

CMP: INR 1,210

Rating: BUY

Target Price: INR 1,673

Stock Info

BSE	544122
NSE	ENTERO
Bloomberg	ENTERO:IN
Sector	Pharma Retail
Face Value (INR)	10
Equity Capital (INR Bn)	434.94
Mkt Cap (INR Mn)	52,625
52w H/L (INR)	1,583 / 1,009
Avg Yearly Vol (in 000')	84.485

Shareholding Pattern %

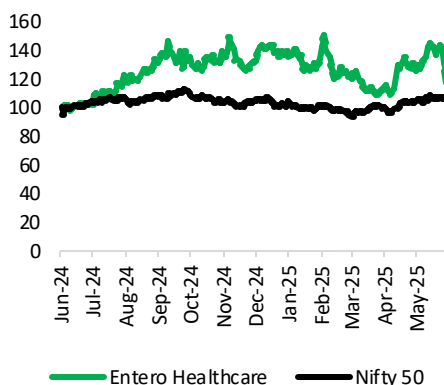
(As on Mar, 2025)

Promoters	52.42
Public & Others	47.58

Stock Performance (%) 1m 6m 12m

Entero Healthcare	-6.83	-11.34	16.64
Nifty	1.66	1.96	6.39

Entero Healthcare Vs Nifty



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Entero Healthcare Solutions delivered a mixed performance for the quarter. Revenue came at INR 13,391 mn, against our estimates of INR 14,115 mn, down by 1.47% QoQ / up by 29.48% YoY. EBITDA came at INR 489 mn, against our estimates of INR 531 mn, down by 2.19% QoQ / up 69.38% YoY. EBITDA Margins came at 3.65%, against our estimates of 3.05%, down 2.69 bps QoQ / up 86.06 bps YoY. PAT came at INR 314 mn, against our estimates of INR 280 mn, up 6.71% QoQ / up 48.38% YoY. The company's six new acquisitions, adding over INR 4,000 Mn in annualized revenue, significantly expand their geographical reach and diversify into high-growth areas like specialty pharma and medical devices.

Inorganic Growth Strategy with Margin-Accretive Acquisitions: The company has completed 10 strategic acquisitions in FY25 contributing INR 7,920 Mn in annualized revenue. These acquisitions have been chosen to expand geographic footprint into new cities (Jaipur, Ujjain, Trivandrum, Khammam) and diversify product portfolio across higher-margin segments including medical devices, diagnostic consumables, surgical consumables, and specialty pharma. All acquisitions are margin-accretive, with acquired businesses operating at EBITDA margins in the 6-8% range, significantly higher than Entero's current margins. The company has already announced 6 new strategic acquisitions for FY26 that will collectively add INR 4,000+ Mn of annualized revenues. We anticipate the company will drive further consolidation in the fragmented healthcare distribution market while expanding margins.

Large Distribution Network with Strong Market Position: The company has differentiated pan-India distribution platform, spanning 500 districts across 20 states with 101 warehouses. The company serves 95,300+ retail pharmacies (~1 out of 10 pharmacies in India) and 3,600 hospitals, demonstrating strong market penetration. With an SKU count 80,600+ and partnerships with 2,700+ healthcare product manufacturers, the company offers unparalleled product breadth and depth. The company's one-stop-shop model with 3-4 daily deliveries significantly improves customer experience and enables retailers to optimize inventory while increasing sales. The company's ability to serve ~100,000 customers across pharmacies and hospitals provides substantial competitive moats and pricing power in negotiations with suppliers.

Diversified Path to Sustained Growth: Despite the pharmaceutical industry experiencing a slowdown with IPM growth declining to 8% in FY25, the company maintained its organic growth at 16% for FY25, demonstrating 2x industry outperformance. This resilience came from the company's value proposition in a fragmented market where consolidation is accelerating. Management expects to sustain organic growth at 1.5-2x industry growth rates, supported by market share gains and wallet share expansion with existing customers. The company's diversification into higher-growth segments like medical devices (contributing close to 10% of revenue), specialty pharma, and diagnostic consumables provides additional growth drivers beyond traditional pharmaceuticals. For FY26, the company is expected for similar or better growth rates than the 30% achieved in FY25. The addressable market of \$33.2 Bn growing at 10-11% CAGR over the next 5 years provides substantial runway for expansion.

Valuation & View: The company achieved significant milestones in FY'25, crossing INR 50,000 Mn in revenues, surpassing 100,000 customer base across pharmacies and hospitals, achieving INR 1,000+ Mn in PAT, and turning operating cash flow positive in H2. Looking forward, 30% of revenue growth or better (similar to FY'25's 30% growth) is expected in FY26, EBITDA margins exceeding 4% on a full-year basis (up from current 3.4%), and positive operating cash flow for the entire year. The growth strategy will continue to rest on 3 pillars: sustaining organic momentum with 1.5-2x industry growth rates, pursuing disciplined acquisitions (they've already announced 6 new acquisitions adding over INR 4,000 Mn in annualized revenues), and expanding EBITDA margins through higher-margin product categories and operational efficiencies. **We expect Entero's revenue to grow at 31.66% CAGR over FY25-FY28E on the back of organic and inorganic expansion. We maintain our "Buy" Rating with a Target price of INR 1,673 using DCF method, giving an upside of 38.30%.**

Financial Performance

Particulars	FY24	FY25	FY26E	FY27E	FY28E
Revenue from Operations	39,223	50,958	66,245	87,444	1,16,300
Gross Profit Margin	9.0%	9.5%	9.6%	9.7%	9.8%
EBITDA Margin	2.9%	3.4%	3.8%	4.2%	4.5%
Adj. Net Profit	398	1,074	1,606	2,429	3,618
Adj EPS (INR)	9.15	24.70	36.94	55.85	81.33
P/E	132.22	48.98	32.76	21.67	14.88
P/B	3.21	2.97	2.79	2.47	2.16
Debt / Equity	0.21	0.22	0.18	0.16	0.14
Net Debt	-5,552	1,248	930	1,041	1,147
ROE	2.4%	6.1%	8.5%	11.4%	14.5%
ROCE	5.0%	7.6%	11.1%	15.0%	19.1%

Source: Arihant Research, Company Filings

Q4FY25 Consolidated Performance

Particulars (INR Mn)	Q4FY25	Q3FY25	Q4FY24	QoQ	YoY
Revenue from operations	13,391	13,590	10,342	-1.47%	29.48%
COGS	12,083	12,256	9,416	-1.41%	28.33%
Gross Profit	1,308	1,334	926	-1.97%	41.21%
Gross Profit Margins	9.77%	9.82%	8.95%	-5bps	81bps
Expenses					
Employee Benefits Expenses	520.15	533.93	379.35	-2.58%	37.12%
Other Expenses	298	300	258	-0.53%	15.67%
EBITDA	489	500	289	-2.19%	69.38%
EBITDA Margins	3.65%	3.68%	2.79%	-3bps	86bps
Other Income	72.92	74.98	91.49	-2.75%	-20.30%
EBITDA (incl. OI)	562	575	380	-2.26%	47.81%
EBITDA Margins	4.20%	4.23%	3.68%	-3bps	52bps
Depreciation	84.94	80.99	71.44	4.88%	18.90%
EBIT	477	494	309	-3.43%	54.50%
EBIT Margins	3.56%	3.64%	2.99%	-7bps	58bps
Finance Cost	104.88	99.72	173.23	5.17%	-39.46%
PBT	372	394	136	-5.61%	174.52%
Exceptional Items	0	0	0		
Profit Before Tax	372	394	136	-5.61%	174.52%
Tax Expenses	58.03	99.91	(76.16)	-41.92%	-176.19%
PAT	314.22	294.45	211.8	6.71%	48.38%

Source: Arianth Research, Company Filings

Q4FY25 Concall Key Highlights

30% revenue growth is expected in FY26, supported by a mix of organic growth, contributions from acquisitions made in FY25, and new acquisitions planned for FY26. Organic revenue is expected to grow at 1.5 to 2x the growth of the IPM, which is estimated to grow at ~8% per year. The company expects to generate positive operating cash flows for the full year FY26.

- Expecting 30%+ growth, maintaining FY25 growth pace through a mix of organic expansion, full-year impact of FY25 acquisitions, and new acquisitions.
- Targeting 4%+ for FY26 full year; medium-term ambition to move towards 5% margins.
- Aiming to be positive for full-year FY26 via better margin mix and improved working capital management through 5% reduction in working capital days in FY26.
- The company completed 10 strategic acquisitions in FY25, contributing INR 7,920 Mn in annualized revenue. Another INR 4,000 Mn worth of acquisitions already announced for FY26, with more in the pipeline.
- Acquisitions are margin-accretive, with most falling in the 6-8% EBITDA margin range.
- The company covers 500 districts across 20 states via 101 warehouses and serves 95,300 retail pharmacies (1 in 10 pharmacies in India) and 3,600 hospitals.
- 80,600+ SKUs, collaborating with 2,700+ healthcare manufacturers.
- Revenue Mix- Hospital (20-25%), Medical devices and surgical consumables (~10%) and Sales and marketing services for pharma companies (less than 5%).
- Businesses are treated as inorganic in the first year post-acquisition and shift to organic from the second year.
- Focused on specialty pharma segments, which have better margins despite regional pricing pressure.
- Healthcare Distribution Market is estimated at USD 33.2 Bn, expected to grow at 10-11% CAGR over the next 5 years.
- OCF is historically better in H2 due to lower inventory post-peak season.
- No immediate plans for fresh fundraising; current cash balance (INR 2,500 Mn) and IPO proceeds to fund acquisitions.
- 3-4 deliveries per day in key geographies, reducing customer inventory burden.
- Expected to reach 15-20% ROE once 4%+ margins and 60-day working capital targets are met.

Financials

(INR Mn)

Income Statement INR (Mn)	FY23	FY24	FY25	FY26E	FY27E	FY28E
Revenue from Operations	33,002	39,223	50,958	66,245	87,444	1,16,300
YoY		19%	30%	30%	32%	33%
COGS	30,319	35,704	46,095	59,857	78,924	1,04,852
YoY		18%	29%	30%	32%	33%
Personnel/ Employee benefit expenses	1,281	1,511	1,990	2,455	3,066	3,845
YoY		18%	32%	23%	25%	25%
Other Expenses	762	890	1,157	1,438	1,811	2,315
YoY		17%	30%	24%	26%	28%
EBITDA	640	1,118	1,715	2,495	3,643	5,288
YoY		75%	53%	45%	46%	45%
EBITDA Margin (%)	1.9%	2.9%	3.4%	3.8%	4.2%	4.5%
Depreciation	242	250	307	305	325	355
EBIT	398	868	1,409	2,190	3,318	4,932
EBIT Margin (%)	1.2%	2.2%	2.8%	3.3%	3.8%	4.2%
Interest Expenses	490	657	416	364	364	364
Non-operating/ Other income	55	144	395	316	284	256
Extraordinary expense	0	0	0	0	0	0
PBT	(37)	356	1,387	2,142	3,239	4,824
Tax-Total	74	(42)	313	535	810	1,206
PAT	(111)	398	1,074	1,606	2,429	3,618
Adj. Net Profit	(111)	398	1,074	1,606	2,429	3,618
YoY		-458%	170%	50%	51%	49%
PAT Margin	-0.3%	1.0%	2.1%	2.4%	2.8%	3.1%
Shares o/s paid up equity sh capital	4	43	43	43	43	44
Adj EPS (INR)	(27.0)	9.2	24.7	36.9	55.8	81.3

Balance Sheet (INR Mn)	FY23	FY24	FY25	FY26E	FY27E	FY28E
Sources of Funds						
Equity Share Capital	41	435	435	435	435	436
Reserves & Surplus/ Other Equity	5,935	15,979	17,268	18,446	20,875	24,494
Networth	5,977	16,414	17,704	18,881	21,310	24,930
Current Borrowings	3,559	2,435	3,182	2,735	2,735	2,736
Non-Current Borrowings	810	945	670	717	767	821
Borrowings	4,370	3,380	3,852	3,452	3,502	3,557
Total Funds Employed	10,346	19,794	21,556	22,333	24,812	28,487
Application of Funds						
Net Fixed Assets	969	931	1,321	1,531	1,405	1,351
Capital WIP	-	-	-	-	-	-
Investments	79	157	262	275	289	304
Goodwill	1,670	1,928	4,240	4,928	5,728	6,529
Other non current assets	137	324	446	461	483	505
Current assets	10,232	20,110	20,182	21,214	25,817	28,311
Inventory	3,416	4,212	6,598	6,506	7,892	9,532
Days	39	39	43	40	37	33
Debtors	5,149	6,154	8,304	9,362	12,499	13,345
Days	49	53	52	49	46	41
Other Current Assets	598	812	2,676	2,824	2,964	3,024
Bank	815	7,455	311	-	-	-
Cash	254	1,476	2,293	2,522	2,461	2,410
Current Liabilities	6,240	6,019	8,450	8,707	11,536	11,134
Creditors	2,105	2,299	3,973	4,565	7,333	6,866
Days	21	22	24	26	27	24
Other current liabilities	575	1,286	1,295	1,407	1,468	1,532
Provisions and other non current liabilities	61	71	96	104	109	116
Net Working Capital	3,992	14,090	11,731	12,507	14,281	17,178
Total Liabilities and Capital	13,087	23,450	27,025	28,409	33,722	37,000
Total Assets	13,087	23,450	27,025	28,409	33,722	37,000

