

Entero Healthcare Solutions Ltd. – Investment BUY Call – 6 Months Horizon

Dear Bajaj Capital Investors,

New Stock Recommendations for BUY on 26 May 2026

CMP -> 1349

Upside Potential-> 15%

Investment Horizon -> 6 Months

Target price -> 1551

Entero Healthcare Solutions presents a compelling BUY opportunity for medium-term investors, supported by its strong positioning in India's rapidly formalizing healthcare distribution ecosystem, scalable technology-driven operating model and accelerating profitability trajectory. The company has emerged as one of the top three healthcare products distributors in India by revenue, with a pan-India network comprising 136 warehouses across nearly 50 cities and more than 520 districts. Its integrated healthcare supply chain platform enables pharmacies, hospitals and clinics to source a broad portfolio of over 70,000 healthcare products efficiently through a centralized procurement and technology-enabled distribution model.

The company continues to benefit from the ongoing consolidation within India's fragmented healthcare distribution market, where thousands of small regional distributors are gradually losing competitiveness against organized, technology-enabled platforms with superior scale, inventory management and supply chain efficiencies. Entero Healthcare has successfully executed an aggressive acquisition-led expansion strategy, completing 51 acquisitions historically, including seven acquisitions during FY26 alone. This strategy has materially strengthened its customer reach, wallet share and geographic penetration, while also enhancing operational synergies and procurement efficiencies. The recent acquisitions in the MedTech segment are particularly significant, with the business expected to contribute more than INR 1,000 crore in revenue during FY27, thereby diversifying the company's growth profile beyond conventional pharmaceutical distribution.

The company's financial performance during FY26 reflected strong execution capabilities and improving operating leverage. Reported revenue increased by 29.3% YoY, while like-for-like revenue growth stood at 31.5% YoY. Organic revenue growth remained healthy at 13.4% YoY despite a challenging industry environment. Gross margin improved by 78 basis points YoY to 10.3%, while EBITDA margin expanded by 67 basis points YoY to 4.0%, reflecting better product mix, operational efficiencies and contribution from higher-margin adjacencies. PAT margin stood at 2.2%, while return ratios improved meaningfully, with ROCE rising to 14.6% from 10.7% in FY25 and ROE increasing to 12.5% from 7.7% in the previous financial year.

Q4FY26 performance remained particularly robust and highlighted the company's improving scale advantages and margin expansion potential. Reported revenue growth stood at 42.6% YoY, driven by both organic and inorganic growth contributions. Organic growth remained strong at 16.6% YoY, while inorganic growth contributed 26.0%. Gross margin improved by 109 basis points YoY to 10.9%, while EBITDA margin expanded by 85 basis points YoY to 4.5%. Operating cash flow generation remained exceptionally strong, with Q4FY26 operating cash flow of INR 104.6 crore driven by higher profitability and lower net working capital requirements. Net working capital days improved sequentially to 59 days, reflecting better inventory optimization and receivable management. Return ratios also strengthened materially during the quarter, with ROCE improving to 18.4% and ROE rising to 16.0%.

A major positive for the investment thesis is the company's sharp improvement in cash flow generation and balance sheet quality. Operating cash flow improved significantly from negative INR 76.9 crore in FY25 to positive INR 96.2 crore in FY26, supported by improving EBITDA margins, disciplined working capital management and stronger operational execution. The company also maintained a healthy cash and cash equivalents position of INR 146.9 crore as of 31 March 2026, providing sufficient financial flexibility to pursue further strategic acquisitions, strengthen supply chain infrastructure and expand private-label offerings. The improving cash conversion profile meaningfully reduces balance sheet risks and supports sustainable long-term growth visibility.

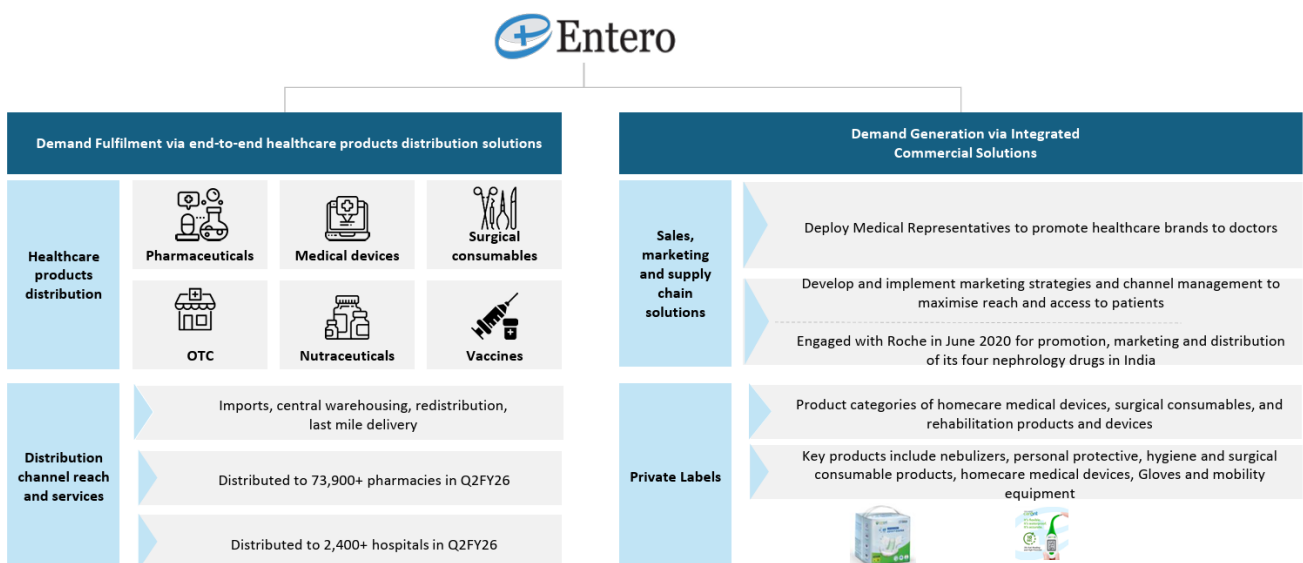
The business model also offers strong scalability and margin expansion opportunities over the medium term. Apart from its core bulk procurement and distribution operations, the company is increasingly focusing on higher-margin private-label healthcare products under the Entero Surgicals portfolio, where margins are substantially superior compared to traditional pharmaceutical distribution. Management also continues to focus on technology investments, demand generation solutions, operational automation and strategic manufacturer collaborations to enhance profitability and supply chain efficiency. FY27 guidance remains encouraging, with management targeting revenue growth of 23%, EBITDA margins of 5% and operating cash flow to EBITDA conversion ratio of 50%. Importantly, the revenue growth guidance excludes contributions from future acquisitions, leaving room for potential upside if additional inorganic opportunities materialize during the year.

Despite the strong operational momentum, improving profitability profile and scalable business model, the stock continues to trade at a reasonable valuation of around 0.9x Price-to-Sales, which appears attractive considering the company's improving return ratios, expanding margins, healthy acquisition pipeline and long-term structural growth opportunity within India's healthcare distribution sector. The combination of industry consolidation benefits, strong technology integration capabilities, improving cash flow generation, margin accretive MedTech expansion and robust growth guidance provides favourable earnings visibility over the medium term. Accordingly, the stock appears well-positioned to deliver healthy risk-adjusted returns over the next six months and may be considered a BUY for medium-term investors.

Differentiated Business Model



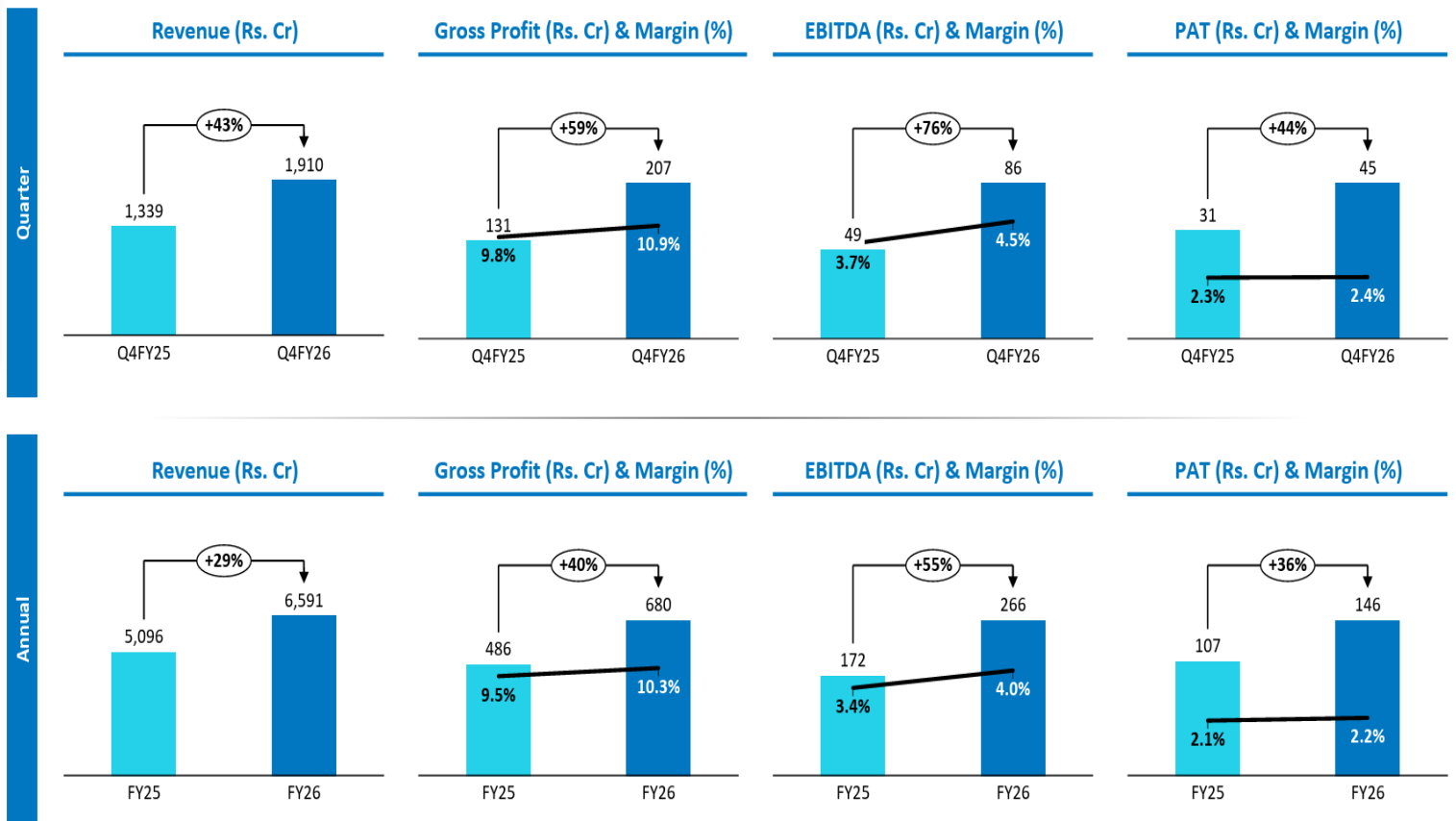
Offers both demand generation and demand fulfilment capabilities to healthcare brands and product manufacturers



Q4FY26 Results:

	YoY	QoQ	Mar 2026	Dec 2025	Mar 2025
Revenue Cr	42.6%	11.9%	1,910	1,707	1,339
Operating Profit Cr	^ 75.9%	26.9%	86	68	49
OPM %			4.5	4.0	3.6
PAT Cr	^ 43.6%	33.2%	45	34	31
NPM %			2.4	2.0	2.4
EPS ₹	9.0%	1.4%	6.4	6.3	5.9

Q4FY26& FY26 Consolidated Results:



Q4FY26 Operational Highlights:

- › Revenue growth on LFL basis was **43.1% YoY**. Organic revenue growth on LFL basis was **17.1% YoY**
- › Reported revenue growth was **42.6% YoY**. Organic revenue growth was **16.6% YoY** and Inorganic growth was **26.0%**
- › Gross margin improved by 109bps YoY to **10.9%**
- › EBITDA Margin improved by 85bps YoY to **4.5%** in the quarter
- › PAT Margin was **2.4%**
- › Achieved **Operating Cashflow** of INR **104.6 Cr** driven by EBITDA Margin and lower net working capital
- › NWC days improved to 59 days (from 64 days in the last quarter)
- › ROCE improved to **18.4%** from 14.8% in the last quarter. ROE was **16.0%** vs 10.4% in the last quarter
- › Acquisition of Anand Chemiceutics closed during the quarter

FY26 Operational Highlights:

- › Revenue growth on LFL basis was **31.5% YoY**. Organic revenue growth on LFL basis was **15.6% YoY**. Like-for-Like growth includes impact of revenue recorded on net margin basis and divestment of a subsidiary
- › Reported revenue growth at **29.3% YoY**. Organic revenue growth was **13.4% YoY**
- › Gross margin improved by 78bps YoY to **10.3%**
- › EBITDA Margin improved by 67bps YoY to **4.0%**
- › PAT Margin was **2.2%**
- › