see a doctor tonight, and **WILL WALK FORTY METRES AND BUY IT FROM THE NEXT SHOP** if refused. And the harm — antimicrobial resistance — falls on the entire population years later and **CAN NEVER BE TRACED BACK TO THE COUNTER THAT SOLD IT.** That is the catering anchor's problem in its purest form — rare, delayed, untraceable — **EXCEPT THAT HERE THE HARM DOES NOT EVEN FALL ON THE BUYER.** He gets better; somebody he will never meet does not, a decade from now. So this business **PUBLISHES ITS REFUSAL RATE — 11,400 sales refused in Year 3, 11.2 per thousand walk-ins, ₹96 lakh of revenue forgone — maintains the Schedule H1 register as a real auditable record rather than a formality, and TREATS A ZERO REFUSAL RATE AS AN ENFORCEMENT FAILURE RATHER THAN A CLEAN RECORD. WHERE THE BENEFIT OF A SALE FALLS ON THE BUYER IN FRONT OF YOU AND THE HARM FALLS ON EVERYBODY ELSE LATER, THE ONLY HONEST METRIC IS WHAT YOU REFUSED.**

☐ **AND THE PHARMACIST'S MARGIN IS LOWEST ON WHAT THE PATIENT NEEDS MOST. 17.5% on the scheduled branded drug, 20.0% on the chronic refill, 36.0% on the branded generic he can be switched to, and 48.0% on the nutraceutical suggested at the counter — so the pull towards recommending is not greed but arithmetic, in a business netting under five per cent. So WHAT THE SUBSTITUTION PAYS THE SHOP IS DISCLOSED TO THE PATIENT, on all 36,800 substitutions, and 8% of patients decline once told.**

☐ **AND THE REGISTERED PHARMACIST WHOSE NAME IS ON THE BOARD IS FREQUENTLY NOT BEHIND THE COUNTER.** The rented licence is the trade's normal arrangement and is invisible to every customer. So **PHARMACIST-PRESENT DISPENSING HOURS ARE MEASURED AND PUBLISHED AS A PERCENTAGE OF OPENING HOURS — 100%, at a cost of ₹1.18 crore a year in the single largest line of the honest position.**

This plan models an operator requiring **₹6.40 crore** (₹2.40 crore investor + ₹2.20 crore term loan + ₹1.20 crore promoter + ₹60 lakh working capital), moving from **₹14.00 crore revenue and a ₹54 lakh loss to ₹58.00 crore revenue and ₹2.57 crore profit** by Year 3 — a 4.4% net margin and 30.5% return on capital. (Retail pharmacy — figures illustrative.)

2. Business Description, Vision & Legal Structure

Concept: A chemist that counts what it refused.

Vision: To make the refusal rate the number a pharmacy is judged on.

Mission: Demand the prescription the law demands and publish how often we did; keep a registered pharmacist behind every counter for every opening hour; tell the patient what the substitution pays us; destroy near-expiry stock instead of returning it for credit; and follow up the chronic patient who stopped refilling.

Legal structure

- **Private Limited** — recommended. Multiple drug licences, outlet leases, distributor credit and outside capital all assume it.
- **Proprietorship** — the trade's normal form for a single shop, and unworkable past three or four outlets.
- **Superintending pharmacist with authority to refuse a sale, reporting to the promoter — because the person who loses the customer to the shop next door cannot be the person deciding whether to refuse.**

Regulatory anchor: the Drugs and Cosmetics Act 1940 and Rules 1945; a retail drug licence in Form 20/21 **per outlet**; the Pharmacy Act 1948 and state registration, under which **dispensing must be by or under the personal supervision of a registered pharmacist**; Schedule H, H1 and X, with **the Schedule H1 register requiring the prescriber's name, the patient's name and the quantity supplied, retained for three years**; NPPA and DPCO ceiling prices on scheduled formulations; cold-chain conditions for thermolabile products; the Narcotic Drugs and Psychotropic Substances Act for Schedule X; FSSAI licensing for nutraceuticals and food-category supplements, which are sold from the same counter under a different law entirely; GST and e-invoicing; shops and establishments, EPF/ESI and POSH. **The decisive structural fact is that the H1 register is the only routine written record in Indian retail pharmacy of a sale being made properly, that it is very widely maintained as a formality after the fact if at all, and that NOTHING IN THE SYSTEM MEASURES THE SALES A PHARMACY DECLINED TO MAKE.**

3. Promoter & Ownership

Led by a promoter who is a registered pharmacist or has retail pharmacy experience. Three competences decide outcomes. *Buying and stock discipline*, because a pharmacy's profit is made in procurement terms and destroyed by expiry write-off across thousands of SKUs. *Clinical credibility at the counter*, since a pharmacist who can explain an interaction retains a chronic patient for years. And *the willingness to lose a sale*, which is where this plan's whole proposition sits and which costs measurable revenue every single day. Ownership, equity & investor terms are editable inputs; **the superintending pharmacist reports to the promoter, holds authority to refuse any sale, and refusals are logged rather than left to memory.**

4. Market Analysis — India

A very large, extremely fragmented trade in which nobody measures the thing that matters most.

Demand drivers

- **Chronic disease prevalence** — diabetes, hypertension and cardiac care generating monthly repeat demand.
- **Out-of-pocket healthcare spending**, of which medicines are the largest single component.
- **The pharmacy as first point of contact** for a large share of the population.
- **Generic substitution** widening the price ladder within every molecule.
- **Ageing and urbanisation** raising both volume and delivery expectations.
- **E-pharmacy price competition** compressing the trade discount on non-urgent purchases.

