



BUSINESS PLAN · INDIA

Surgical & Medical-Supplies Store

Where the seller chooses the number he calls a ceiling - publish what you paid

PHARMACY RETAIL & DISTRIBUTION

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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 **Surgical & Medical-Supplies Store** business in India — 18 retail outlets and two warehouses by Year 3, supplying surgical consumables and dressings, home diagnostic and monitoring devices, hospital equipment, implants and mobility aids, infection-control supplies, and a calibration, service and AMC line, serving both walk-in patients and 214 institutional customers.

This plan inherits the pharmacy anchor's rules and follows the hospital-pharmacy finding one step upstream. **That plan showed the margin migrating to where price control does not reach. This one asks the obvious next question: if there is no price control on a catheter, what exactly is the number printed on the box?**

☐ **IN SURGICAL CONSUMABLES AND DEVICES, THE PRINTED MRP IS A NUMBER THE SELLER ORDERS FROM THE MANUFACTURER. The trade specifies the maximum retail price it wants printed, and the manufacturer prints it — which means MRP IS NOT A CEILING IMPOSED ON THE SELLER AT ALL. It is a number the seller chose, and then presents to the buyer as an external constraint: "we are selling at MRP", "forty per cent off MRP". THE DISCOUNT IS THEATRE, BECAUSE THE MRP WAS SET PRECISELY TO MAKE THE DISCOUNT POSSIBLE. And unlike the hospital case, this buyer is entirely free to walk away — he simply has nowhere else to look, because every shop he walks into is quoting a discount off a number that shop's own trade invented. So this business SPECIFIES NIL MRPs TO ANY MANUFACTURER, PUBLISHES LANDED COST AND MARKUP BESIDE THE PRICE ON EVERY ITEM, and USES NIL "DISCOUNT OFF MRP" LANGUAGE IN ANY PROMOTION — at a cost of ₹3.24 crore. WHERE THE SELLER CHOOSES THE NUMBER HE THEN CALLS A CEILING, THE CEILING IS A MARKETING DEVICE — SO PUBLISH WHAT YOU PAID.**

☐ **AND A HOME DEVICE THAT READS WRONG CHANGES A DOSE. A glucometer reading twenty per cent low, a blood-pressure monitor fifteen millimetres high, an oximeter that is decorative below ninety per cent — the patient adjusts his insulin or his tablets on that number, and the harm is invisible, delayed, and attributed to his disease rather than to the instrument. So EVERY HOME DEVICE IS CALIBRATION-VERIFIED BEFORE SALE, THE ACCURACY TOLERANCE IS PRINTED ON THE BOX, RE-VERIFICATION AT TWELVE MONTHS IS FREE, and 4,720 DEVICES THAT FAILED VERIFICATION WERE DESTROYED in Year 3.**

☐ **AND NIL SINGLE-USE DEVICES ARE REPROCESSED OR RESOLD, AND NIL REFURBISHED EQUIPMENT IS SOLD AS NEW —** refurbished units are sold only with condition, running hours and full service history disclosed.

This plan models an operator requiring **₹16.00 crore** (₹6.40 crore investor + ₹5.20 crore term loan + ₹2.60 crore promoter + ₹1.80 crore working capital), moving from **₹16.00 crore revenue and a ₹1.08 crore loss** to **₹68.00 crore revenue and ₹4.42 crore profit** by Year 3 — a 6.5% net margin and 33.9% return on capital. (Surgical and device retail — figures illustrative.)

2. Business Description, Vision & Legal Structure

Concept: A device shop that prints what it paid.

Vision: To make the phrase "discount off MRP" unusable in this trade.

Mission: Never specify an MRP; publish landed cost and markup beside every price; verify every home device before it leaves and again at a year; never reprocess a single-use device or pass a refurbished one off as new; and destroy short-dated sterile stock instead of discounting it.

Legal structure

- **Private Limited** — recommended. Device licensing, institutional contracts, AMC obligations and outside capital all assume it.
- **Proprietorship** — the trade's usual form, and unsuited to device-class liability across 18 outlets.
- **Calibration and quality function independent of buying and sales** — **because a device that fails verification has already been paid for.**

Regulatory anchor: the **Medical Devices Rules 2017**, under which devices are classified **A, B, C and D by risk**, with import, manufacture, sale and distribution licensing keyed to class — **and the practical fact that much of the retail trade cannot tell you which class it is selling**; the Drugs and Cosmetics Act 1940 and Rules 1945, since notified devices are regulated as drugs and a sale licence is required; **the Legal Metrology (Packaged Commodities) Rules, under which MRP must be declared and must not be exceeded — but which does NOT constrain how HIGH the declared MRP may be set, and does not prevent the seller from being the party who specifies it**; NPPA price capping on a small number of devices such as stents and knee implants, which demonstrates the narrowness of the remedy; sterility, shelf-life and labelling requirements including UDI where notified; materiovigilance and adverse-event reporting; biomedical waste rules for destruction; the Consumer Protection Act on misleading price representations; GST; and shops and establishments, EPF/ESI and POSH. **The decisive structural fact is that nothing anywhere requires the seller to disclose that he chose the ceiling he is discounting from.**

3. Promoter & Ownership

Led by a promoter with surgical distribution, biomedical engineering or device retail background. Three competences decide outcomes. *Institutional relationships*, because 214 hospitals and clinics carry most of the volume and all of the receivables risk. *Technical capability*, since a business that verifies devices needs biomedical technicians rather than shopkeepers. And *the willingness to publish the markup*, which is where this plan's proposition sits and which removes the single most useful commercial fiction available in this trade. Ownership, equity & investor terms are editable inputs; **the calibration and quality function is independent of buying and sales, and no counter or institutional-sales pay is linked to category mix.**

4. Market Analysis — India

A large, fragmented, rapidly formalising market with no reference price anywhere in it.

