



BUSINESS PLAN · INDIA

Pharma Wholesale & Distribution

Where unsold stock flows downhill, the last buyer is the one who cannot check

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 **Pharma Wholesale & Distribution** business in India — a stockist and distributor operating six depots, supplying branded and generic medicines, cold-chain products and consumables to roughly 1,940 retail pharmacies and institutional buyers, with a 3PL line for manufacturers.

This plan inherits the pharmacy anchor's rules and sits at the level where one of them is actually decided. **The anchor told a chemist to destroy near-expiry stock rather than return it for credit. That instruction only means anything if somebody at THIS level accepts the destruction — because the distributor is the party who takes the return, and what he does with it next is the whole question.**

□ **THE SALEABLE RETURN IS THE DISTRIBUTOR'S ROUTINE BUSINESS PRACTICE, AND IT IS THE MECHANISM BY WHICH SHORT-DATED STOCK REACHES THE PATIENT LEAST ABLE TO NOTICE. A retailer returns near-expiry packs for credit; the distributor takes them back and RE-ISSUES THEM TO A SHOP WITH FASTER TURNOVER — which in practice means a smaller, poorer, more rural catchment, where nobody reads a date on a strip and nobody returns anything. The stock therefore moves SYSTEMATICALLY DOWNWARD THROUGH THE TRADE, TOWARDS THE BUYER WITH THE LEAST ABILITY TO CHECK — and every step is lawful, because the pack is genuinely still in date when it is re-issued. Nobody sells an expired medicine. The trade simply arranges for the shortest-dated stock to end up with the least attentive buyer, every time, as a matter of ordinary inventory management. So this business DESTROYS AT THE POINT OF RETURN, NEVER RE-ISSUES A RETURNED PACK TO ANOTHER RETAILER, SETTLES THE CREDIT ANYWAY, and PUBLISHES THE DESTRUCTION VOLUME AND ITS COST — 486,000 packs and ₹3.86 crore in Year 3, against ₹6.12 crore of profit. WHERE UNSOLD STOCK FLOWS DOWNHILL, THE LAST BUYER IS ALWAYS THE ONE WHO CANNOT CHECK — SO THE CHAIN MUST END AT DESTRUCTION, NOT AT A POORER SHOP.**

□ **AND THE DISTRIBUTOR IS THE CHOKEPOINT WHERE SPURIOUS AND SUBSTANDARD PRODUCT ENTERS THE RETAIL TRADE. Nothing reaches a chemist's shelf without passing through somebody at this level, which makes batch traceability in both directions the only real defence. So batches are traceable to manufacturer and to every retailer who received them, recall reaches the shelf within 24 hours at 99%, and MANUFACTURERS ARE DE-LISTED — nine in Year 3 — rather than batches merely quarantined.**

□ **AND CREDIT IS THE REAL PRODUCT. A distributor finances his retailers, and the credit line rather than the medicine determines what a shop stocks and pushes — so THE CREDIT COST IS DISCLOSED SEPARATELY FROM THE PRODUCT PRICE, and 58% of supplier scheme income is passed down rather than retained silently.**

This plan models an operator requiring **₹28.00 crore** (₹9.80 crore investor + ₹8.60 crore term loan + ₹4.60 crore promoter + ₹5.00 crore working capital), moving from **₹86.00 crore revenue and a ₹2.66 crore loss** to **₹340.00 crore revenue and ₹6.12 crore profit** by Year 3 — a 1.8% net margin and 34.4% return on capital. (Pharma distribution — figures illustrative.)

2. Business Description, Vision & Legal Structure

Concept: A distributor where the returns chain ends.

Vision: To be the point in the supply chain at which short-dated stock stops moving downhill.

Mission: Destroy what comes back and credit the retailer anyway; trace every batch both ways and de-list the manufacturer rather than the batch; show the retailer what his credit is costing him; pass down what the schemes pay us; and follow the cold chain past our own doorstep.

Legal structure

- **Private Limited** — recommended. Wholesale drug licences per depot, manufacturer appointments, bank facilities and a large receivables book all assume it.
- **Proprietorship or partnership** — the trade's traditional form, and unsuited to a ₹72 crore credit book.
- **Returns and quality function with sole authority over returned stock, reporting to the promoter — because a returned pack has a resale value and the person who knows that cannot be the person deciding.**

Regulatory anchor: the Drugs and Cosmetics Act 1940 and Rules 1945 — **a wholesale drug licence in Form 20B/21B for each depot, with premises, storage, record and competent-person conditions, and purchase and sale records that must permit a batch to be traced in both directions;** the Pharmacy Act 1948 where dispensing occurs; Schedules H, H1 and X, with Schedule X under NDPS storage, register and disposal conditions; NPPA and DPCO ceiling prices, which bind the distributor's own pricing to retailers; cold-chain storage and transport conditions for thermolabile products; drug recall procedures and reporting of spurious or substandard product to the licensing authority; biomedical and hazardous waste rules governing destruction of returned and expired stock; GST and e-invoicing across depots and states; and EPF/ESI and POSH. **The decisive structural fact is that RE-ISSUING A RETURNED, IN-DATE PACK TO A DIFFERENT RETAILER BREAKS NO RULE AT ALL — it is ordinary stock rotation, it is what the credit-note system exists to enable, and nothing in any of the above requires anybody to record where a returned pack subsequently went.**

3. Promoter & Ownership

Led by a promoter with pharma distribution, C&F or retail trade background. Three competences decide outcomes. *Credit judgement*, because a distributor is a lender who happens to deliver medicine and his bad debts are made at the moment a credit limit is set. *Depot and cold-chain operations*, since margin per line is measured in single-digit percentages and cost to serve decides whether a retailer is worth having. And *the discipline to destroy returns*, which is where this plan's proposition sits and which turns a recoverable asset into a published cost every single month. Ownership, equity & investor terms are editable inputs; **the returns and quality function holds sole authority over returned stock, reports to the promoter, and records the disposal of every returned pack.**

4. Market Analysis — India

A vast, low-margin, credit-driven trade that almost nothing in the healthcare debate ever looks at.

Demand drivers

- **Retail fragmentation** — hundreds of thousands of chemists, none able to buy direct.
- **SKU proliferation**, making breadth of stock the distributor's core service.
- **Credit dependence** of retail pharmacy, which the distributor funds.
- **Cold-chain growth** in insulins, vaccines and biologics.
- **Institutional and hospital demand** on tender and rate-contract terms.
- **Manufacturer outsourcing** of warehousing and secondary distribution.

Market sizing (illustrative framing)

Layer	Definition	Indicative scale
TAM	Indian pharmaceutical distribution	Very large; extremely fragmented
SAM	Retailers whose contribution exceeds their cost to serve , not all retailers	Bounded by COST TO SERVE, not by demand
SOM (Yr 1-3)	Retailers served across six depots	₹86cr → ₹340cr; 1,940 retailers; 26 lines per invoice

Revenue mix and share (Year 3)

Stream	Share of revenue	Gross margin — and what it costs to serve
Branded prescription medicines to retail	45.0%	9.5% — the base, and where returns come from
Generics & branded generics to retail	20.0%	15.0% — better margin, slower moving, more returns
Hospital & institutional supply	15.0%	6.0% — tender-priced; long payment cycles
Cold-chain products — insulins, vaccines, biologics	10.0%	11.5% — where a failure is invisible on arrival
OTC, nutraceuticals & consumables	7.0%	18.0% — the ladder's top rung at wholesale too
Logistics & 3PL for manufacturers	3.0%	30.0% — capacity sold; no credit risk, no returns

The 3PL line at 3% of revenue carries thirty per cent gross and no credit risk, which makes it the best business in the table and explains why every distributor wants more of it — and the second row is the trap: generics carry 15% against branded medicines' 9.5%, so a distributor's field force naturally pushes them, and generics are also the slowest-moving lines with the highest return rate. The better margin and the returns problem are the same phenomenon viewed from two ends, because a line earns more precisely because it sits longer. Institutional supply at 6% and long payment cycles is included deliberately rather than avoided: it is the least profitable stream here and it is what keeps hospital pharmacies stocked, so contribution is reported per stream rather than blended into a single distribution margin that would hide it.

Constraints

- **Working capital**, which is the entire balance sheet and the real business.
- **Cost to serve**, which decides whether a small retailer is worth supplying at all.
- **Cold-chain integrity** in transit and, decisively, past our own doorstep.
- **Margin compression** from manufacturers going direct and from retail chains buying centrally.

5. Competition & Position

Competitor type	Strength	Weakness this plan exploits
Established regional stockists	Relationships, credit tolerance, local knowledge, low cost base	Returns re-issued downhill; no batch traceability to shelf

National distribution companies	Scale, manufacturer appointments, systems, capital	Cost to serve pushes small retailers out; returns policy unchanged
Manufacturers going direct to chains	Margin capture, control of the shelf	Cannot serve the long tail of independent chemists
E-B2B pharma marketplaces	Price transparency, ordering convenience, working capital offers	Fulfilment outsourced; cold chain and returns unowned
This plan	Returns destroyed not re-issued, batch traceable both ways, credit cost disclosed, schemes passed down	1.8% net; ₹3.86cr of destroyed stock a year

The positioning is aimed at a retailer who has never been told two things: what his credit actually costs him, and where the stock he returned last quarter ended up. He can see the credit cost as a separate line rather than buried in the product price, so he can compare us against a cheaper distributor on the real number; he can see 58% of the supplier scheme income earned on his purchases passed back to him; and he can see that what he returns is destroyed rather than sent to a chemist two districts away. That last point is not primarily a commercial argument to him — it costs him nothing either way — which is exactly why it has to be published rather than sold: it is a promise made about a person neither of us will ever meet.

The cost of the honest position is stated in rupees rather than implied. Destroying returned stock at the point of return rather than re-issuing it, and settling the credit anyway, cost ₹3.86 crore of Year-3 margin — by far the largest item and roughly two-thirds of the year's profit on its own. Disclosing the credit cost separately and passing 58% of scheme income down to retailers cost ₹1.42 crore. De-listing manufacturers rather than quarantining batches cost ₹64 lakh in lost lines and supply gaps. Following the cold chain past our own doorstep into the retailer's refrigerator cost ₹48 lakh. Total ₹6.40 crore against ₹6.12 crore of profit — the commitments here EXCEED the profit, which is the honest shape of a 1.8%-margin business trying to hold a standard, and means a trade-standard distributor with the same depots and the same retailers would earn ₹12.52 crore.

6. The Stock That Flows Downhill

This is the finding, and it is a sorting mechanism rather than a wrongdoing.

Step	What happens	Is it lawful?
A retailer's stock approaches expiry	He returns it for credit under the trade's normal terms	Yes
The distributor takes it back	Credit note issued; pack is still in date	Yes
The pack is re-issued	To a shop with faster turnover	Yes
"Faster turnover" in practice	Smaller, poorer, more rural catchment	Yes
That customer buys it	Nobody reads the date; nobody returns anything	Yes
Nothing records where the pack went	No rule requires it, so no distributor tracks it	

Read the third column: no step is a violation, and most of it is competent inventory management. **NOBODY SELLS AN EXPIRED MEDICINE AT ANY POINT.** The trade simply arranges, through thousands of individually sensible decisions, for the shortest-dated stock to end up with the least attentive buyer — and the sorting is not designed by anybody, which is why no one feels responsible for it and why exhortation has never touched

it. It is the food-export finding in a domestic supply chain: two populations, two effective standards, and material flowing towards whichever one will not check. The difference is that the exporter at least knows he is sorting; here the distributor believes he is rotating stock, and he is right. The person harmed is not harmed detectably — a strip with three months left is a perfectly good medicine — but the risk of receiving a pack that has already sat on two shelves, been transported twice more, and lost most of its remaining life is loaded systematically onto the poorest customer in the chain, and he is the one least able to absorb a medicine that does not work.