Market sizing (illustrative framing)

Layer	Definition	Indicative scale
TAM	Indian retail pharmacy trade	Very large; hundreds of thousands of outlets
SAM	Catchments where a pharmacist-staffed shop can hold price against an e-pharmacy	Bounded by CHRONIC-CARE RELATIONSHIPS, not footfall
SOM (Yr 1-3)	Outlets and bills	₹14cr → ₹58cr; 8 → 28 outlets; ~906,000 bills

Revenue mix and share (Year 3)

Stream	Share of revenue	Gross margin — and what it does to behaviour
Scheduled / prescription medicines (branded)	40.0%	17.5% — the lowest margin, and what he came for
Chronic-care refill programme	20.0%	20.0% — predictable, and the retention engine
Branded generics & substitution	14.0%	36.0% — twice the margin of the brand prescribed
OTC medicines	11.0%	30.0% — sold on our recommendation
Nutraceuticals, supplements & wellness	8.0%	48.0% — the highest margin, and the least necessary
Surgicals, devices & counter diagnostics	7.0%	33.0% — genuine need, discretionary timing

Read the third column downwards and the trade's entire behaviour becomes legible. The scheduled branded medicine at 40% of revenue earns 17.5% — it is the reason the patient came, it is price-controlled on much of the list, and it is the worst-paying thing in the shop. The nutraceutical at 8% of revenue earns 48%, is bought almost entirely on the counter's recommendation, and is regulated as a food rather than a medicine. Between them sits the branded generic at 36%, twice the margin of the brand the doctor wrote. A pharmacy netting 4.4% that shifted four percentage points of revenue from the first row to the fifth would add ₹53 lakh to a ₹2.57 crore profit — a fifth more, from a change no customer could possibly notice, nothing unlawful sold and nobody lied to. And the ladder has already done its work on the accounts: the nutraceutical line at 8% of revenue delivers 15% of all gross profit, while the scheduled medicines at 40% of revenue deliver 27%. That is why the recommendation drift is universal and why no amount of exhortation touches it: it is not a moral failure, it is a rational response to a margin structure. The only thing that works is disclosure, per the agri-input rule that where the adviser and the seller are the same person, the sale's payment must be stated.

Constraints

- **Registered pharmacist availability** at 1.6 per outlet for full-hours coverage.
- **Expiry write-off** across a very long tail of slow-moving SKUs.
- **Price control** on scheduled formulations, which caps margin on the largest category.
- **E-pharmacy discounting** on planned, non-urgent chronic purchases.

5. Competition & Position

Competitor type	Strength	Weakness this plan exploits
Independent neighbourhood chemists	Location, credit to regulars, low cost base, decades of relationship	Dispensing without prescription; pharmacist frequently absent
Organised pharmacy chains	Buying power, private label, systems, brand	Private-label push; counselling time squeezed by throughput
E-pharmacies	Price, convenience, refill reminders, delivery	No counter; no counselling; prescription verification variable
Hospital and clinic pharmacies	Captive prescription flow at the point of care	Captive pricing; no reason to compete on anything
This plan	Published refusal rate, disclosed substitution margin, pharmacist present all hours, refill persistence measured	4.4% net margin; loses walk-in sales daily by design

The positioning is deliberately unglamorous, because the honest claims a pharmacy can make are small and checkable rather than large and unverifiable. Not "we care about your health", which every shopfront says, but: a registered pharmacist is behind this counter every hour we are open; we will tell you what the substitution earns us; we will ask for the prescription the law requires and we publish how often we were told to get lost for asking; and if you stop collecting your blood-pressure medicine we will telephone you. Each is verifiable by an ordinary customer within one visit, which is the test this library applies to every claim. Chronic-care retention at 81% refill persistence is where the money actually is, and it is the only competitive asset in retail pharmacy that an e-pharmacy discount cannot take away.

The cost of the honest position is stated in rupees rather than implied. A registered pharmacist physically present in every outlet for every opening hour — 44 pharmacists for 28 shops — cost ₹1.18 crore of Year-3 margin, the largest single item. Refusing prescription-only sales without a prescription cost ₹96 lakh: ₹21 lakh of refused sales and an estimated ₹75 lakh of onward custom lost to the shop that did not ask, which is the larger and less visible half. Disclosing what a substitution pays us cost ₹64 lakh, because 8% of patients decline once told. Destroying near-expiry stock rather than returning it for credit, and de-listing distributors on a substandard batch, cost ₹42 lakh. Counselling time and refill follow-up cost ₹38 lakh. Total ₹3.58 crore against ₹2.57 crore of profit — so a trade-standard operator with identical shops would earn ₹6.15 crore.

6. The Sale You Are Asked to Refuse

This is the finding, and its difficulty is that the customer is usually sympathetic and often right.

Element	What is actually true at the counter
The customer	Has a real complaint, is in discomfort, and is not being unreasonable
The request	A specific antibiotic, often correctly named, sometimes the right one
The obstacle	A doctor's appointment tomorrow, a fee, a day of wages lost
The alternative	The shop forty metres away, which will not ask
The harm	Resistance — population-wide, years later, untraceable to any counter

Who bears it	NOT the buyer. Somebody he will never meet.
What the law records	The H1 register — if the sale happens. Nothing records a refusal.

The catering anchor established that where harm is rare, delayed and untraceable, the leading-indicator rate must be published because the outcome never teaches you anything in time. The pharmacy counter is that structure with its last protection removed: in every other business in this library the person who buys the compromised thing is at least the person harmed by it, so his complaint is at least theoretically available as a signal. Here he is not harmed at all. He recovers, he is grateful, he returns, and he tells his neighbours that this is a helpful shop — **WHICH MEANS THE COMMERCIAL FEEDBACK FROM AN IMPROPER SALE IS NOT MERELY ABSENT BUT ACTIVELY POSITIVE.** The pharmacy that dispenses freely is rewarded by its customers, in real time, for the exact behaviour that causes the harm. No leading indicator drawn from outcomes can work here, because there are no outcomes to draw from. The only measurable thing left is the refusal.