Demand drivers

- **Surgical and procedural volume growth** across private and public hospitals.
- **Home monitoring** of diabetes, hypertension and respiratory conditions.
- **Ageing and mobility** demand for aids, orthotics and home care.
- **Infection-control standards** raising consumable intensity per procedure.
- **Device regulation** under MDR 2017 formalising a previously unregulated trade.
- **Insurance and TPA scrutiny** rewarding suppliers whose pricing is defensible.

Market sizing (illustrative framing)

Layer	Definition	Indicative scale
TAM	Indian surgical consumables and medical devices retail/distribution	Very large; formalising fast

SAM	Buyers who will pay a published markup rather than a discounted fiction	Institutional first; retail follows
SOM (Yr 1-3)	Outlets and institutional customers	₹16cr → ₹68cr; 18 outlets; 214 institutions

Revenue mix and share (Year 3)

Stream	Share	Published markup — and why it sits where it does
Surgical consumables & dressings	35.0%	26.0% — the volume base, and where MRP fiction is worst
Home diagnostic & monitoring devices	20.0%	28.0% — includes verification and 12-month re-check
Hospital equipment & durable devices	16.0%	21.0% — institutional; tendered and comparable
Implants, orthotics & mobility aids	12.0%	23.0% — partly capped, mostly not
Infection control, PPE & sterilisation	10.0%	30.0% — short shelf life; destruction cost carried here
Calibration, service, training & AMC	7.0%	60.0% — capability sold as revenue, not given away

Every figure in the third column is a **MARKUP** we publish rather than a margin we protect, and that distinction is the business. A customer buying a nebuliser can see what it cost us landed and what we added; a hospital buying dressings sees the same. The immediate objection — that publishing the markup invites the buyer to negotiate it to nothing — has not held, because a published markup is defensible in a way a concealed one is not: it can be justified line by line as verification, storage, sterility management, service and the cost of destroying what fails. The calibration and AMC line at 7% of revenue and 60% markup is the structural answer to the same objection: the capability that makes the disclosure credible is itself sold as revenue rather than absorbed, which is why this business can afford to give away the fiction.

Constraints

- **Institutional receivables**, which are the real working-capital exposure.
- **Device-class knowledge**, which most of the trade and most buyers lack.
- **Sterile shelf life**, which converts slow-moving stock into destruction cost.
- **Competitors' discount theatre**, which looks cheaper on any comparison a customer can make.

5. Competition & Position

Competitor type	Strength	Weakness this plan exploits
Independent surgical stores	Location beside hospitals, credit, decades of trade relationships	MRP specified by the trade; deep "discounts" off it
Device distributors and dealers	Brand appointments, institutional access, technical staff	No calibration verification at retail; refurbished history opaque
Online marketplaces and pharmacies	Price, range, convenience, reviews	No verification, no service, no device-class disclosure
Hospital procurement buying direct	Volume, tender leverage, no intermediary margin	No home-device channel; no retail patient access

This plan	Nil MRP specified, landed cost and markup published, every home device verified, refurbished history disclosed	Looks dearer than a 40%-off competitor on any quick comparison
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The positioning has one obvious commercial problem and one durable answer. The problem is that a customer comparing our published price against a competitor's "forty per cent off MRP" will very often conclude we are expensive, because he has no way of knowing the competitor's MRP was invented for the purpose — and explaining that in a shop doorway makes us sound like we are attacking a rival rather than describing the trade. The answer is that institutional buyers work it out immediately: a hospital procurement officer comparing landed cost plus a stated markup against a discount off an unverifiable number knows exactly which of the two he can defend to his own auditor. So institutional customers come first — 214 by Year 3 — and retail follows the reputation rather than leading it.

The cost of the honest position is stated in rupees rather than implied. Specifying no MRP to any manufacturer, publishing landed cost and markup beside every price, and refusing all "discount off MRP" language cost ₹3.24 crore of Year-3 margin — the largest item, and essentially the whole difference between this business and its competitors. Calibration-verifying every home device, offering free re-verification at twelve months and destroying 4,720 failures cost ₹1.08 crore. Never reprocessing a single-use device and never selling refurbished equipment as new cost ₹86 lakh. Destroying short-dated sterile stock rather than discounting it cost ₹52 lakh. Total ₹5.70 crore against ₹4.42 crore of profit — so a trade-standard operator with the same 18 outlets and the same 214 institutions would earn ₹10.12 crore.

6. The Ceiling the Seller Chose

This is the finding, and it inverts what almost every buyer believes MRP to be.

What the buyer assumes	What actually happens
MRP is set by the manufacturer	The trade specifies it; the manufacturer prints it
MRP reflects some relation to cost	It reflects the discount the seller wants to be able to offer
MRP is a ceiling protecting the buyer	It is a floor under the seller's story
"40% off MRP" is a concession	It is the intended price. The MRP was built around it.
Comparing two shops compares two prices	It compares two invented reference numbers
The law caps the price	The law caps only EXCEEDING the declared MRP — not setting it high

The last row is where the whole thing rests. Legal metrology requires an MRP to be declared and forbids selling above it; **NOTHING CONSTRAINS HOW HIGH THE DECLARED FIGURE MAY BE**, and nothing prevents the party who will sell the item from being the party who specifies it. So a rule written to protect buyers from being overcharged has been turned into an instrument for manufacturing a reference price, and the buyer's own belief in the rule is what makes it work: he trusts the printed number **BECAUSE** it is printed, and it is printed **BECAUSE** somebody wanted him to trust it. This is not the hospital-pharmacy problem — that buyer could not leave, and this one can walk out of the door any time he likes. It is worse in one specific way: **HE HAS NOWHERE TO WALK TO**, because the shop across the road is quoting a discount off a number its own trade invented too, so his freedom to compare is intact and completely useless. Nobody is lying: the MRP is genuine, the discount is genuinely applied, and the shopkeeper very often does not know the figure originated with his own supplier chain.

So the fiction is abandoned rather than competed with. NIL MRPs ARE SPECIFIED BY US TO ANY MANUFACTURER, for any product, including our own imports. LANDED COST AND MARKUP ARE PUBLISHED BESIDE THE PRICE on the shelf edge, on the invoice and on the website — landed cost meaning purchase price plus duty, freight and clearing, stated as a figure a buyer can check against an import listing. NIL "DISCOUNT OFF MRP" LANGUAGE APPEARS IN ANY PROMOTION, quotation, tender response or advertisement, which costs more than it sounds because it removes the trade's entire vocabulary of persuasion. 26% OF CUSTOMERS ASKED TO SEE THE MARKUP in Year 3, up from 12%, which is the figure that shows the disclosure is being used rather than merely displayed. Total cost ₹3.24 crore. WHERE THE SELLER CHOOSES THE NUMBER HE THEN CALLS A CEILING, THE CEILING IS A MARKETING DEVICE — SO PUBLISH WHAT YOU PAID.

7. The Device That Reads Wrong, and What Comes Back

Three further rules, the first of which is where this trade's real clinical harm sits.

□ A HOME DEVICE THAT READS WRONG CHANGES A DOSE. A glucometer twenty per cent low, a blood-pressure monitor fifteen millimetres high, a pulse oximeter that is essentially decorative below ninety per cent — the patient does not merely receive bad information, HE ACTS ON IT, adjusting insulin, changing tablets or deciding not to go to hospital. And the harm is invisible, delayed and misattributed: a diabetic whose control worsens is assumed to have progressing disease, nobody tests the meter, and THE SHOP THAT SOLD IT NEVER LEARNS ANYTHING — the catering anchor's structure again, with the added feature that the faulty instrument is still sitting in the patient's drawer being trusted. So EVERY HOME DEVICE IS CALIBRATION-VERIFIED BEFORE SALE against a reference standard rather than accepted on a supplier's certificate; THE MEASURED ACCURACY TOLERANCE IS PRINTED ON THE BOX; RE-VERIFICATION AT TWELVE MONTHS IS FREE AND OFFERED BY REMINDER; and 4,720 DEVICES THAT FAILED VERIFICATION WERE DESTROYED IN YEAR 3 rather than returned to the supplier — because a returned device is simply sold to somebody else.

□ AND A SINGLE-USE DEVICE THAT HAS BEEN USED LOOKS EXACTLY LIKE ONE THAT HAS NOT. Reprocessing single-use items and returning them to the supply chain is a persistent practice precisely because the finished article carries no evidence of its history — the commissary rule again. So NIL SINGLE-USE DEVICES ARE REPROCESSED OR RESOLD in any circumstance, and NIL REFURBISHED EQUIPMENT IS SOLD AS NEW: refurbished units are sold only with CONDITION, RUNNING HOURS AND FULL SERVICE HISTORY DISCLOSED on the quotation, which loses sales to competitors whose "as good as new" is doing considerable work.

□ AND MOST OF THIS TRADE CANNOT TELL YOU WHICH RISK CLASS IT IS SELLING. Medical Devices Rules 2017 classify devices A to D by risk with licensing keyed to class, and a shop selling a Class C device under the impression it is selling a general product is not making a paperwork error — it is skipping the controls the classification exists to impose. So THE RISK CLASS IS STATED AT POINT OF SALE on every device, NIL DEVICES ARE SOLD WHOSE CLASS WE COULD NOT ESTABLISH, and UDI or batch traceability to the patient or institution reached 100% by Year 3.

□ AND A COMPROMISED STERILE SEAL IS INVISIBLE. Short-dated sterile stock is DESTROYED RATHER THAN DISCOUNTED — because discounting it does exactly what the distribution plan described, moving it downhill to whoever checks least — and 12 suppliers were de-listed rather than batches merely returned.

8. Operations Plan (buy, verify, disclose, destroy)

Pricing and disclosure

- **Nil MRPs specified to any manufacturer**, for any product, including own imports.
- **Landed cost and markup published** on shelf edge, invoice and website.
- **Nil "discount off MRP" language** in any promotion, quotation, tender or advertisement.
- **Markup justified line by line** — verification, storage, sterility, service, destruction.

Device verification

- **Every home device calibration-verified before sale** against a reference standard.
- **Measured accuracy tolerance printed on the box**, not the manufacturer's claimed figure.
- **Free re-verification at twelve months**, offered by reminder rather than on request.
- **Failed devices destroyed**, never returned to the supplier for credit.

Class, traceability and sterility

- **MDR risk class stated at point of sale**; nil devices sold whose class we could not establish.
- **UDI or batch traceable to patient or institution** at 100%.
- **Sterile pack seal integrity checked at goods-in and at despatch.**
- **Short-dated sterile stock destroyed, not discounted**; suppliers de-listed on failure.

Institutional and service

- **Nil single-use reprocessing; nil refurbished sold as new**, condition and hours disclosed.
- **Calibration, service and AMC sold as revenue** rather than absorbed into product margin.
- **Materiovigilance reporting** of adverse events, including our own supplied devices.
- **Contribution per stream**, never blended into a single distribution margin.

The operational hinge is a tender from a 200-bed hospital that awards on quoted discount percentage off MRP, with a scoring sheet that literally has a column for it — and our quotation, which has no MRP and no discount, scores at the bottom because there is nothing to put in the box. The procurement officer is sympathetic and entirely unable to help; the format is fixed, the committee will see a table, and we will look expensive to people who have never been shown a landed cost in their lives. So the **QUOTATION CARRIES LANDED COST, MARKUP AND FINAL PRICE**, with a one-page note explaining that a discount percentage requires a reference number the bidder himself specifies — and we lose some of these. The system refuses rather than warns: the quotation system **CANNOT GENERATE A DISCOUNT-OFF-MRP FIELD** because no MRP exists in our item master to discount from, which makes the position an architectural fact rather than a resolve that erodes under a deadline.

9. Device Classification, Pricing & Operating Compliance (India)

- **Medical Devices Rules 2017** — classification A, B, C and D by risk, with import, manufacture, sale and distribution licensing keyed to class; and the practical fact that much of the retail trade cannot state which class it is selling.
- **Drugs and Cosmetics Act 1940 and Rules 1945** — notified devices are regulated as drugs; sale licence required where applicable.

- **Legal Metrology (Packaged Commodities) Rules** — **MRP must be declared and must not be exceeded; NOTHING CONSTRAINS HOW HIGH IT MAY BE SET, and nothing prevents the party who will sell the item from being the party who specifies it.**
- **NPPA capping** on a small number of devices such as stents and knee implants, which demonstrates the narrowness of the remedy.
- **Sterility, shelf life, labelling and UDI** where notified; batch traceability requirements.
- **Materiovigilance** — adverse-event reporting for devices, including those we supplied.
- **Consumer Protection Act** — misleading price representations, which is where discount theatre is theoretically actionable and practically never actioned.
- **Biomedical waste rules** for destruction; GST; shops and establishments, EPF/ESI and POSH.

10. Organisation & Manpower Plan

Function	Yr 1	Yr 3	Notes
Promoter / managing director	1	1	Owens the no-MRP rule
Counter & outlet staff	34	118	Nil pay linked to category mix
Warehouse, logistics & sterility management	16	58	Seal integrity at goods-in and despatch
Institutional sales & service	14	46	Quotations carry landed cost and markup
Biomedical technicians & calibration laboratory	12	42	Verifies before sale; independent of buying
Quality, device class & traceability	4	14	Nil devices sold with unestablished class
Finance, legal, compliance & admin	6	19	Publishes markup and destruction records
Total	87	298	Calibration and quality at 19% of headcount

Forty-two biomedical technicians in a retail and distribution business is the cost of the position that a device is verified rather than trusted, and it is a function the trade almost universally treats as the manufacturer's responsibility. It reports independently of buying and sales for a specific reason: a device that fails verification HAS ALREADY BEEN PAID FOR, so the person who bought it and the person who needs to sell it both have an interest in the verification passing. Its capability is also the answer to the commercial objection against publishing markup — the calibration, service and AMC line at 7% of revenue and 60% markup means the capability is sold rather than absorbed, which is precisely what allows this business to give away the pricing fiction and still fund itself.

11. Implementation Timeline & Milestones

Phase	Window	Milestones
Formation & first outlets	Month 0-7	Incorporation, sale licences by device class, 5 outlets, one warehouse
No-MRP item master	Month 2-7	No MRP field exists to discount from; landed cost and markup published
Calibration laboratory	Month 5-14	Reference standards; verification before sale; tolerance printed on box
Institutional expansion	Month 10-22	118 institutions; quotations carrying landed cost; some tenders lost

Traceability & class discipline	Month 14-26	UDI/batch to patient or institution; nil unestablished-class sales
Scale & publication	Month 24-36	18 outlets, 214 institutions; 4,720 failed devices destroyed

Training and competence

- **Explaining a published markup** to a customer expecting a discount, without attacking a competitor.
- **Device classification under MDR 2017**, which most of the trade has never been taught.
- **Calibration technique and reference standards** for biomedical technicians.
- **Sterile handling and seal assessment**, including what a compromised pack does not look like.

12. Financial Plan (Illustrative)

All figures are illustrative model assumptions, not forecasts or guarantees. They exist to show the drivers of a surgical and device retail P&L under published-markup pricing. Every input is editable. **The defining economics are that a 28.0% blended markup is DISCLOSED rather than defended, and that the verification capability which makes the disclosure credible is itself sold as a 7% revenue line rather than absorbed as overhead.**

12.1 Project cost & funding

Item	₹ lakh	Notes
Working capital — institutional receivables & inventory	568	214 institutions at 71 days
Outlet fit-out & warehousing (18 outlets, 2 warehouses)	342	Sterility-controlled storage
Calibration laboratory & reference standards	246	Verifies before sale; sold as AMC revenue too
Opening inventory	186	Wide consumable and device range
Technology, UDI traceability & item master	148	No MRP field exists to discount from
Licences, deposits & pre-operative	74	Sale licences keyed to device class
Sterility management & destruction facility	36	Short-dated stock destroyed, not discounted
Total project cost	1,600	₹640L investor + ₹520L term loan + ₹260L promoter + ₹180L WC

12.2 Operating metrics

Metric	Yr 1	Yr 2	Yr 3
MRPs SPECIFIED BY US to any manufacturer / LANDED COST AND MARKUP PUBLISHED beside the price / "discount off MRP" used in any promotion, quotation or tender / customers who asked to see the markup	NIL / 100% / NIL / 12%	NIL / 100% / NIL / 19%	NIL / 100% / NIL / 26%
HOME DEVICES CALIBRATION-VERIFIED before sale against a reference standard / measured accuracy tolerance printed on the box / free re-verification at 12 months / devices FAILING verification and DESTROYED	100% / 100% / 100% / 1,240	100% / 100% / 100% / 2,860	100% / 100% / 100% / 4,720