So the chain is ended rather than managed. **EVERY RETURNED PACK IS DESTROYED AT THE POINT OF RETURN** — 486,000 packs in Year 3 — and **NIL** are re-issued to another retailer, with the disposal recorded per return. **THE CREDIT IS SETTLED ANYWAY**, which is the part that makes it work: a returns policy that penalises the retailer for returning simply teaches him to sell it instead, so the retailer must be made whole or the stock never comes back at all. **THE DESTRUCTION VOLUME AND ITS COST ARE PUBLISHED** — ₹3.86 crore, roughly two-thirds of the year's profit — because a distributor claiming to destroy returns without stating the cost has claimed nothing. The returns and quality function holds sole authority and reports to the promoter, because a returned pack has a resale value and the person who knows that cannot be the person deciding. **WHERE UNSOLD STOCK FLOWS DOWNHILL, THE LAST BUYER IS ALWAYS THE ONE WHO CANNOT CHECK — SO THE CHAIN MUST END AT DESTRUCTION, NOT AT A POORER SHOP.**

7. The Chokepoint, the Credit and the Scheme

Three further rules, following from where a distributor sits rather than what he sells.

□ **NOTHING REACHES A CHEMIST'S SHELF WITHOUT PASSING THROUGH SOMEBODY AT THIS LEVEL.** That makes the distributor the single practical chokepoint against spurious and substandard product — and also the point at which a bad batch is multiplied across hundreds of shops in a week. So every batch is **TRACEABLE IN BOTH DIRECTIONS**, to the manufacturer and to every retailer who received it; **RECALL REACHES THE RETAILER'S SHELF WITHIN 24 HOURS** at 99%, verified by confirmation from the shop rather than by despatch of a notice; and **MANUFACTURERS ARE DE-LISTED** — nine in Year 3 — rather than batches merely quarantined, per the spice-brand rule that addressing one consignment addresses nothing. 126 batches were quarantined and the nine de-listings followed from patterns across them, not from single events.

□ **AND CREDIT IS THE REAL PRODUCT.** A distributor is a lender who happens to deliver medicine: ₹71.8 crore of retailer credit at 71 days is the business, and the credit line rather than the medicine determines what a shop stocks, what it pushes and whether it can switch supplier at all. The trade's practice is to bury the financing cost inside the product price, which makes the retailer's real cost of capital invisible to him and his supplier comparison meaningless. So **THE CREDIT COST IS DISCLOSED AS A SEPARATE LINE** from the product price, every retailer can see what his own terms are costing him annually, and a retailer who pays earlier pays visibly less — per the agri-input rule that where the financier and the seller are the same person, the financing must be priced where the buyer can see it.

□ **AND THE QUARTERLY SCHEME DECIDES WHAT THE FIELD FORCE RECOMMENDS.** A manufacturer's volume scheme on a particular brand is what makes a distributor's representative suggest it to a shop, and the shop has no idea the suggestion was paid for. So **SCHEME INCOME IS DISCLOSED AS A LINE**, **NIL FIELD-FORCE INCENTIVE IS PAID ON SCHEME BRANDS**, and **58% OF SCHEME INCOME IS PASSED DOWN** to the retailers whose purchases earned it — because the volume that earns a scheme is theirs, not ours.

□ **AND A COLD-CHAIN FAILURE IS INVISIBLE ON ARRIVAL.** Per the commissary rule that a recall stopping where our delivery stopped has not reached the patient, monitoring that ends at the retailer's door has not covered the insulin. So excursion monitoring extends **INTO THE RETAILER'S OWN REFRIGERATOR** for 82% of cold-chain volume, through supplied loggers and audited storage, and excursion stock is destroyed rather than sold on — ₹48 lakh.

8. Operations Plan (stock, deliver, take back, destroy)

Returns

- **Every returned pack destroyed at the point of return;** disposal recorded per return.
- **Nil returned packs re-issued to another retailer,** in any circumstance.
- **Credit settled anyway,** because a policy that penalises returning teaches selling instead.
- **Destruction volume and cost published** monthly, per depot.

Batch integrity

- **Batch traceable in both directions** — to manufacturer and to every receiving retailer.
- **Recall to the retailer's shelf within 24 hours,** confirmed by the shop, not by despatch of a notice.
- **Manufacturers de-listed on spurious or substandard product,** not merely batches quarantined.
- **Purchase only against invoice from licensed sources;** no secondary-market buying, ever.

Credit and commercial

- **Credit cost shown as a separate line** from the product price on every invoice.
- **Scheme income disclosed;** nil field incentive on scheme brands; 58% passed down.
- **DPCO ceiling compliance checked at our own pricing,** not left to the retailer.
- **Contribution per stream and per retailer,** never blended into one distribution margin.

Cold chain and depots

- **Excursion monitoring end to end,** extending into the retailer's refrigerator at 82%.
- **Excursion stock destroyed,** never sold on at a discount.
- **Wholesale drug licence and competent person at each of six depots.**
- **Cost to serve measured per retailer,** so a decision to stop supplying is made honestly.

The operational hinge is a pallet of returns from a chain that closed two outlets: 9,400 packs, nine to fourteen months of dating left, worth about ₹31 lakh, perfectly good, and with four retailers in poorer districts who would take the lot tomorrow at full price without asking a single question. Destroying it is a ₹31 lakh write-off against a business earning 1.8%, and the warehouse manager proposing the alternative is not being cynical — the medicine is fine, the buyers are willing, and the transaction is entirely lawful. So the **RETURNS AND QUALITY FUNCTION HOLDS SOLE AUTHORITY**, reports to the promoter, and the **ONLY PERMITTED OUTCOME IS DESTRUCTION**; the system refuses rather than warns, because **THE RETURNS INVENTORY LOCATION HAS NO OUTBOUND MOVEMENT TYPE IN THE SYSTEM AT ALL** — a returned pack physically cannot be issued to a customer, which is a configuration fact rather than a policy. And no depot manager's performance measure includes returns recovery, because a recovery target is simply an instruction to re-issue.

9. Licensing, Traceability & Operating Compliance (India)

- **Drugs and Cosmetics Act 1940 and Rules 1945** — wholesale drug licence Form 20B/21B for each depot, with premises, storage, competent-person and record conditions; purchase and sale records must permit a batch to be traced in both directions.
- **Schedules H, H1 and X** — supply only to licensed retailers against valid licence; Schedule X under NDPS storage, register and disposal conditions.
- **NPPA and DPCO** — ceiling prices binding on the distributor's own pricing to retailers, checked at our invoice rather than at the shop.
- **Recall and reporting** — drug recall procedure, and reporting of spurious or substandard product to the licensing authority.
- **Cold chain** — storage and transport conditions for thermolabile products, with excursion recording.
- **Waste** — biomedical and hazardous waste rules governing destruction of returned and expired stock.
- **Commercial and workforce** — GST and e-invoicing across depots and states, EPF/ESI, POSH, and transport and fleet compliance.
- **The gap** — **RE-ISSUING A RETURNED, IN-DATE PACK TO A DIFFERENT RETAILER BREAKS NO RULE: it is ordinary stock rotation, it is what the credit-note system exists to enable, and NOTHING REQUIRES ANYBODY TO RECORD WHERE A RETURNED PACK SUBSEQUENTLY WENT.**

10. Organisation & Manpower Plan

Function	Yr 1	Yr 3	Notes
Promoter / managing director	1	1	Owens the destroy-on-return rule
Field force, order booking & retailer service	84	268	Nil incentive on scheme brands
Warehousing, depots & cold chain	68	214	Six depots, competent person at each
Transport, fleet & delivery	46	148	Excursion loggers to the retailer's fridge
Credit control, finance & admin	18	54	₹71.8cr credit book at 71 days
Returns handling, destruction & quality	12	38	Sole authority; reports to promoter
Technology, batch traceability & systems	9	26	Recall to shelf in 24 hours
Total	238	749	Returns and quality at 5% of headcount

Thirty-eight people handling returns and destruction is a function most distributors staff with two, because for them returns are a stock-rotation task rather than a disposal one — and the difference in headcount is the whole difference in the business model. The function reports to the promoter, holds sole authority over returned stock, and **NO DEPOT MANAGER'S PERFORMANCE MEASURE INCLUDES RETURNS RECOVERY**, because a recovery target is simply an instruction to re-issue expressed in the language of efficiency. The field force at 268 carries **NIL incentive on scheme brands**, which matters because a representative visiting forty shops a week is the mechanism by which a manufacturer's quarterly scheme becomes a chemist's stock decision, and the chemist never learns the recommendation was paid for.

11. Implementation Timeline & Milestones

Phase	Window	Milestones
Formation & first depots	Month 0-7	Incorporation, wholesale licences, two depots, first appointments
Destroy-on-return architecture	Month 2-8	Returns location with no outbound movement type; credit settled anyway
Batch traceability & recall	Month 5-14	Two-way traceability; recall-to-shelf confirmation from the shop
Credit disclosure & scheme pass-down	Month 9-18	Credit cost as a separate invoice line; 46% then 58% passed down
Depots three to six & cold chain	Month 14-28	Loggers extending into retailer refrigerators
Scale & publication	Month 26-36	1,940 retailers; destruction volume and cost published per depot

Training and competence

- **Why a returned pack is destroyed** — taught with the downhill-flow explanation, not as a rule.
- **Batch discipline at receipt and despatch**, since traceability is created at goods-in.
- **Credit conversation** — explaining a separate financing line to a retailer used to a bundled price.
- **Cold-chain handover**, including auditing a retailer's own refrigerator without offending him.

12. Financial Plan (Illustrative)

All figures are illustrative model assumptions, not forecasts or guarantees. They exist to show the drivers of a pharma distribution P&L and how the returns, traceability and credit disciplines move them. Every input is editable. **The defining economics are an 11.6% blended gross margin producing a 1.8% net margin on a ₹71.8 crore credit book — this is a lending business with a warehouse attached, and finance cost at ₹4.42 crore is larger than the entire returns-handling and technology spend combined.**

12.1 Project cost & funding

Item	₹ lakh	Notes
Working capital — retailer credit book & inventory	1,486	53% of project cost; the actual business
Warehouses, racking & cold rooms (6 depots)	486	Wholesale drug licence at each
Fleet, cold-chain vehicles & loggers	342	Monitoring extends past our doorstep
Technology, batch traceability & systems	264	Two-way trace; returns location with no outbound path
Licences, deposits & pre-operative	148	Per-depot licensing and competent persons
Returns handling & destruction facility	74	Because returns end here rather than move on

Total project cost	2,800	₹980L investor + ₹860L term loan + ₹460L promoter + ₹500L WC
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12.2 Operating metrics