So the refusal is what gets counted. **11,400 SALES REFUSED FOR WANT OF A PRESCRIPTION** in Year 3 — **11.2** per thousand walk-ins — **WITH THE REVENUE FORGONE PUBLISHED AT ₹96 LAKH**, of which ₹21 lakh is the refused sale and ₹75 lakh is estimated onward custom lost to the shop that did not ask. The second figure is larger, is an estimate, and is disclosed as an estimate, because pretending the cost is only the till receipt would understate what refusing actually does to a shop. Every antibiotic sale is against a valid prescription; the H1 register is completed **AT THE POINT OF SALE** by a system that will not close the bill without it, rather than reconstructed on a Sunday; and full courses are dispensed rather than the three tablets a customer asks for, because a part course is the specific act that breeds resistance. **AND A ZERO REFUSAL RATE IS INVESTIGATED AS AN ENFORCEMENT FAILURE**, per the library's rule that a gate with no rejections is not a gate — an outlet reporting no refusals in a quarter is audited, not congratulated. **WHERE THE BENEFIT OF A SALE FALLS ON THE BUYER IN FRONT OF YOU AND THE HARM FALLS ON EVERYBODY ELSE LATER, THE ONLY HONEST METRIC IS WHAT YOU REFUSED.**

7. The Margin Ladder, the Absent Pharmacist and the Returned Strip

Three further rules, all following from the same thin margin.

☐ **THE MARGIN LADDER RUNS THE WRONG WAY.** 17.5% on the scheduled branded medicine he came for, 36.0% on the branded generic he can be switched to, 48.0% on the nutraceutical suggested while his card is being swiped — in a business netting 4.4%, where moving four points of revenue up that ladder would double the profit. The switch is usually lawful, often clinically fine, and occasionally better for the patient's pocket too, which is exactly what makes it impossible to police by rule. So **WHAT THE SUBSTITUTION PAYS THIS SHOP IS TOLD TO THE PATIENT** — printed on the bill and said aloud — on all 36,800 substitutions, and 8% decline once told, at a cost of ₹64 lakh. The 8% is the number that proves the disclosure is real; a disclosure that changed nobody's mind would not be a disclosure.

☐ **THE REGISTERED PHARMACIST WHOSE NAME IS ON THE BOARD IS FREQUENTLY NOT BEHIND THE COUNTER.** The rented licence — a registration lent to a shop the pharmacist rarely visits — is the trade's normal arrangement, is invisible to every customer, and hollows out the one statutory protection that stands between a patient and a wrong dispensing. So **PHARMACIST-PRESENT DISPENSING HOURS ARE MEASURED AS A PERCENTAGE OF OPENING HOURS AND PUBLISHED AT EACH SHOPFRONT: 100%**, requiring 44 registered pharmacists for 28 outlets at 1.6 per shop, costing ₹1.18 crore. **NIL** prescriptions are dispensed with no pharmacist on the premises — and when cover fails, the dispensing counter closes while the front shop stays

open, because the honest response to an absent pharmacist is to stop dispensing rather than to carry on quietly.

□ **AND NEAR-EXPIRY STOCK RETURNED FOR CREDIT DOES NOT STOP EXISTING.** The trade's saleable-return practice sends short-dated and unsold stock back up the chain, where it is credited and frequently redistributed to a shop with faster turnover — so the strip that would not sell here is sold somewhere else, closer to its date. Per the spice-brand and food-export rule, we **DESTROY RATHER THAN RETURN**, record the destruction, and **DE-LIST THE DISTRIBUTOR** on a spurious or substandard batch rather than merely quarantining the batch — 8 de-listed in Year 3 — because a batch returned to a distributor is simply sold to somebody else. Cold-chain excursions are recorded and the affected stock destroyed, at ₹42 lakh across both commitments.

□ **AND THE CHRONIC PATIENT WHO STOPS REFILLING IS THIS BUSINESS'S ONLY REAL LEADING INDICATOR.** A hypertensive who has not collected his medicine for six weeks is a clinical event that nobody in the trade tracks, because a customer who stops coming simply looks like lost revenue. So **REFILL PERSISTENCE IS MEASURED** — 81% in Year 3 — and 100% of missed refills are followed up by telephone, which is both a patient-safety act and, not coincidentally, the best retention mechanism in retail pharmacy.

8. Operations Plan (dispense, refuse, record, follow up)

At the counter

- **Registered pharmacist present for 100% of opening hours**; dispensing stops if cover fails.
- **Prescription demanded for every Schedule H, H1 and X medicine**, with the refusal logged.
- **The billing system will not close a Schedule H1 sale** without the prescriber, patient and quantity entered.
- **Full courses dispensed** rather than part courses, because a part course is what breeds resistance.

Substitution and recommendation

- **What the substitution pays this shop stated aloud and printed on the bill.**
- **Price to the patient shown alongside the prescribed brand**, so the trade-off is his to make.
- **Nutraceutical and supplement recommendations logged** against the counter staff who made them.
- **No incentive on category mix** for counter staff, which removes the pressure rather than policing it.

Stock, cold chain and quality

- **Purchase only from licensed distributors against invoice**, with batch and expiry captured at receipt.
- **Cold-chain excursions recorded** by data logger; affected stock destroyed, not sold down.
- **Near-expiry destroyed rather than returned for credit**, with destruction recorded.
- **Distributors de-listed on a spurious or substandard batch**, not merely the batch quarantined.

Chronic care and follow-up

- **Refill persistence measured per patient**; missed refills followed up by telephone at 100%.
- **Counselling minutes recorded including the long tail**, so the slow consultation is not squeezed out.
- **Contribution reported per category**, never blended alone.
- **Refusal rate published per outlet**, with a zero reading audited rather than praised.

The operational hinge is nine-forty on a Sunday night: a mother with a feverish child, no clinic open, asking for the antibiotic that worked last time, which she names correctly. Refusing costs the sale, probably costs the customer permanently, and feels — to the person at the counter — like an act of petty officiousness towards somebody who needs help. She is not wrong to be angry, and the assistant is not wrong to feel bad. So **THE SYSTEM REFUSES RATHER THAN WARNS**: the till cannot complete a Schedule H1 sale without a prescriber name, the refusal is logged as a positive event rather than a lost sale, **NO COUNTER STAFF MEMBER'S PAY IS AFFECTED BY THE SALES HE DECLINED**, and the shop holds a list of open clinics and a teleconsultation link to offer instead — because refusing without offering an alternative is not integrity, it is just refusal.

9. Licensing, Schedules & Operating Compliance (India)

- **Drugs and Cosmetics Act 1940 and Rules 1945** — retail drug licence Form 20/21 **per outlet**, with premises, storage and record conditions.
- **Pharmacy Act 1948 and state registration** — dispensing by or under the personal supervision of a registered pharmacist, which is the requirement the rented licence hollows out.
- **Schedules H, H1 and X** — the H1 register recording prescriber, patient and quantity, retained three years; the only routine written evidence that a sale was made properly, and **NOTHING IN THE SYSTEM RECORDS A SALE DECLINED**.
- **NDPS Act** for Schedule X, with separate storage, register and disposal requirements.
- **NPPA and DPCO** — ceiling prices on scheduled formulations, which cap margin on the largest revenue category.
- **Cold chain** — storage conditions for thermolabile products, with excursion recording and destruction.
- **FSSAI** — nutraceuticals and supplements sold from the same counter under a different law entirely, with different claim rules.
- **Commercial and workforce** — GST and e-invoicing, shops and establishments, EPF/ESI, POSH, and biomedical waste rules for expired stock destruction.

10. Organisation & Manpower Plan

Function	Yr 1	Yr 3	Notes
Promoter / superintending pharmacist	1	1	Holds authority to refuse; owns the refusal register
Registered pharmacists	13	44	1.6 per outlet — full opening-hours cover, ₹1.18cr
Counter assistants & support	14	62	No incentive on category mix
Chronic-care refill & counselling	3	12	Telephones the patient who stopped collecting
Procurement, cold chain & stock	2	7	De-lists distributors; records destruction
Finance, audit & admin	3	10	Publishes refusal rate per outlet
Total	36	136	Pharmacists at 32% of headcount

Forty-four registered pharmacists for twenty-eight shops is the single most expensive decision in this plan and the one a competitor is least likely to copy, because 1.6 pharmacists per outlet is what full opening-hours cover actually costs and the trade's alternative — one registration on the board and a capable assistant behind the counter — is very much cheaper and completely invisible to a customer. Counter staff carry **NO**

INCENTIVE ON CATEGORY MIX, which matters more than any instruction: given a 17.5% margin on the prescription and 48% on the supplement, an incentive scheme does not need to mention supplements to produce them. And the superintending pharmacist reports to the promoter rather than to a sales line, because the person who loses the customer to the shop next door must not be the person deciding whether to refuse.

11. Implementation Timeline & Milestones

Phase	Window	Milestones
Formation & first outlets	Month 0–6	Incorporation, drug licences, pharmacist registration, 8 outlets
Refusal register & H1 at point of sale	Month 2–8	Till blocked without register entry; refusals logged as positive events
Substitution disclosure	Month 5–12	Margin printed on bill; category incentives removed from counter pay
Chronic-care programme	Month 8–20	Refill persistence measured; missed-refill follow-up live
Expansion to 18 outlets	Month 12–26	Cold-chain logging, destruction protocol, distributor de-listing
Scale & publication	Month 24–36	28 outlets; refusal rate published per shopfront; 81% persistence

Training and competence

- **How to refuse well** — the script, the alternative offered, and the assurance that the refusal costs nobody their pay.
- **Interaction and dose checking** for pharmacists, with periodic assessment.
- **Saying the margin aloud** — disclosure practised until it stops feeling like an admission.
- **Cold chain and destruction discipline**, including why returning is not an option here.

12. Financial Plan (Illustrative)

All figures are illustrative model assumptions, not forecasts or guarantees. They exist to show the drivers of a retail pharmacy P&L and how the refusal, disclosure and pharmacist-presence disciplines move them. Every input is editable. **The defining economics are a 25.5% blended gross margin against a 4.4% net margin, with the margin ladder running from 17.5% on what the patient needs to 48.0% on what he does not — which is the arithmetic the whole plan is built to resist.**

12.1 Project cost & funding

Item	₹ lakh	Notes
Outlet fit-out, fixtures & signage (28 phased)	218	Includes the refusal-rate board at each shopfront
Opening inventory & outlet stock	186	Long SKU tail is the working-capital problem
Cold chain — refrigeration, data loggers, backup power	62	Excursions recorded, affected stock destroyed
Working capital — stock cycle and credit book	58	Chronic patients on account

Billing, H1 register & inventory technology	54	The till that will not close an H1 sale without the entry
Licences, deposits & pre-operative	48	A drug licence per outlet
Expiry & destruction provision	14	Because near-expiry is destroyed, not returned for credit
Total project cost	640	₹240L investor + ₹220L term loan + ₹120L promoter + ₹60L WC

12.2 Operating metrics

Metric	Yr 1	Yr 2	Yr 3
SALES REFUSED for want of a prescription / per 1,000 walk-ins / revenue forgone (₹L, refused sale + estimated onward custom) / a ZERO refusal rate audited as an enforcement failure	2,340 / 9.4 / 41 / 100%	5,940 / 10.6 / 68 / 100%	11,400 / 11.2 / 96 / 100%
Antibiotic sales against a valid prescription / H1 register completed AT POINT OF SALE by a till that will not close without it / full courses dispensed rather than part courses	100% / 100% / 94%	100% / 100% / 97%	100% / 100% / 99%
WHAT THE SUBSTITUTION PAYS THIS SHOP disclosed to the patient / substitutions made / patients who declined once told / counter pay linked to category mix	100% / 6,200 / 11% / NIL	100% / 18,400 / 9% / NIL	100% / 36,800 / 8% / NIL
PHARMACIST-PRESENT DISPENSING HOURS as % of opening hours / registered pharmacists per outlet / prescriptions dispensed with NO pharmacist on the premises	100% / 1.6 / NIL	100% / 1.6 / NIL	100% / 1.6 / NIL
Cold-chain excursions recorded / near-expiry DESTROYED rather than returned for credit / distributors DE-LISTED on a spurious or substandard batch / expiry write-off as % of revenue	100% / 100% / 3 / 1.9%	100% / 100% / 5 / 1.5%	100% / 100% / 8 / 1.2%
Counselling minutes per prescription (90th percentile) / chronic refill persistence / missed refills followed up / outlets / bills	3.8 (9) / 61% / 100% / 8 / 219k	4.4 (11) / 72% / 100% / 18 / 500k	5.1 (13) / 81% / 100% / 28 / 906k

Row one is the row this vertical exists to report, and it is the only metric in this plan that **MUST RISE** rather than fall: 11.2 refusals per thousand walk-ins, up from 9.4, because a rising refusal rate means the gate is being enforced harder rather than that the shop is getting worse. The ₹96 lakh is disclosed in two parts — ₹21 lakh of refused sales and ₹75 lakh of estimated onward custom lost to the shop that did not ask — because the second is larger, is genuinely an estimate, and pretending the cost is only the till receipt would understate what refusing does to a neighbourhood shop. Row three's 8% decline rate is the evidence that the substitution disclosure is real, per the library's rule that a disclosure nobody acts on is a formality. Row six carries counselling time **WITH ITS 90TH PERCENTILE** at 13 minutes, per the gaming-cafe rule that a blended average must carry its tail — because the diabetic who needs a quarter of an hour is precisely the patient a throughput target would squeeze out, and he is the one who needed the pharmacist.

12.3 Revenue build

Stream	Yr 1 (₹L)	Yr 2 (₹L)	Yr 3 (₹L)	Gross margin
Scheduled / prescription medicines (branded)	560	1,280	2,320	17.5%

Chronic-care refill programme	280	640	1,160	20.0%
Branded generics & substitution	196	448	812	36.0%
OTC medicines	154	352	638	30.0%
Nutraceuticals, supplements & wellness	112	256	464	48.0%
Surgicals, devices & counter diagnostics	98	224	406	33.0%
Total revenue	1,400	3,200	5,800	25.5% blended

12.4 P&L summary

Line	Yr 1 (₹L)	Yr 2 (₹L)	Yr 3 (₹L)
Revenue	1,400	3,200	5,800
Cost of goods — incl. expiry write-off and destroyed stock	(1,092)	(2,432)	(4,321)
Gross profit	308	768	1,479
Registered pharmacist & counter wages	(142)	(268)	(486)
Outlet rent, utilities & occupancy	(96)	(184)	(328)
Cold chain, destruction & quality	(28)	(52)	(88)
Billing, H1 register & systems	(26)	(42)	(64)
Counselling & refill-persistence programme	(24)	(44)	(78)
Admin, audit, insurance & other	(52)	(82)	(148)
EBITDA	(60)	96	287
Depreciation & amortisation	(42)	(68)	(92)
Finance cost	(28)	(48)	(62)
Other income — supplier trade schemes and display income (<i>disclosed</i>)	58	96	210
PBT	(72)	76	343
Tax	18	(19)	(86)
PAT	(54)	57	257
Net margin	(3.9%)	1.8%	4.4%
ROCE	(15.9%)	4.4%	30.5%

Other income at ₹2.10 crore is 3.6% of revenue and is labelled rather than buried, because in retail pharmacy it is not incidental — supplier trade schemes and display income are a real and substantial part of how a chemist earns, and they are paid BY THE PARTY WHOSE PRODUCT WE ARE ASKED TO RECOMMEND. So it is disclosed as a line, it is excluded from any counter-level incentive, and no display or scheme payment is accepted that is conditional on volume of a specific brand — which is the commission-disclosure rule this library applies wherever the adviser is paid by somebody other than the person he is advising. The 4.4% net margin is the honest number for this trade and the reason every rule above is expensive: at that thinness, ₹3.58 crore of commitments against ₹2.57 crore of profit means a trade-standard operator with identical

shops, identical rents and identical customers would earn ₹6.15 crore.

12.5 Break-even & sensitivity

Scenario	Yr 3 revenue	Yr 3 PAT	Comment
Base	₹58.0cr	₹2.57cr	As modelled, 4.4% net
Trade-standard practice	₹60.4cr	₹6.15cr	Identical shops; no refusals, rented licence
Category mix shifts 4 points to supplements	₹58.0cr	₹3.10cr	Why the ladder has to be resisted deliberately
E-pharmacy takes 15% of chronic refills	₹56.3cr	₹2.31cr	Why refill persistence is the retention asset
Expiry write-off returns to 2.2% of revenue	₹58.0cr	₹2.14cr	The long SKU tail is the operating risk
Pharmacist wage inflation +20%	₹58.0cr	₹2.28cr	1.6 per outlet is the exposure

13. Funding Requirement & Bankability

Source	₹ lakh	Terms (indicative)
Investor equity	240	Outlet rollout; refusal and pharmacist-presence covenants
Term loan	220	Fit-out, cold chain and systems; 5–6 years
Promoter contribution	120	Cash and pharmacist registration
Working capital facility	60	Stock cycle and chronic-patient credit
Total	640	Illustrative structure

A lender should read three things: refill persistence, expiry write-off and revenue per outlet. Refill persistence at 81% is the only durable asset in retail pharmacy, because a chronic patient who trusts a counter is worth several years of predictable monthly revenue and is the one customer an e-pharmacy discount struggles to take — the sensitivity shows what losing 15% of that book does. Expiry write-off falling from 1.9% to 1.2% of revenue is the operating-discipline indicator, and on a 4.4% net margin a one-point deterioration takes ₹43 lakh straight off the profit. Revenue per outlet rising from ₹1.75 crore to ₹2.07 crore shows the chronic book maturing rather than the rollout merely adding shops. The pharmacist-presence and refusal rules deserve covenants for the same reason: both would improve the accounts if quietly abandoned, and neither breach would be visible in any financial statement.

- **Use of funds** — 34% outlet fit-out, 29% opening inventory, 10% cold chain, 9% working capital, 8% billing and register systems, 8% licences and deposits, 2% destruction provision.
- **Repayment** — term loan from Year 2–3 cash flow; working capital revolving against the stock cycle.
- **Investor exit** — sale to a national pharmacy chain, an e-pharmacy seeking physical fulfilment, or a healthcare group; or promoter buyback.

14. Risk Analysis & Mitigation

Risk	Impact	Mitigation
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The sale you are asked to refuse	Dispensing prescription-only medicines without a prescription — ANTIBIOTICS ABOVE ALL — is the defining integrity question of Indian retail pharmacy. The customer WANTS it, has a genuine complaint, is often CORRECT that he needs it, cannot see a doctor tonight, and WILL WALK FORTY METRES AND BUY IT FROM THE NEXT SHOP if refused. And the harm — antimicrobial resistance — falls on THE ENTIRE POPULATION YEARS LATER and can NEVER be traced to the counter that sold it. This is the catering anchor's problem in its purest form — rare, delayed, untraceable — EXCEPT THAT HERE THE HARM DOES NOT EVEN FALL ON THE BUYER. HE RECOVERS, HE IS GRATEFUL, HE RETURNS, AND HE TELLS HIS NEIGHBOURS THIS IS A HELPFUL SHOP — SO THE COMMERCIAL FEEDBACK FROM AN IMPROPER SALE IS NOT MERELY ABSENT BUT ACTIVELY POSITIVE. NO LEADING INDICATOR DRAWN FROM OUTCOMES CAN WORK HERE, BECAUSE THERE ARE NO OUTCOMES TO DRAW FROM	PUBLISH THE REFUSAL RATE — 11,400 sales refused in Yr3, 11.2 per 1,000 walk-ins, RISING from 9.4 because a rising rate means harder enforcement — WITH REVENUE FORGONE PUBLISHED AT ₹96L IN TWO PARTS: ₹21L of refused sales and ₹75L of ESTIMATED ONWARD CUSTOM LOST TO THE SHOP THAT DID NOT ASK, disclosed as an estimate because pretending the cost is only the till receipt would understate what refusing does to a neighbourhood shop. H1 register completed AT POINT OF SALE by a till that WILL NOT CLOSE without prescriber, patient and quantity. FULL COURSES dispensed, never part courses, because a part course is the specific act that breeds resistance. AND A ZERO REFUSAL RATE IS AUDITED AS AN ENFORCEMENT FAILURE — a gate with no rejections is not a gate. WHERE THE BENEFIT OF A SALE FALLS ON THE BUYER IN FRONT OF YOU AND THE HARM FALLS ON EVERYBODY ELSE LATER, THE ONLY HONEST METRIC IS WHAT YOU REFUSED
Nine-forty on a Sunday night	A mother with a feverish child, no clinic open, asking for the antibiotic that worked last time, which she names correctly. Refusing costs the sale, probably costs the customer PERMANENTLY, and feels to the person at the counter like PETTY OFFICIOUSNESS TOWARDS SOMEBODY WHO NEEDS HELP. SHE IS NOT WRONG TO BE ANGRY AND THE ASSISTANT IS NOT WRONG TO FEEL BAD	THE SYSTEM REFUSES RATHER THAN WARNS: the till CANNOT complete a Schedule H1 sale without a prescriber name; the refusal is logged as A POSITIVE EVENT rather than a lost sale; NO COUNTER STAFF MEMBER'S PAY IS AFFECTED BY THE SALES HE DECLINED; and the shop holds a list of open clinics and a teleconsultation link TO OFFER INSTEAD — BECAUSE REFUSING WITHOUT OFFERING AN ALTERNATIVE IS NOT INTEGRITY, IT IS JUST REFUSAL. Staff are trained in HOW TO REFUSE WELL, which is a skill and not a rule
The margin ladder runs the wrong way	17.5% on the scheduled branded medicine he came for; 20.0% on the chronic refill; 36.0% on the branded generic he can be switched to; 48.0% on the nutraceutical suggested while his card is being swiped — IN A BUSINESS NETTING 4.4%, WHERE MOVING FOUR POINTS OF REVENUE UP THAT LADDER ADDS ₹53L TO A ₹2.57cr PROFIT — A FIFTH MORE, FROM A CHANGE NO CUSTOMER COULD POSSIBLY NOTICE, NOTHING UNLAWFUL SOLD AND NOBODY LIED TO; THE NUTRACEUTICAL LINE AT 8% OF REVENUE ALREADY DELIVERS 15% OF ALL GROSS PROFIT WHILE SCHEDULED MEDICINES AT 40% OF REVENUE DELIVER 27%. The switch is usually lawful, often clinically fine and occasionally better for the patient's pocket, WHICH IS WHAT MAKES IT IMPOSSIBLE TO POLICE BY RULE	DISCLOSE WHAT THE SUBSTITUTION PAYS THIS SHOP — printed on the bill and said aloud — on all 36,800 substitutions, with the price to the patient shown alongside the prescribed brand so THE TRADE-OFF IS HIS TO MAKE; 8% DECLINE ONCE TOLD, which is the number proving the disclosure is real, per the rule that a disclosure nobody acts on is a formality (₹64L). NO COUNTER PAY LINKED TO CATEGORY MIX, which removes the pressure rather than policing it — GIVEN THOSE MARGINS, AN INCENTIVE SCHEME DOES NOT NEED TO MENTION SUPPLEMENTS TO PRODUCE THEM. Supplement recommendations logged against the person who made them