SINGLE-USE devices REPROCESSED or resold / refurbished equipment sold AS NEW / refurbished sold with condition, running hours and full service history disclosed	NIL / NIL / 100%	NIL / NIL / 100%	NIL / NIL / 100%
MDR 2017 RISK CLASS (A/B/C/D) stated at point of sale / devices sold whose class we could not establish / UDI or batch traceable to patient or institution	100% / NIL / 96%	100% / NIL / 98%	100% / NIL / 100%
Sterile pack seal integrity checked at goods-in and despatch / short-dated sterile stock DESTROYED rather than discounted / suppliers DE-LISTED on failure	100% / 100% / 3	100% / 100% / 7	100% / 100% / 12
Outlets / institutional customers / receivable days / largest institutional customer as % of revenue / counter pay linked to category mix	5 / 42 / 84 / 9.4% / NIL	11 / 118 / 76 / 6.2% / NIL	18 / 214 / 71 / 4.6% / NIL

Row one's first figure is the one the whole plan turns on, and it is a NIL rather than a percentage: we specify no MRP to anybody, which means there is no reference number in our system for anyone to discount from. The last figure in that row — 26% of customers asking to see the markup, up from 12% — matters because a disclosure that is displayed but never used is decoration; a quarter of buyers actively interrogating it is evidence that the number is doing work. Row two's 4,720 destroyed devices is the clinical core: each one is an instrument that would otherwise have gone into somebody's drawer and been trusted for years, and destroying rather than returning them follows the vertical's rule that a returned unit is simply sold to somebody else. Row four's second NIL is quietly demanding — refusing to sell any device whose MDR class we could not establish means declining products the supplier himself could not classify, which happens more often than the trade admits.

12.3 Revenue build

Stream	Yr 1 (₹L)	Yr 2 (₹L)	Yr 3 (₹L)	Published markup
Surgical consumables & dressings	560	1,330	2,380	26.0%
Home diagnostic & monitoring devices	320	760	1,360	28.0%
Hospital equipment & durable devices	256	608	1,088	21.0%
Implants, orthotics & mobility aids	192	456	816	23.0%
Infection control, PPE & sterilisation	160	380	680	30.0%
Calibration, service, training & AMC	112	266	476	60.0%
Total revenue	1,600	3,800	6,800	28.0% blended

12.4 P&L summary

Line	Yr 1 (₹L)	Yr 2 (₹L)	Yr 3 (₹L)
Revenue	1,600	3,800	6,800
Cost of goods — incl. destroyed devices and short-dated sterile stock	(1,152)	(2,735)	(4,895)
Gross profit	448	1,065	1,905
Staff — counter, technicians & institutional sales	(186)	(312)	(486)
Outlet & warehouse rent, utilities	(118)	(178)	(268)
Calibration laboratory & device verification	(68)	(98)	(142)

Technology, traceability & UDI systems	(48)	(62)	(86)
Sterility, shelf-life management & destruction	(28)	(42)	(64)
Admin, legal, compliance & other	(82)	(112)	(168)
EBITDA	(82)	261	691
Depreciation & amortisation	(74)	(112)	(148)
Finance cost	(56)	(86)	(118)
Other income — supplier terms and service incentives <i>(disclosed)</i>	68	102	164
PBT	(144)	165	589
Tax	36	(41)	(147)
PAT	(108)	124	442
Net margin	(6.8%)	3.3%	6.5%
ROCE	(9.8%)	9.3%	33.9%

The unusual feature of this P&L is that the gross margin line is a **PUBLISHED** number rather than a protected one, which changes what it is exposed to: it can be argued with, but it cannot be undercut by a competitor's fictional reference price, because our buyers are comparing against a landed cost they can verify. Calibration at ₹1.42 crore of cost against ₹4.76 crore of AMC and service revenue is the structural point — the capability that makes the disclosure credible earns 60% markup as a revenue line, which is what allows the pricing fiction to be given away at all. Other income of ₹1.64 crore is supplier terms and service incentives, disclosed as a line and never conditional on the volume of a specific brand, per the anchor's rule. Commitments of ₹5.70 crore against ₹4.42 crore of profit mean a trade-standard operator with the same 18 outlets and 214 institutions would earn ₹10.12 crore.

12.5 Break-even & sensitivity

Scenario	Yr 3 revenue	Yr 3 PAT	Comment
Base	₹68.0cr	₹4.42cr	As modelled, 6.5% net
Trade-standard practice	₹71.2cr	₹10.12cr	MRP specified, discount theatre, no verification
Home-device category doubles	₹81.6cr	₹6.37cr	Verification capability is the moat there
Institutional receivables +15 days	₹68.0cr	₹4.16cr	214 institutions is a credit book
Equipment and implant markup –3 points	₹68.0cr	₹3.99cr	Published markups get argued with
Two large institutional contracts lost	₹62.6cr	₹3.58cr	Tender formats that score discount percentage

13. Funding Requirement & Bankability

Source	₹ lakh	Terms (indicative)
Investor equity	640	Outlet and institutional expansion; no-MRP covenant
Term loan	520	Fit-out, laboratory and systems; 5–6 years

Promoter contribution	260	Cash and institutional relationships
Working capital facility	180	Institutional receivables and inventory
Total	1,600	Illustrative structure

A lender should read receivable days, institutional concentration and the AMC line, in that order. Receivables are the real exposure — 214 institutions at 71 days against ₹5.68 crore of working capital — and fifteen extra days costs ₹34 lakh of profit without a single lost customer. Largest institutional customer falling from 9.4% to 4.6% of revenue is the concentration story, and losing two large contracts still takes profit to ₹3.58 crore rather than to zero. The AMC and service line at ₹4.76 crore and 60% markup is the quality of the business rather than its size: it is recurring, it is uncorrelated with product price competition, and it is what makes the published-markup position financially survivable. The no-MRP rule deserves a covenant because abandoning it would improve every line at once and would take about a week to implement.

