

CMP: INR 1,238

Rating: BUY

Target Price: INR 1,740

Stock Info

BSE	544122
NSE	ENTERO
Bloomberg	ENTERO:IN
Sector	Pharma Retail
Face Value (INR)	10
Equity Capital (INR Mn)	435
Mkt Cap (INR Mn)	53,080
52w H/L (INR)	1,584 / 1,078
Avg Yearly Vol (in 000')	71

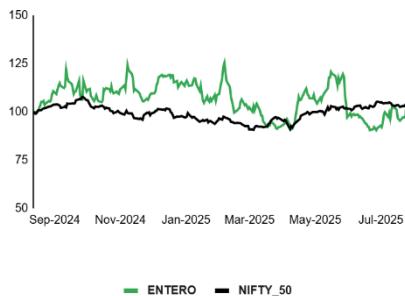
Shareholding Pattern %

(As on June,2025)

Promoters	52.42
Public & Others	47.58

Stock Performance (%)	1m	6m	12m
Entero Healthcare	-6.24	-10.74	-3.54
Nifty	-2.24	6.56	0.98

Entero Healthcare Vs Nifty



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Entero Healthcare Solutions delivered a steady performance for the quarter. Revenue came at INR 14 bn, against consensus estimates of INR 13.9 bn, up by 28% YoY / up by 4.8%QoQ. EBITDA came at INR 501 mn, against estimates of INR 527 mn, down by up 66% YoY /2.4% QoQ . EBITDA Margins came at 3.6%, against estimates of 3.8%, up 80 bps YoY /down 10 bps QoQ . PAT came at INR 302 mn, against estimates of INR 273 mn, up 47% YoY /down 4% QoQ. 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.

Sustained Market Outperformance with Broad-Based Growth Engines: Entero Healthcare Solutions Ltd. delivered a strong topline performance in Q1 FY26, posting revenue growth of 28% YoY to INR14.0bn, substantially outpacing Indian Pharma Market growth of 9%. On a like-to-like basis (adjusted for change in revenue recognition), growth stood at 30–31%, with organic growth contributing over 15% and the balance coming from margin-accretive acquisitions executed in FY25 and early FY26. Operationally, Entero expanded its customer base to over 71,000 retail pharmacies and 2,500+ hospitals across 469 districts while scaling its product portfolio to 74,700+ SKUs. Contribution from Q1-acquired entities (~INR230mn revenue) is set to ramp up from Q2 as closures complete. Seasonal strength from Q2 onwards (8–10% sequential uplift typical for the industry) should further accelerate revenue momentum.

Margin Gains Underpinned by Procurement Efficiencies and Operating Leverage: Q1 FY26 gross profit grew 40% YoY to INR1.40bn, with gross margin expansion of 83bps YoY to 9.9%, aided by stronger procurement efficiency, a richer product mix, and high-value category growth. EBITDA rose 66% YoY to INR500mn, with an 82bps YoY improvement in EBITDA margin to 3.6%. Sequential compression from 3.7% was mainly due to full absorption of annual salary and wage increases in this quarter — a cost headwind that will normalise as scale benefits flow through in the rest of the year. Fixed manpower costs are now fully baked into the run-rate, with incremental revenue expected to convert more strongly to EBITDA. Management remains confident of exceeding 4% full-year margins, supported by operating leverage, procurement gains, technology-enabled efficiency, and value-added service offerings. Tax efficiency initiatives should keep effective tax rates in the 17–18% range, aiding net earnings growth.

Disciplined M&A, Category Expansion and Tech Leverage to Drive Earnings growth: Management's near- to medium-term growth playbook is anchored on three pillars — disciplined inorganic expansion, deepening organic penetration, and operational excellence through technology leverage. Recent acquisitions have been larger and more strategic, enhancing integration speed, market positioning, and profitability; the focus is on high-synergy deals in new geographies, differentiated product segments, and capabilities that augment Entero's platform appeal. Organically, the company is prioritising underserved markets and margin-accretive categories like medical devices, diagnostics, surgical consumables, trade generics, and specialty pharma, while extracting higher wallet share from existing customers. Technology investments (custom ERP, integrated customer apps, health-tech platforms) are largely complete, with the next phase centred on capitalising these for working capital reduction (target: 60 days by FY26 end) and productivity gains. Over the next 2–3 years, as the pace of acquisitions moderates, a rising proportion of growth will be organic, operating cash flows will strengthen, and scale-driven leverage should support structurally higher margins and robust earnings compounding.