Metric	Yr 1	Yr 2	Yr 3
RETURNED PACKS received / DESTROYED at the point of return / RE-ISSUED to another retailer / credit settled anyway / destruction cost published (₹cr)	148k / 100% / NIL / 100% / 1.28	312k / 100% / NIL / 100% / 2.64	486k / 100% / NIL / 100% / 3.86
Batch traceable in BOTH directions / recall reaching the RETAILER'S SHELF within 24h, confirmed by the shop / batches quarantined / MANUFACTURERS DE-LISTED	100% / 91% / 34 / 2	100% / 96% / 78 / 5	100% / 99% / 126 / 9
CREDIT COST DISCLOSED AS A SEPARATE LINE from the product price / retailer credit book (₹cr) / receivable days / retailers who can see their own annual financing cost	100% / 18.6 / 79 / 100%	100% / 42.4 / 74 / 100%	100% / 71.8 / 71 / 100%
Supplier SCHEME INCOME disclosed as a line / field-force incentive paid on SCHEME BRANDS / share of scheme income PASSED DOWN to the retailers whose purchases earned it	100% / NIL / 46%	100% / NIL / 52%	100% / NIL / 58%
Cold-chain consignments excursion-monitored / monitored PAST OUR DOORSTEP into the retailer's own refrigerator / excursion stock destroyed rather than sold on	100% / 38% / 100%	100% / 64% / 100%	100% / 82% / 100%
Retailers served / lines per invoice / cost to serve per retailer / contribution per retailer / largest retailer as % of revenue	640 / 18 / ₹1.19L / ₹1.56L / 4.2%	1,320 / 22 / ₹0.97L / ₹1.75L / 3.1%	1,940 / 26 / ₹0.98L / ₹2.04L / 2.4%

Row one is the row this plan exists to report, and the two figures that matter sit beside each other: NIL packs re-issued to another retailer, and credit settled anyway at 100%. The second is what makes the first possible — a returns policy that penalises the retailer for returning simply teaches him to sell it instead, so making him whole is not generosity but the only way the stock comes back at all. ₹3.86 crore of destruction against ₹6.12 crore of profit is published rather than absorbed, because a distributor claiming to destroy returns without stating the cost has claimed nothing. Row two's recall figure is measured as CONFIRMATION FROM THE SHOP rather than despatch of a notice, per the commissary rule that a recall stopping where our delivery stopped has not reached the medicine. Row six pairs cost to serve with contribution per retailer — ₹0.98 lakh against ₹2.04 lakh — which is the honest basis on which a distributor decides whether a small chemist is worth supplying, and it is stated rather than implied because that decision is how the long tail loses its supply.

12.3 Revenue build

Stream	Yr 1 (₹L)	Yr 2 (₹L)	Yr 3 (₹L)	Gross margin
Branded prescription medicines to retail	3,870	8,910	15,300	9.5%
Generics & branded generics to retail	1,720	3,960	6,800	15.0%
Hospital & institutional supply	1,290	2,970	5,100	6.0%
Cold-chain — insulins, vaccines, biologics	860	1,980	3,400	11.5%
OTC, nutraceuticals & consumables	602	1,386	2,380	18.0%

Logistics & 3PL for manufacturers	258	594	1,020	30.0%
Total revenue	8,600	19,800	34,000	11.6% blended

12.4 P&L summary

Line	Yr 1 (₹L)	Yr 2 (₹L)	Yr 3 (₹L)
Revenue	8,600	19,800	34,000
Cost of goods — incl. destroyed returns and expiry	(7,599)	(17,496)	(30,044)
Gross profit	1,001	2,304	3,956
Field force, order booking & retailer service	(296)	(512)	(782)
Transport, fleet & delivery	(248)	(428)	(646)
Warehousing, depots & cold storage	(218)	(342)	(476)
Returns handling, destruction & quality	(94)	(152)	(238)
Technology, batch traceability & systems	(118)	(164)	(204)
Admin, legal, credit control & other	(186)	(268)	(374)
EBITDA	(159)	438	1,236
Depreciation & amortisation	(142)	(212)	(272)
Finance cost	(196)	(318)	(442)
Other income — retained share of supplier schemes and 3PL incentives (<i>disclosed</i>)	142	214	294
PBT	(355)	122	816
Tax	89	(31)	(204)
PAT	(266)	91	612
Net margin	(3.1%)	0.5%	1.8%
ROCE	(10.8%)	8.1%	34.4%

Finance cost of ₹4.42 crore against ₹6.12 crore of profit is the sentence that describes this business: a distributor earns 1.8% by lending ₹71.8 crore to shopkeepers and delivering medicine as a condition of the loan. Every day of receivables is roughly ₹93 lakh of funded balance and about ₹11 lakh of annual finance cost, which is why receivable days falling 79 to 71 matters more to the P&L than any margin negotiation, and why the credit disclosure is commercially rational as well as honest — a retailer shown what his terms cost him has a reason to pay earlier. Other income of ₹2.94 crore is the RETAINED share of supplier schemes, stated after the 58% passed down rather than before it, so the disclosed number is what we actually kept. Commitments of ₹6.40 crore EXCEED the ₹6.12 crore of profit — the only plan in this vertical where that is true — which is the honest shape of holding a standard at 1.8%, and means a trade-standard distributor with the same six depots and the same 1,940 retailers would earn ₹12.52 crore.

12.5 Break-even & sensitivity

Scenario	Yr 3 revenue	Yr 3 PAT	Comment
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Base	₹340.0cr	₹6.12cr	As modelled, 1.8% net
Trade-standard practice	₹344.6cr	₹12.52cr	Returns re-issued; credit and schemes bundled
Receivable days rise to 85	₹340.0cr	₹4.95cr	Every day is ₹93 lakh of funded balance
Interest rates +200 bps	₹340.0cr	₹5.56cr	A lending business, priced like one
Blended gross margin –0.5 points	₹340.0cr	₹4.84cr	Half a point is a fifth of the profit
Two manufacturer appointments lost	₹306.0cr	₹4.06cr	Appointment concentration is the real risk

13. Funding Requirement & Bankability

Source	₹ lakh	Terms (indicative)
Investor equity	980	Depot expansion; returns-destruction covenant
Term loan	860	Depots, cold rooms, fleet and systems; 5–7 years
Working capital facility	500	Against receivables and inventory; the core facility
Promoter contribution	460	Cash and trade appointments
Total	2,800	Illustrative structure

A lender should read receivable days, the ageing profile and manufacturer-appointment concentration, and should treat everything else as secondary. Receivable days rising from 71 to 85 takes Year-3 profit from ₹6.12 crore to ₹4.95 crore without a single lost customer or a single rupee of margin conceded — which is what it means to say this is a lending business, and why the credit book's ageing matters more than the sales line. Two hundred basis points of rate movement costs ₹74 lakh. Losing two manufacturer appointments takes revenue down a tenth and profit down a third, because appointments are granted, not won, and a distributor's supply rights are the least secure asset on his balance sheet. The returns-destruction rule deserves a covenant precisely because breaching it would improve every number a lender looks at.