- **Use of funds** — 36% working capital, 21% outlets and warehousing, 15% calibration laboratory, 12% opening inventory, 9% technology and traceability, 5% licences and deposits, 2% sterility and destruction.
- **Repayment** — term loan from Year 2–3 cash flow; working capital revolving against institutional receivables with monthly ageing review.
- **Investor exit** — sale to a device distributor, a hospital supply group or a healthcare platform; or promoter buyback.

14. Risk Analysis & Mitigation

Risk	Impact	Mitigation
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The ceiling the seller chose	In surgical consumables and devices THE PRINTED MRP IS A NUMBER THE SELLER ORDERS FROM THE MANUFACTURER — the trade specifies the figure it wants printed and the manufacturer prints it. So MRP IS NOT A CEILING IMPOSED ON THE SELLER; IT IS A NUMBER THE SELLER CHOSE AND THEN PRESENTS TO THE BUYER AS AN EXTERNAL CONSTRAINT. "Forty per cent off MRP" is not a concession — IT IS THE INTENDED PRICE, AND THE MRP WAS BUILT AROUND IT. Legal metrology requires an MRP to be declared and forbids exceeding it, BUT NOTHING CONSTRAINS HOW HIGH IT MAY BE SET AND NOTHING PREVENTS THE SELLER FROM SPECIFYING IT — so A RULE WRITTEN TO PROTECT BUYERS HAS BECOME AN INSTRUMENT FOR MANUFACTURING A REFERENCE PRICE, AND THE BUYER'S OWN BELIEF IN THE RULE IS WHAT MAKES IT WORK: HE TRUSTS THE PRINTED NUMBER BECAUSE IT IS PRINTED, AND IT IS PRINTED BECAUSE SOMEBODY WANTED HIM TO TRUST IT. Unlike the hospital case this buyer CAN walk out — and it is worse in one way, because HE HAS NOWHERE TO WALK TO: the shop across the road is quoting a discount off a number its own trade invented too, SO HIS FREEDOM TO COMPARE IS INTACT AND COMPLETELY USELESS. Nobody lies: the MRP is genuine, the discount is genuinely applied, AND THE SHOPKEEPER OFTEN DOES NOT KNOW THE FIGURE ORIGINATED WITH HIS OWN SUPPLY CHAIN	ABANDON THE FICTION RATHER THAN COMPETE WITH IT: NIL MRPs SPECIFIED BY US TO ANY MANUFACTURER for any product including own imports; LANDED COST AND MARKUP PUBLISHED BESIDE THE PRICE on shelf edge, invoice and website, with landed cost meaning purchase price plus duty, freight and clearing — A FIGURE A BUYER CAN CHECK AGAINST AN IMPORT LISTING; and NIL "DISCOUNT OFF MRP" LANGUAGE IN ANY PROMOTION, QUOTATION, TENDER RESPONSE OR ADVERTISEMENT, WHICH COSTS MORE THAN IT SOUNDS BECAUSE IT REMOVES THE TRADE'S ENTIRE VOCABULARY OF PERSUASION. 26% OF CUSTOMERS ASKED TO SEE THE MARKUP, UP FROM 12%, which shows the disclosure is USED rather than merely displayed (₹3.24cr). GENERAL RULE: WHERE THE SELLER CHOOSES THE NUMBER HE THEN CALLS A CEILING, THE CEILING IS A MARKETING DEVICE — SO PUBLISH WHAT YOU PAID
The tender with a discount column	A 200-bed hospital awards on QUOTED DISCOUNT PERCENTAGE OFF MRP, with a scoring sheet that literally has a column for it — and our quotation, HAVING NO MRP AND NO DISCOUNT, SCORES AT THE BOTTOM BECAUSE THERE IS NOTHING TO PUT IN THE BOX. The procurement officer is sympathetic and ENTIRELY UNABLE TO HELP; the format is fixed, the committee will see a table, and WE WILL LOOK EXPENSIVE TO PEOPLE WHO HAVE NEVER BEEN SHOWN A LANDED COST IN THEIR LIVES	The QUOTATION CARRIES LANDED COST, MARKUP AND FINAL PRICE with a one-page note explaining that A DISCOUNT PERCENTAGE REQUIRES A REFERENCE NUMBER THE BIDDER HIMSELF SPECIFIES — AND WE LOSE SOME OF THESE (two large contracts lost takes profit to ₹3.58cr). THE SYSTEM REFUSES RATHER THAN WARNS: the quotation system CANNOT GENERATE A DISCOUNT-OFF-MRP FIELD BECAUSE NO MRP EXISTS IN OUR ITEM MASTER TO DISCOUNT FROM — AN ARCHITECTURAL FACT RATHER THAN A RESOLVE THAT ERODES UNDER A DEADLINE. Institutional buyers work it out fastest: a procurement officer comparing landed cost plus a stated markup against a discount off an unverifiable number KNOWS WHICH OF THE TWO HE CAN DEFEND TO HIS OWN AUDITOR