Valuation & View: Entero Healthcare Solutions Ltd. commenced FY26 on a robust footing, delivering above-industry revenue growth backed by both organic expansion and disciplined inorganic initiatives. Management reaffirmed a strong FY26 outlook, targeting 30%+ topline growth, margin expansion, and significant operating leverage as the impact of annual salary increments is absorbed. Sustained procurement efficiencies, continued working capital optimization, and a deepening reach across retail pharmacies and hospitals remain key drivers, while the M&A pipeline provides incremental scale and margin accretion. The company's technology-driven distribution platform should further support consolidation gains in a highly fragmented market. **We expect Entero's revenue to grow at 31.7% CAGR over FY25-FY28E on the back of organic and inorganic expansion. We maintain our "Buy" Rating with a Target price of INR 1,740 using DCF method, giving an upside of 47.7%.**

Financial Performance

Particulars	FY23	FY24	FY25	FY26E	FY27E	FY28E
Revenue from Operations	33,002	39,223	50,958	66,245	87,444	116,300
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%
Adj. Net Profit	-111	398	1074	1735	2,623	3,908
Adj EPS (INR)	-27.0	9.15	24.70	39.89	60.32	87.83
P/E	0	132.2	49.0	30.3	20.1	13.8
Debt / Equity	0.73	0.21	0.22	0.18	0.16	0.14
ROE	-1.9%	2.4%	6.1%	9.1%	12.1%	15.3%
ROCE	5.8%	5.0%	7.6%	11.0%	14.7%	18.6%

Source: Arihant Research, Company Filings

Q1FY26 Consolidated Performance

Particulars (INR Mns)	Q1FY26	Q1FY25	Q4FY25	YoY	QoQ
Revenue from operations	14,038	10,970	13,391	28.0%	4.8%
COGS	12,642	9,971	12,083	26.8%	4.6%
Gross Profit	1,396	1,000	1,308	39.6%	6.7%
Gross Profit Margins	9.9%	9.1%	9.8%	83bps	18bps
Expenses					
Employee Benefits Expenses	576	436	520	32.1%	10.7%
Other Expenses	319	262	298	21.8%	7.1%
EBITDA	501	302	489	65.9%	2.4%
EBITDA Margins	3.57%	2.75%	3.65%	82bps	-9bps
Other Income	58	134	73	-57%	-20%
EBITDA (incl. OI)	559	436	562	28%	-1%
EBITDA Margins	4.0%	4.0%	4.2%	1bps	-22bps
Depreciation	89	66	85	34%	4%
EBIT	470	370	477	27%	-1%
EBIT Margins	3.3%	3.4%	3.6%	-2bps	-21bps
Finance Cost	107	97	105	10%	2%
PBT	364	273	372	33%	-2%
Exceptional Items	-	-	-		
Profit Before Tax	364	273	372	33.2%	-2.3%
Tax Expenses	61	68	58	-9.4%	5.7%
PAT	302	205	314	47.3%	-3.8%

Source: Arianth Research, Company Filings

Q1FY26 Concall Key Highlights

Financial & Operational Performance

Revenue: Up 28% YoY to INR14.0bn (Q1FY25: INR10.97bn), outpacing Indian Pharma Market (IPM) growth of 9%

Gross Profit: Rose 40% YoY to INR1.40bn, with gross margins expanding 83bps YoY to 9.9%.

EBITDA: INR500mn, up 66% YoY; EBITDA margin at 3.6% (+82bps YoY), impacted QoQ by annual salary increases, fully absorbed in Q1.

PAT: INR278mn, 38-47% YoY growth; PAT margin improved to 2.0% (Q1FY25: 1.8%).

EPS: Increased to INR6.39 from INR4.62 YoY (+39%).

Net Working Capital: Improved to 66 days (targeting 60 days by FY26-end); a 10% reduction targeted through ERP and data science-driven efforts.

Growth Drivers & Business Model

Organic Growth: 15%+ YoY, driven by stronger wallet share from existing customers and expansion into higher-margin categories such as medical devices, diagnostics, surgical consumables, trade generics, and specialty pharma.

Inorganic Growth: Q1FY26 benefited from INR 2.3bn revenue via acquisitions; M&A pipeline remains disciplined and value accretive, with more deals expected to close in Q2.

Customer Portfolio: Now services over 71,000 retail pharmacies (+11,000 YoY) and 2,500+ hospitals across 469 districts, supported by 102 nationwide warehouses.

Product Range: Expanded to over 74,700 SKUs sourced from 2,600+ manufacturers, enhancing value proposition for both suppliers and customers.

Margin Levers & Cost Efficiency

Gross Margin Expansion: Attributed to improved procurement, a shift toward value-added categories, and increased efficiency in warehousing and logistics.

Operating Leverage: Fixed manpower cost (annual increments) fully absorbed in Q1; further revenue growth is expected to flow through to EBITDA margins through the year.

Cost Controls: Multiple tech-enabled projects underway to further optimize inventory and receivables.

Tax Rate: Maintained at 17-18% level due to efficiency measures.

Strategic & Digital Initiatives

M&A Strategy: Acquisitions focused on geographies, new segment entry, and margin-accretive capabilities; rate of acquisitions expected to moderate as penetration and organic scale increase over the next 2-3 years.

Technology Investments: Proprietary ERP, custom apps, and health-tech platform investments complete; incremental benefits expected in working capital reduction and operational productivity as deployment matures.

Cash Flows: Historically strong in H2; management expects positive operating cash flows for FY26 as acquisition intensity moderates and operating performance stabilizes.

Market Position & Industry Dynamics

Market Share: Entero's technology-led, scale-driven platform places it in a leadership position to benefit from sector consolidation (organized players <10% of market share).

Competitive Landscape: Management views quick-commerce and large e-commerce pharmacy forays as limited by SKU complexity, prescription handling, and unit economics. Entero acts as a backend supplier to organized retailers including e-commerce leaders.

Income Statement INR (Mn)	FY23	FY24	FY25	FY26E	FY27E	FY28E
Revenue from Operations	33,002	39,223	50,958	66,245	87,444	116,300
YoY		19%	30%	30%	32%	33%
COGS	30,319	35,704	46,095	59,857	78,924	104,852
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	407	615	917
PAT	(111)	398	1,074	1,735	2,623	3,908
Adj. Net Profit	(111)	398	1,074	1,735	2,623	3,908
YoY		-458%	170%	61%	51%	49%
PAT Margin	-0.3%	1.0%	2.1%	2.6%	3.0%	3.4%
Shares o/s paid up equity sh capital	4	43	43	43	43	44
Adj EPS (INR)	(27.0)	9.2	24.7	39.9	60.3	87.8

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	18,575	21,198	25,106
Networth	5,977	16,414	17,704	19,010	21,633	25,542
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	22,461	25,135	29,099
Application of Funds						
Net Fixed Assets	969	931	1,321	1,531	1,405	1,351
Capital WIP	-	-	-	-	-	-
Investments	79	157	838	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	21,342	26,140	28,924
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	2,651	2,784	3,022
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	201	104	109	116
Net Working Capital	3,992	14,090	11,731	12,636	14,604	17,790
Total Liabilities and Capital	13,087	23,450	27,025	28,537	34,045	37,613
Total Assets	13,087	23,450	27,025	28,537	34,045	37,613

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	-407.0	-615.3	-916.6
Cash Flow from Operating Activities	-453.2	-366.1	-3,198.9	1,675.2	1,193.0	1,422.2
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	357.9	133.4	238.1
Opening Cash & Cash Equivalents	465.1	264.4	1,476.5	2,292.8	2,650.7	2,784.1
Closing Cash & Cash Equivalents	253.6	1,476.5	2,292.8	2,650.7	2,784.1	3,022.2

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	0.04	0.03	0.02
Debt / EBITDA	6.83	3.02	2.25	1.38	0.96	0.67
Net Debt / EBITDA	5.16	-4.96	0.73	0.32	0.20	0.10
Debt/ Asset	0.25	-0.24	0.05	0.03	0.02	0.01
Liquidity Ratios (x)						
Current Ratio	1.64	3.34	2.46	2.45	2.27	2.60
Quick Ratio	1.09	2.64	1.68	1.70	1.58	1.74
Important Metrics						
Net Debt	3301	-5552	1248	801	718	534
FCF	174	-1544	-6150	602	193	321
EV		47071	53871	53424	53341	69580
DuPont Analysis						
Sales/Assets (Asset Turnover)	2.52	1.67	1.89	2.32	2.57	3.09
Assets/Equity (Equity Multiplier)	2.19	1.43	1.53	1.50	1.57	1.47
Net Profit Margin	-0.3%	1.0%	2.1%	2.6%	3.0%	3.4%
RoE	-1.9%	2.4%	6.1%	9.1%	12.1%	15.3%
Per share ratios (INR)						
Reported EPS	-27.02	9.15	24.70	39.89	60.32	87.83
Adjusted EPS	-27.02	9.15	24.70	39.89	60.32	87.83
Dividend	0.00	0.00	0.00	0.00	0.00	0.00
BV	1454	377	407	437	497	574
Cash & Bank	260	205	60	61	64	68
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%	2.6%	3.0%	3.4%
ROE	-1.9%	2.4%	6.1%	9.1%	12.1%	15.3%
ROCE	5.8%	5.0%	7.6%	11.0%	14.7%	18.6%
ROA	-0.8%	1.7%	4.0%	6.1%	7.7%	10.4%
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	21.41	14.64	13.16
EV / EBIT	0.00	54.21	38.25	24.40	16.08	14.11
EV / Net Sales	0.00	1.20	1.06	0.81	0.61	0.60
EPS (INR)	0.00	9.15	24.70	39.89	60.32	87.83
Adj EPS (INR)	0.00	9.15	24.70	39.89	60.32	87.83
P/E	0.00	132.22	48.98	30.33	20.06	13.78
P/B	0.00	3.21	2.97	2.77	2.43	2.11

Source: Arianth 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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