- **Use of funds** — 53% working capital, 17% depots and cold rooms, 12% fleet and loggers, 9% technology and traceability, 5% licences and deposits, 3% returns and destruction facility.
- **Repayment** — term loan from Year 2–3 cash flow; working capital revolving against receivables and inventory with monthly ageing review.
- **Investor exit** — sale to a national distribution group, a manufacturer integrating forward, or a healthcare logistics platform; or promoter buyback.

14. Risk Analysis & Mitigation

Risk	Impact	Mitigation
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The stock that flows downhill	A retailer returns near-expiry packs for credit; the distributor takes them back and RE-ISSUES THEM TO A SHOP WITH FASTER TURNOVER — which in practice means a SMALLER, POORER, MORE RURAL CATCHMENT WHERE NOBODY READS A DATE AND NOBODY RETURNS ANYTHING. The stock moves SYSTEMATICALLY DOWNWARD TOWARDS THE BUYER WITH THE LEAST ABILITY TO CHECK, and EVERY STEP IS LAWFUL because the pack is genuinely still in date when re-issued. NOBODY SELLS AN EXPIRED MEDICINE AT ANY POINT — the trade simply arranges, through thousands of individually sensible decisions, for the shortest-dated stock to reach the least attentive buyer. THE SORTING IS NOT DESIGNED BY ANYBODY, WHICH IS WHY NO ONE FEELS RESPONSIBLE FOR IT. It is the food-export finding inside a domestic chain, except THE EXPORTER AT LEAST KNOWS HE IS SORTING; HERE THE DISTRIBUTOR BELIEVES HE IS ROTATING STOCK, AND HE IS RIGHT	DESTROY AT THE POINT OF RETURN — 486,000 packs in Yr3 — with NIL re-issued to another retailer and disposal recorded per return. SETTLE THE CREDIT ANYWAY, WHICH IS THE PART THAT MAKES IT WORK: A RETURNS POLICY THAT PENALISES THE RETAILER FOR RETURNING SIMPLY TEACHES HIM TO SELL IT INSTEAD, so he must be made whole or the stock never comes back at all. PUBLISH THE DESTRUCTION VOLUME AND COST — ₹3.86cr, roughly two-thirds of the year's profit — BECAUSE A DISTRIBUTOR CLAIMING TO DESTROY RETURNS WITHOUT STATING THE COST HAS CLAIMED NOTHING. GENERAL RULE: WHERE UNSOLD STOCK FLOWS DOWNHILL, THE LAST BUYER IS ALWAYS THE ONE WHO CANNOT CHECK — SO THE CHAIN MUST END AT DESTRUCTION, NOT AT A POORER SHOP
The pallet worth ₹31 lakh	9,400 packs back from a chain that closed two outlets, NINE TO FOURTEEN MONTHS OF DATING LEFT, PERFECTLY GOOD, with four retailers in poorer districts who would take the lot tomorrow at full price WITHOUT ASKING A SINGLE QUESTION. Destroying it is a ₹31L write-off in a business earning 1.8%, and the warehouse manager proposing the alternative IS NOT BEING CYNICAL — the medicine is fine, the buyers are willing, and the transaction is ENTIRELY LAWFUL	The RETURNS AND QUALITY FUNCTION HOLDS SOLE AUTHORITY and reports to the promoter, because A RETURNED PACK HAS A RESALE VALUE AND THE PERSON WHO KNOWS THAT CANNOT BE THE PERSON DECIDING. THE ONLY PERMITTED OUTCOME IS DESTRUCTION. THE SYSTEM REFUSES RATHER THAN WARNS: THE RETURNS INVENTORY LOCATION HAS NO OUTBOUND MOVEMENT TYPE IN THE SYSTEM AT ALL — a returned pack PHYSICALLY CANNOT BE ISSUED to a customer, which is a configuration fact rather than a policy. And NO DEPOT MANAGER'S PERFORMANCE MEASURE INCLUDES RETURNS RECOVERY, BECAUSE A RECOVERY TARGET IS SIMPLY AN INSTRUCTION TO RE-ISSUE EXPRESSED IN THE LANGUAGE OF EFFICIENCY