Source: Arihant Research, Company Filings

Cashflow Statement (INR Mn)	FY23	FY24	FY25	FY26E	FY27E	FY28E
PBT	-36.9	355.6	1,387.4	2,142.0	3,238.6	4,824.2
Operating Profit before WC Changes	692.8	1,221.7	1,827.7	2,495.1	3,643.3	5,287.5
Operating Profit after WC Changes	-328.9	-235.5	-2,885.8	2,082.1	1,808.4	2,338.8
Tax Paid	-124.3	-130.6	-313.1	-535.5	-809.6	-1,206.1
Cash Flow from Operating Activities	-453.2	-366.1	-3,198.9	1,546.7	998.7	1,132.7
Cash Flow from Investing Activities	-486.0	-7,051.2	4,586.8	-953.3	-695.6	-820.1
Cash Flow from Financing Activities	727.6	8,629.4	-571.6	-364.0	-364.0	-364.0
Net Change in Cash & Cash Equivalents	-211.5	1,212.1	816.3	229.4	-60.9	-51.3
Opening Cash & Cash Equivalents	465.1	264.4	1,476.5	2,292.8	2,522.1	2,461.2
Closing Cash & Cash Equivalents	253.6	1,476.5	2,292.8	2,522.1	2,461.2	2,409.9

Key Ratios

Solvency Ratios (X)	FY23	FY24	FY25	FY26E	FY27E	FY28E
Debt / Equity	0.73	0.21	0.22	0.18	0.16	0.14
Net Debt / Equity	0.55	-0.34	0.07	0.05	0.05	0.05
Debt / EBITDA	6.83	3.02	2.25	1.38	0.96	0.67
Net Debt / EBITDA	5.16	-4.96	0.73	0.37	0.29	0.22
Debt / Asset	0.25	-0.24	0.05	0.03	0.03	0.03
Liquidity Ratios (x)						
Current Ratio	1.64	3.34	2.46	2.44	2.24	2.54
Quick Ratio	1.09	2.64	1.68	1.69	1.55	1.69
Important Metrics						
Net Debt	3301	-5552	1248	930	1041	1147
FCF	174	-1544	-6150	474	-1	32
EV		47071	53871	53552	53664	69257
DuPont Analysis						
Sales/Assets (Asset Turnover)	2.52	1.67	1.89	2.33	2.59	3.14
Assets/Equity (Equity Multiplier)	2.19	1.43	1.53	1.50	1.58	1.48
Net Profit Margin	-0.3%	1.0%	2.1%	2.4%	2.8%	3.1%
RoE	-1.9%	2.4%	6.1%	8.5%	11.4%	14.5%
Per share ratios (INR)						
Reported EPS	-27.02	9.15	24.70	36.94	55.85	81.33
Adjusted EPS	-27.02	9.15	24.70	36.94	55.85	81.33
Dividend	0.00	0.00	0.00	0.00	0.00	0.00
BV	1454	377	407	434	490	560
Cash & Bank	260	205	60	58	57	54
Revenue	8030	902	1172	1523	2011	2614
Profitability ratios						
Gross Profit Margin	8.1%	9.0%	9.5%	9.6%	9.7%	9.8%
EBITDA Margin	1.9%	2.9%	3.4%	3.8%	4.2%	4.5%
EBIT Margin	1.2%	2.2%	2.8%	3.3%	3.8%	4.2%
PAT Margin	-0.3%	1.0%	2.1%	2.4%	2.8%	3.1%
ROE	-1.9%	2.4%	6.1%	8.5%	11.4%	14.5%
ROCE	5.8%	5.0%	7.6%	11.1%	15.0%	19.1%
ROA	-0.8%	1.7%	4.0%	5.7%	7.2%	9.8%
Activity ratios						
Inventory Days	39	39	43	40	37	33
Debtor Days	49	53	52	49	46	41
Creditor Days	21	22	24	26	27	24
Days(Cash Cycle)/WC Cycle	68	70	71	62	55	49
Valuation ratios (X)						
EV / EBITDA	0.00	42.09	31.40	21.46	14.73	13.10
EV / EBIT	0.00	54.21	38.25	24.45	16.17	14.04
EV / Net Sales	0.00	1.20	1.06	0.81	0.61	0.60
EPS (INR)	0.00	9.15	24.70	36.94	55.85	81.33
Adj EPS (INR)	0.00	9.15	24.70	36.94	55.85	81.33
P/E	0.00	132.22	48.98	32.76	21.67	14.88
P/B	0.00	3.21	2.97	2.79	2.47	2.16

Source: Arihant Research, Company Filings

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Stock Rating Scale	Absolute Return
BUY	>20%
ACCUMULATE	12% to 20%
HOLD	5% to 12%
NEUTRAL	-5% to 5%
REDUCE	-5% to -12%
SELL	<-12%

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