The rented licence	A registered pharmacist whose name is on the board but who is rarely behind the counter is THE TRADE'S NORMAL ARRANGEMENT, is INVISIBLE TO EVERY CUSTOMER, and hollows out the one statutory protection standing between a patient and a wrong dispensing. It is also very much cheaper	PHARMACIST-PRESENT DISPENSING HOURS MEASURED AS A % OF OPENING HOURS AND PUBLISHED AT EACH SHOPFRONT — 100%, requiring 44 REGISTERED PHARMACISTS FOR 28 OUTLETS at 1.6 per shop, ₹1.18cr, the largest single item in the honest position. NIL prescriptions dispensed with no pharmacist on the premises; and WHEN COVER FAILS THE DISPENSING COUNTER CLOSSES WHILE THE FRONT SHOP STAYS OPEN, because the honest response to an absent pharmacist is TO STOP DISPENSING rather than to carry on quietly
Near-expiry returned for credit	The trade's saleable-return practice sends short-dated and unsold stock BACK UP THE CHAIN, where it is credited and frequently REDISTRIBUTED TO A SHOP WITH FASTER TURNOVER — so the strip that would not sell here IS SOLD SOMEWHERE ELSE, CLOSER TO ITS DATE. Spurious and substandard batches enter the same way	DESTROY RATHER THAN RETURN, with the destruction recorded (spice-brand and food-export rule), and DE-LIST THE DISTRIBUTOR on a spurious or substandard batch rather than merely quarantining it — 8 de-listed in Yr3 — BECAUSE A BATCH RETURNED TO A DISTRIBUTOR IS SIMPLY SOLD TO SOMEBODY ELSE. Purchase only from licensed distributors against invoice with batch and expiry captured at receipt; cold-chain excursions recorded by data logger and affected stock destroyed, not sold down (₹42L across both)
The chronic patient who stops refilling	A hypertensive who has not collected his medicine for six weeks is a CLINICAL EVENT that nobody in the trade tracks, because a customer who stops coming simply LOOKS LIKE LOST REVENUE; and losing 15% of the chronic book to e-pharmacy discounting takes profit to ₹2.31cr	REFILL PERSISTENCE MEASURED PER PATIENT — 81% in Yr3 from 61% — with 100% of missed refills FOLLOWED UP BY TELEPHONE, which is simultaneously a patient-safety act and the best retention mechanism in retail pharmacy; counselling minutes recorded WITH THEIR 90TH PERCENTILE at 13 minutes so the slow consultation is not squeezed out by a throughput target — the diabetic who needs a quarter of an hour is exactly the patient who needed the pharmacist
Supplier trade schemes and display income	₹2.10cr, 3.6% of revenue — not incidental but a real and substantial part of how a chemist earns, AND PAID BY THE PARTY WHOSE PRODUCT WE ARE ASKED TO RECOMMEND	DISCLOSED AS A LINE rather than buried in gross margin; EXCLUDED from any counter-level incentive; and NO DISPLAY OR SCHEME PAYMENT ACCEPTED THAT IS CONDITIONAL ON VOLUME OF A SPECIFIC BRAND — the commission-disclosure rule this library applies wherever the adviser is paid by somebody other than the person he is advising; category contribution reported separately, never blended alone
Thin margin and expiry exposure	4.4% net is the honest number for this trade; expiry write-off returning to 2.2% of revenue takes profit to ₹2.14cr and pharmacist wage inflation of 20% to ₹2.28cr — on this margin, small operating slips are large profit events	Expiry write-off driven from 1.9% to 1.2% through receipt-level batch and expiry capture, near-expiry alerting and inter-outlet transfer before dating; SKU tail actively pruned; revenue per outlet grown ₹1.75cr → ₹2.07cr through the chronic book rather than through footfall; DPCO-scheduled lines monitored for ceiling revisions; and outlet-level P&L published internally so a shop that is not working is closed rather than carried

15. SWOT Analysis

Strengths • Refusal rate published and rising — 11.2 per 1,000 walk-ins • Substitution margin disclosed; 8% of patients decline • Registered pharmacist present 100% of opening hours • 81% chronic refill persistence with 100% follow-up • Near-expiry destroyed, not returned; 8 distributors de-listed	Weaknesses • ₹3.58cr forgone against ₹2.57cr of profit • 4.4% net margin leaves little room for slips • 44 pharmacists for 28 outlets is a heavy fixed cost • Loses walk-in sales daily, by design
Opportunities • Chronic-care book that discounting cannot easily take • Prescriber relationships built on counselling quality • Outlet-level publication as a genuine differentiator • Home delivery to the chronic book at low incremental cost • Vertical extension into diagnostics collection at counter	Threats • E-pharmacy discounting on planned refills • DPCO ceiling revisions on the largest category • Registered pharmacist scarcity and wage inflation • Competitors whose cost base assumes an absent pharmacist

16. Recommended AiSevak Tools for This Business

- **Refusal register** — every declined sale logged as a positive event, published per outlet, zero readings auto-audited.
- **H1-blocking till** — a Schedule H1 bill that cannot close without prescriber, patient and quantity.
- **Substitution disclosure on the bill** — what the switch pays the shop, printed and prompted aloud.
- **Pharmacist presence log** — dispensing hours against opening hours, with the counter closing when cover fails.
- **Batch, expiry & destruction tracker** — receipt-level capture, destruction recorded, distributor de-listing.
- **Refill-persistence engine** — missed-refill detection and telephone follow-up for chronic patients.
- **Category contribution reporting** — never blended alone; trade schemes disclosed separately.

17. Key Assumptions & Notes

- **All financials are illustrative model assumptions, not forecasts, projections or guarantees.** Revenue, outlet count, category margins, refusal counts and persistence rates are editable inputs; actual outcomes depend on catchment, rent, pharmacist availability and price control. Figures are in Indian rupees. **This is the anchor plan for the pharmacy vertical, and the eight plans that follow inherit the rules set out here.**
- **The central integrity finding is that dispensing a prescription-only medicine without a prescription — antibiotics above all — is the defining question of Indian retail pharmacy, and it is the hardest version of a problem this library has met before.** The customer wants it, has a genuine complaint, is often correct that he needs it, cannot easily see a doctor tonight, and will walk forty metres and buy it from the next shop if refused — while the harm, antimicrobial resistance, falls on the entire population years later and can never be traced to the counter that sold it. **That is the catering anchor's problem in its purest form — rare, delayed, untraceable — except that here the harm does not even fall on the buyer. He recovers, he is grateful, he returns, and he tells his neighbours this is a helpful shop, so the commercial feedback from an improper sale is not merely absent but actively positive. No leading indicator drawn from outcomes can work here, because there are no outcomes to draw from. The only measurable thing left is the refusal.**

- **So the refusal is what gets counted, and it is the one metric in this plan that must rise.** 11,400 sales refused in Year 3, 11.2 per thousand walk-ins against 9.4 in Year 1, with revenue forgone published at ₹96 lakh in two parts — ₹21 lakh of refused sales and ₹75 lakh of estimated onward custom lost to the shop that did not ask, disclosed as an estimate because pretending the cost is only the till receipt would understate what refusing does to a neighbourhood shop. The Schedule H1 register is completed at the point of sale by a till that will not close without prescriber, patient and quantity; full courses are dispensed rather than part courses, because a part course is the specific act that breeds resistance. **And a zero refusal rate is audited as an enforcement failure rather than congratulated, per the library's rule that a gate with no rejections is not a gate. WHERE THE BENEFIT OF A SALE FALLS ON THE BUYER IN FRONT OF YOU AND THE HARM FALLS ON EVERYBODY ELSE LATER, THE ONLY HONEST METRIC IS WHAT YOU REFUSED.**
- **The margin ladder runs the wrong way, and that arithmetic explains the trade rather than anybody's character.** 17.5% on the scheduled branded medicine the patient came for, 20.0% on the chronic refill, 36.0% on the branded generic he can be switched to, and 48.0% on the nutraceutical suggested while his card is being swiped — in a business netting 4.4%, where moving four points of revenue up that ladder adds ₹53 lakh to a ₹2.57 crore profit — a fifth more, from a change no customer could possibly notice, nothing unlawful sold and nobody lied to, while the nutraceutical line at 8% of revenue already delivers 15% of all gross profit against 27% from the scheduled medicines at 40% of revenue. **The switch is usually lawful, often clinically fine and occasionally better for the patient's pocket, which is precisely what makes it impossible to police by rule — so what the substitution pays this shop is printed on the bill and said aloud on all 36,800 substitutions, 8% of patients decline once told, and no counter pay is linked to category mix, because given those margins an incentive scheme does not need to mention supplements to produce them.**
- **The registered pharmacist whose name is on the board is frequently not behind the counter.** The rented licence is the trade's normal arrangement, is invisible to every customer, is very much cheaper, and hollows out the one statutory protection standing between a patient and a wrong dispensing. **So pharmacist-present dispensing hours are measured against opening hours and published at each shopfront at 100% — 44 registered pharmacists for 28 outlets, ₹1.18 crore, the largest single item in the honest position — with nil prescriptions dispensed in a pharmacist's absence, and the dispensing counter closing while the front shop stays open when cover fails, because the honest response to an absent pharmacist is to stop dispensing rather than to carry on quietly.** Near-expiry stock is destroyed rather than returned for credit, since the trade's saleable-return practice sends short-dated stock back up the chain to be redistributed to a faster shop, and distributors are de-listed on a spurious batch rather than the batch merely quarantined.
- **The chronic patient who stops refilling is this business's only real leading indicator, and nobody in the trade tracks it** — a hypertensive who has not collected his medicine for six weeks is a clinical event that simply looks like lost revenue. Refill persistence is measured at 81% with 100% telephone follow-up, which is both a patient-safety act and the strongest retention mechanism available; counselling minutes carry their 90th percentile at 13 minutes per the rule that a blended average must carry its tail, because the diabetic who needs a quarter of an hour is exactly the patient a throughput target would squeeze out.
- **The economics are thin by nature and the plan says so rather than modelling its way around it.** 25.5% blended gross against a 4.4% net margin is the honest number for well-run retail pharmacy, and it is why every rule above is expensive: ₹3.58 crore of commitments against ₹2.57 crore of profit means a trade-standard operator with identical shops, rents and customers would earn ₹6.15 crore. **Supplier trade schemes and display income of ₹2.10 crore — 3.6% of revenue — are disclosed as a line rather than buried in gross margin, excluded from counter incentives, and never accepted conditional on the volume of a specific brand, because they are paid by the party whose product we are asked to recommend.** Expiry write-off falling to 1.2% of revenue and revenue per outlet rising to ₹2.07 crore are the two operating indicators a lender should read alongside persistence.

- **Compliance and professional advice.** The Drugs and Cosmetics Act 1940 and Rules 1945 with a retail drug licence per outlet; the Pharmacy Act 1948 and state registration requiring dispensing by or under the personal supervision of a registered pharmacist; Schedules H, H1 and X with the H1 register retained three years; the NDPS Act for Schedule X; NPPA and DPCO ceiling prices on scheduled formulations; cold-chain storage conditions with excursion recording; FSSAI licensing for nutraceuticals sold from the same counter under a different law; GST and e-invoicing; shops and establishments, EPF/ESI and POSH; and biomedical waste rules governing destruction of expired stock. Professional advice should be taken on licensing across states, pharmacist supervision arrangements, DPCO price compliance and supplement claim rules.

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