The chokepoint for spurious product	Nothing reaches a chemist's shelf without passing through somebody at this level, which makes the distributor the single practical defence against spurious and substandard product — AND ALSO THE POINT AT WHICH A BAD BATCH IS MULTIPLIED ACROSS HUNDREDS OF SHOPS IN A WEEK	Every batch TRACEABLE IN BOTH DIRECTIONS, to the manufacturer and to every retailer who received it; RECALL REACHING THE RETAILER'S SHELF WITHIN 24 HOURS at 99%, MEASURED AS CONFIRMATION FROM THE SHOP RATHER THAN DESPATCH OF A NOTICE (commissary rule); 126 batches quarantined and 9 MANUFACTURERS DE-LISTED rather than batches merely quarantined, WITH THE DE-LISTINGS FOLLOWING FROM PATTERNS ACROSS BATCHES RATHER THAN SINGLE EVENTS (spice-brand rule: addressing one consignment addresses nothing); and purchase ONLY against invoice from licensed sources, with NO SECONDARY-MARKET BUYING EVER (₹64L)
Credit is the real product	A distributor is A LENDER WHO HAPPENS TO DELIVER MEDICINE: ₹71.8cr of retailer credit at 71 days IS the business, and THE CREDIT LINE RATHER THAN THE MEDICINE DETERMINES WHAT A SHOP STOCKS, WHAT IT PUSHES AND WHETHER IT CAN SWITCH SUPPLIER AT ALL. The trade buries the financing cost inside the product price, WHICH MAKES THE RETAILER'S REAL COST OF CAPITAL INVISIBLE TO HIM AND HIS SUPPLIER COMPARISON MEANINGLESS	CREDIT COST DISCLOSED AS A SEPARATE LINE FROM THE PRODUCT PRICE on every invoice; every retailer can see WHAT HIS OWN TERMS COST HIM ANNUALLY; and a retailer who pays earlier PAYS VISIBLY LESS — the agri-input rule that where the financier and the seller are the same person, THE FINANCING MUST BE PRICED WHERE THE BUYER CAN SEE IT. It is commercially rational as well as honest: a retailer shown what his terms cost him HAS A REASON TO PAY EARLIER, and receivable days fell 79 → 71 (₹1.42cr with the scheme pass-down)
The quarterly scheme decides the recommendation	A manufacturer's volume scheme on a particular brand is WHAT MAKES A DISTRIBUTOR'S REPRESENTATIVE SUGGEST IT TO A SHOP — a field force of 268 visiting forty shops a week is the mechanism by which a scheme becomes a chemist's stock decision — AND THE SHOP HAS NO IDEA THE SUGGESTION WAS PAID FOR	SCHEME INCOME DISCLOSED AS A LINE; NIL FIELD-FORCE INCENTIVE PAID ON SCHEME BRANDS; and 58% OF SCHEME INCOME PASSED DOWN to the retailers whose purchases earned it, BECAUSE THE VOLUME THAT EARNS A SCHEME IS THEIRS, NOT OURS. Other income of ₹2.94cr is stated AFTER the pass-down rather than before it, so the disclosed figure is what we actually kept; and DPCO ceiling compliance is checked at OUR OWN invoice rather than left to the retailer
Cold-chain failure past our doorstep	An insulin that sat in a warm delivery vehicle, or in a retailer's refrigerator during a six-hour power cut, LOOKS EXACTLY LIKE ONE THAT DID NOT; monitoring that ends at the shop door has not covered the medicine	Excursion monitoring END TO END and extending INTO THE RETAILER'S OWN REFRIGERATOR for 82% of cold-chain volume through supplied loggers and audited storage; excursion stock DESTROYED rather than sold on at a discount; cold-chain vehicles logger-fitted rather than insulated-box only; and retailer refrigeration audited as a condition of supplying thermolabile lines at all (₹48L)

Working capital and receivables	Finance cost of ₹4.42cr against ₹6.12cr of profit; every day of receivables is ₹93L of funded balance, so 85 days instead of 71 takes profit to ₹4.95cr WITHOUT A SINGLE LOST CUSTOMER OR A RUPEE OF MARGIN CONCEDED, and 200bps costs ₹74L	Credit limits set against observed payment behaviour rather than order size; ageing reviewed monthly at board level with supply on stop under a published escalation; the credit disclosure used as a collection instrument since a visible cost gives a reason to pay earlier; cost to serve measured per retailer so unprofitable accounts are addressed rather than carried; and inventory turned against actual offtake rather than scheme-driven buying
Appointment and margin concentration	Losing two manufacturer appointments takes revenue down a tenth and profit down a third, BECAUSE APPOINTMENTS ARE GRANTED, NOT WON, and supply rights are the least secure asset on the balance sheet; half a point of blended margin is a quarter of the profit	Largest retailer held to 2.4% of revenue and falling; six depots and six revenue streams with different margin structures so no single appointment is existential; 3PL at 30% gross and no credit risk grown as a structurally different income; institutional supply retained despite 6% margin because it diversifies the customer base away from retail credit; and contribution reported PER STREAM so a deteriorating line is visible rather than averaged away

15. SWOT Analysis

Strengths • 486,000 returned packs destroyed; nil re-issued downhill • Credit settled anyway, so the stock actually comes back • Batch traceable both ways; recall to shelf in 24h at 99% • Credit cost disclosed separately; 58% of schemes passed down • Cold chain monitored into the retailer's own refrigerator	Weaknesses • ₹6.40cr of commitments EXCEED ₹6.12cr of profit • 1.8% net margin on a ₹71.8cr credit book • ₹3.86cr of stock destroyed every year • Finance cost larger than most operating lines
Opportunities • 3PL at 30% gross with no credit risk • Cold chain as a defensible, capability-led niche • Retailers who can finally compare suppliers on the real cost • Traceability sellable to manufacturers as recall assurance • Consolidation of sub-scale regional stockists	Threats • Manufacturers appointing directly to chains • Receivable stretch and retailer failures • Interest rate movement on a lending business • Competitors whose cost base assumes returns are recoverable

16. Recommended AiSevak Tools for This Business

- **Returns terminus** — a returns location with no outbound movement type; re-issue is impossible, not prohibited.
- **Destruction register** — packs, value and disposal per return, published monthly by depot.
- **Two-way batch trace** — manufacturer to depot to every receiving retailer, with recall confirmation from the shop.
- **Credit cost line** — financing shown separately on every invoice, with each retailer's annual cost visible.
- **Scheme pass-down engine** — scheme income attributed to the purchases that earned it, 58% returned.

- **Cold-chain logger network** — monitoring extending into the retailer's own refrigerator.
- **Cost-to-serve dashboard** — per retailer, against contribution, so supply decisions are made honestly.

17. Key Assumptions & Notes

- **All financials are illustrative model assumptions, not forecasts, projections or guarantees.** Revenue, retailer counts, stream margins, return volumes, receivable days and credit book are editable inputs; actual outcomes depend on appointments, credit discipline, interest rates and depot density. Figures are in Indian rupees. **This plan inherits the pharmacy vertical anchor's rules from `retail-pharmacy`, and is the level at which the anchor's destroy-do-not-return rule is actually decided.**
- **The central integrity finding is that the saleable return is the mechanism by which short-dated stock reaches the patient least able to notice.** A retailer returns near-expiry packs for credit; the distributor takes them back and re-issues them to a shop with faster turnover — which in practice means a smaller, poorer, more rural catchment, where nobody reads a date on a strip and nobody returns anything. **The stock moves systematically downward through the trade towards the buyer with the least ability to check, and every step is lawful, because the pack is genuinely still in date when re-issued. Nobody sells an expired medicine at any point. The trade simply arranges, through thousands of individually sensible decisions, for the shortest-dated stock to end up with the least attentive buyer — and the sorting is not designed by anybody, which is why no one feels responsible for it and why exhortation has never touched it.** It is the food-export finding inside a domestic supply chain, with one difference: the exporter at least knows he is sorting, while the distributor believes he is rotating stock, and he is right.
- **So the chain is ended rather than managed.** Every returned pack is destroyed at the point of return — 486,000 in Year 3 — with nil re-issued to another retailer and the disposal recorded per return. **The credit is settled anyway, which is the part that makes it work: a returns policy that penalises the retailer for returning simply teaches him to sell it instead, so he must be made whole or the stock never comes back at all.** The destruction volume and its cost are published at ₹3.86 crore, roughly two-thirds of the year's profit, because a distributor claiming to destroy returns without stating the cost has claimed nothing. **The returns and quality function holds sole authority and reports to the promoter, the returns inventory location has no outbound movement type in the system at all, and no depot manager's performance measure includes returns recovery — because a recovery target is simply an instruction to re-issue expressed in the language of efficiency. WHERE UNSOLD STOCK FLOWS DOWNHILL, THE LAST BUYER IS ALWAYS THE ONE WHO CANNOT CHECK — SO THE CHAIN MUST END AT DESTRUCTION, NOT AT A POORER SHOP.**
- **Nothing reaches a chemist's shelf without passing through somebody at this level.** That makes the distributor the single practical chokepoint against spurious and substandard product, and also the point at which a bad batch is multiplied across hundreds of shops in a week. **Every batch is traceable in both directions; recall reaches the retailer's shelf within 24 hours at 99%, measured as confirmation from the shop rather than despatch of a notice; 126 batches were quarantined and nine manufacturers de-listed, with the de-listings following from patterns across batches rather than single events; and nothing is bought outside a licensed source against invoice.**
- **Credit is the real product, and the scheme decides the recommendation.** A distributor is a lender who happens to deliver medicine — ₹71.8 crore at 71 days — and the credit line rather than the medicine determines what a shop stocks, what it pushes and whether it can switch supplier at all; the trade buries the financing cost inside the product price, which makes the retailer's real cost of capital invisible and his supplier comparison meaningless. **So the credit cost is disclosed as a separate invoice line, every retailer can see what his own terms cost him annually, and paying earlier costs visibly less — which is commercially rational as well as honest, since receivable days fell from 79 to 71.** Scheme income is disclosed as a line, nil field-force incentive is paid on scheme brands, and

58% of scheme income is passed down to the retailers whose purchases earned it, because the volume that earns a scheme is theirs rather than ours.

- **Cold-chain failure is invisible on arrival, so monitoring must not stop at our doorstep.** Per the commissary rule, a recall — or a temperature log — that stops where our delivery stopped has not reached the medicine. Excursion monitoring extends into the retailer's own refrigerator for 82% of cold-chain volume through supplied loggers and audited storage, refrigeration is audited as a condition of supplying thermolabile lines at all, and excursion stock is destroyed rather than sold on at a discount.
- **The economics are a lending business with a warehouse attached.** An 11.6% blended gross margin produces 1.8% net, and finance cost of ₹4.42 crore against ₹6.12 crore of profit is the whole description: every day of receivables is roughly ₹93 lakh of funded balance and ₹11 lakh of annual finance cost, so 85 days instead of 71 takes profit to ₹4.95 crore without a single lost customer or a rupee of margin conceded, and 200 basis points costs ₹74 lakh. **Commitments of ₹6.40 crore exceed the ₹6.12 crore of profit — the only plan in this vertical where that is true — which is the honest shape of holding a standard at 1.8%, and means a trade-standard distributor with the same six depots and the same 1,940 retailers would earn ₹12.52 crore.** Cost to serve at ₹0.98 lakh against contribution per retailer of ₹2.04 lakh is stated rather than implied, because that comparison is how the long tail of small chemists quietly loses its supply.
- **Compliance and professional advice.** The Drugs and Cosmetics Act 1940 and Rules 1945, with a wholesale drug licence in Form 20B/21B for each depot and records permitting two-way batch tracing; Schedules H, H1 and X, with supply only to licensed retailers and Schedule X under NDPS conditions; NPPA and DPCO ceiling prices binding on our own pricing to retailers; drug recall procedures and reporting of spurious or substandard product to the licensing authority; cold-chain storage and transport conditions; biomedical and hazardous waste rules governing destruction of returned and expired stock; GST and e-invoicing across depots and states; and EPF/ESI, POSH and transport compliance. **Note that re-issuing a returned, in-date pack to a different retailer breaks no rule, is what the credit-note system exists to enable, and that nothing requires anybody to record where a returned pack subsequently went — which is why the commitment above is a business decision rather than a compliance one.** Professional advice should be taken on depot licensing across states, DPCO compliance, recall obligations and destruction documentation.

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