The device that reads wrong	A glucometer 20% low, a BP monitor 15 mmHg high, an oximeter essentially decorative below 90% — THE PATIENT DOES NOT MERELY RECEIVE BAD INFORMATION, HE ACTS ON IT, adjusting insulin, changing tablets, or deciding not to go to hospital. And the harm is INVISIBLE, DELAYED AND MISATTRIBUTED: a diabetic whose control worsens is assumed to have PROGRESSING DISEASE, NOBODY TESTS THE METER, and THE SHOP NEVER LEARNS ANYTHING — with the added feature that THE FAULTY INSTRUMENT IS STILL IN THE PATIENT'S DRAWER BEING TRUSTED	EVERY HOME DEVICE CALIBRATION-VERIFIED BEFORE SALE AGAINST A REFERENCE STANDARD rather than accepted on a supplier's certificate; THE MEASURED ACCURACY TOLERANCE PRINTED ON THE BOX (not the manufacturer's claimed figure); FREE RE-VERIFICATION AT TWELVE MONTHS OFFERED BY REMINDER rather than on request; and 4,720 FAILED DEVICES DESTROYED IN YEAR 3 RATHER THAN RETURNED TO THE SUPPLIER, BECAUSE A RETURNED DEVICE IS SIMPLY SOLD TO SOMEBODY ELSE. 42 biomedical technicians, REPORTING INDEPENDENTLY OF BUYING AND SALES BECAUSE A DEVICE THAT FAILS VERIFICATION HAS ALREADY BEEN PAID FOR (₹1.08cr)
Reprocessed and refurbished	A SINGLE-USE DEVICE THAT HAS BEEN USED LOOKS EXACTLY LIKE ONE THAT HAS NOT — reprocessing persists precisely because THE FINISHED ARTICLE CARRIES NO EVIDENCE OF ITS HISTORY (the commissary rule); and "as good as new" does considerable work in refurbished equipment sales	NIL SINGLE-USE DEVICES REPROCESSED OR RESOLD IN ANY CIRCUMSTANCE; NIL REFURBISHED EQUIPMENT SOLD AS NEW; refurbished units sold ONLY with CONDITION, RUNNING HOURS AND FULL SERVICE HISTORY DISCLOSED ON THE QUOTATION — which loses sales to competitors whose "as good as new" is doing the work (₹86L)
Device class nobody establishes	MDR 2017 classifies devices A to D with licensing keyed to class, and MUCH OF THE RETAIL TRADE CANNOT TELL YOU WHICH CLASS IT IS SELLING — a shop selling a Class C device believing it to be a general product is NOT MAKING A PAPERWORK ERROR, IT IS SKIPPING THE CONTROLS THE CLASSIFICATION EXISTS TO IMPOSE	RISK CLASS STATED AT POINT OF SALE on every device; NIL DEVICES SOLD WHOSE CLASS WE COULD NOT ESTABLISH — which means declining products THE SUPPLIER HIMSELF COULD NOT CLASSIFY, more often than the trade admits; UDI or batch traceable to patient or institution at 100%; classification taught to counter staff; and materiovigilance reporting of adverse events including our own supplied devices
Sterility and shelf life	A COMPROMISED STERILE SEAL IS INVISIBLE, and discounting short-dated sterile stock does exactly what the distribution plan described — MOVES IT DOWNHILL TO WHOEVER CHECKS LEAST	Seal integrity checked at GOODS-IN AND AT DESPATCH; SHORT-DATED STERILE STOCK DESTROYED RATHER THAN DISCOUNTED (₹52L); 12 SUPPLIERS DE-LISTED rather than batches merely returned; sterility-controlled storage at both warehouses; and destruction recorded under biomedical waste rules
Institutional receivables and concentration	214 institutions at 71 days against ₹5.68cr of working capital; 15 extra days costs ₹34L of profit with no customer lost, and losing two large contracts takes profit to ₹3.58cr	Credit limits set against observed payment behaviour; ageing reviewed monthly at board level; largest institutional customer cut 9.4% → 4.6% of revenue; AMC and service revenue grown as recurring income uncorrelated with product price competition; and supply on stop under a published escalation for overdue balances

Published markups get argued with	Three points off equipment and implant markup takes profit to ₹3.99cr; a published number is a number a buyer can push on, which a concealed one is not	Markup justified LINE BY LINE as verification, storage, sterility management, service and the cost of destroying what fails — a defensible number rather than an asserted one; contribution reported PER STREAM so a conceded category is visible; the AMC line grown so product margin is not the only earnings source; and no counter or institutional-sales pay linked to category mix
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15. SWOT Analysis

Strengths • Nil MRPs specified; landed cost and markup published • Nil "discount off MRP" language anywhere • Every home device verified; 4,720 failures destroyed • Nil single-use reprocessing; refurbished history disclosed • MDR class stated; 100% UDI traceability	Weaknesses • ₹5.70cr forgone against ₹4.42cr of profit • Looks expensive beside a 40%-off competitor • Loses tenders scored on discount percentage • Heavy receivables across 214 institutions
Opportunities • Institutional buyers who must defend pricing to auditors • Home monitoring growth where verification is the moat • AMC and calibration as recurring, defensible revenue • MDR formalisation squeezing unclassified competitors • Verification capability sellable to other retailers	Threats • Discount theatre from every competitor • Tender formats built around discount percentage • Receivable stretch and institutional failures • Import price and duty movement on devices

16. Recommended AiSevak Tools for This Business

- **No-MRP item master** — no MRP field exists, so no discount-off-MRP quotation can be generated.
- **Landed cost publisher** — purchase plus duty, freight and clearing, shown beside every price.
- **Calibration register** — verification before sale, measured tolerance printed, 12-month reminder.
- **Device destruction log** — failed units destroyed rather than returned, recorded per unit.
- **MDR class checker** — sale blocked where risk class cannot be established.
- **UDI traceability** — batch to patient or institution, with recall reach measured.
- **Refurbished disclosure sheet** — condition, running hours and full service history on every quotation.

17. Key Assumptions & Notes

- **All financials are illustrative model assumptions, not forecasts, projections or guarantees.** Revenue, outlet and institution counts, published markups, verification failure rates and receivable days are editable inputs; actual outcomes depend on supply terms, import costs, tender formats and credit discipline. Figures are in Indian rupees. **This plan inherits the pharmacy vertical anchor's rules from `retail-pharmacy` and follows the hospital-pharmacy finding one step upstream.**
- **The central integrity finding is that in surgical consumables and devices, the printed MRP is a number the seller orders from the manufacturer.** The trade specifies the figure it wants printed and the manufacturer prints it —

so MRP is not a ceiling imposed on the seller, it is a number the seller chose and then presents to the buyer as an external constraint. **"Forty per cent off MRP" is not a concession; it is the intended price, and the MRP was built around it. Legal metrology requires an MRP to be declared and forbids exceeding it, but nothing constrains how high it may be set and nothing prevents the seller from being the party who specifies it — so a rule written to protect buyers has become an instrument for manufacturing a reference price, and the buyer's own belief in the rule is what makes it work: he trusts the printed number because it is printed, and it is printed because somebody wanted him to trust it.** Unlike the hospital-pharmacy case this buyer can walk out whenever he likes, and it is worse in one specific way: he has nowhere to walk to, because the shop across the road is quoting a discount off a number its own trade invented too — so his freedom to compare is intact and completely useless. Nobody is lying: the MRP is genuine, the discount is genuinely applied, and the shopkeeper very often does not know the figure originated with his own supply chain.

- **So the fiction is abandoned rather than competed with.** Nil MRPs are specified by us to any manufacturer, for any product, including our own imports. Landed cost and markup are published beside the price on shelf edge, invoice and website, with landed cost meaning purchase price plus duty, freight and clearing — a figure a buyer can check against an import listing. Nil "discount off MRP" language appears in any promotion, quotation, tender response or advertisement, which costs more than it sounds because it removes the trade's entire vocabulary of persuasion. **26% of customers asked to see the markup in Year 3, up from 12%, which is what shows the disclosure is being used rather than merely displayed. Total cost ₹3.24 crore. WHERE THE SELLER CHOOSES THE NUMBER HE THEN CALLS A CEILING, THE CEILING IS A MARKETING DEVICE — SO PUBLISH WHAT YOU PAID.**
- **A home device that reads wrong changes a dose.** A glucometer twenty per cent low, a blood-pressure monitor fifteen millimetres high, an oximeter essentially decorative below ninety per cent — the patient does not merely receive bad information, he acts on it, adjusting insulin, changing tablets or deciding not to go to hospital. **The harm is invisible, delayed and misattributed: a diabetic whose control worsens is assumed to have progressing disease, nobody tests the meter, and the shop never learns anything — with the added feature that the faulty instrument is still in the patient's drawer being trusted.** So every home device is calibration-verified before sale against a reference standard rather than accepted on a supplier's certificate, the measured accuracy tolerance is printed on the box rather than the manufacturer's claimed figure, re-verification at twelve months is free and offered by reminder, and 4,720 failed devices were destroyed rather than returned — because a returned device is simply sold to somebody else.
- **A single-use device that has been used looks exactly like one that has not, and most of the trade cannot tell you which risk class it is selling.** Reprocessing persists precisely because the finished article carries no evidence of its history, so nil single-use devices are reprocessed or resold in any circumstance and nil refurbished equipment is sold as new — refurbished units carry condition, running hours and full service history on the quotation, which loses sales to competitors whose "as good as new" is doing considerable work. **MDR 2017 risk class is stated at point of sale, nil devices are sold whose class we could not establish — which means declining products the supplier himself could not classify — and UDI or batch traceability to patient or institution reached 100%.** Short-dated sterile stock is destroyed rather than discounted, because discounting it moves it downhill to whoever checks least, and twelve suppliers were de-listed rather than batches merely returned.
- **The hardest commercial moment is a tender scored on discount percentage.** A quotation with no MRP and no discount scores at the bottom because there is nothing to put in the box, the procurement officer is sympathetic and unable to help, and we look expensive to people who have never been shown a landed cost. **The quotation carries landed cost, markup and final price with a note explaining that a discount percentage requires a reference number the bidder himself specifies — and we lose some of these, which is what the ₹3.58 crore contract-loss sensitivity is measuring. The quotation system cannot generate a discount-off-MRP field because no MRP exists in our item master to discount from, which makes the position an architectural fact rather than a resolve that erodes under a deadline.**

- **The economics rest on selling the capability rather than absorbing it.** A 28.0% blended markup is published rather than protected, which changes what it is exposed to: it can be argued with, but it cannot be undercut by a fictional reference price, because buyers are comparing against a landed cost they can verify. **Calibration costing ₹1.42 crore against ₹4.76 crore of AMC and service revenue at 60% markup is the structural answer — the capability that makes the disclosure credible earns as a revenue line, which is what allows the pricing fiction to be given away at all.** Commitments of ₹5.70 crore against ₹4.42 crore of profit mean a trade-standard operator with the same 18 outlets and 214 institutions would earn ₹10.12 crore. Receivables across 214 institutions at 71 days are the real balance-sheet exposure, and fifteen extra days costs ₹34 lakh without a single lost customer.
- **Compliance and professional advice.** The Medical Devices Rules 2017 with classification A to D by risk and licensing keyed to class; the Drugs and Cosmetics Act 1940 and Rules 1945 for notified devices regulated as drugs; **the Legal Metrology (Packaged Commodities) Rules, under which MRP must be declared and not exceeded but under which nothing constrains how high it may be set or prevents the seller from specifying it**; NPPA capping on a small number of devices; sterility, shelf-life, labelling and UDI requirements; materiovigilance and adverse-event reporting; the Consumer Protection Act on misleading price representations, which is where discount theatre is theoretically actionable and practically never actioned; biomedical waste rules for destruction; GST; and shops and establishments, EPF/ESI and POSH. Professional advice should be taken on device classification and licensing by product, import and customs treatment, price-representation exposure and AMC contract terms.

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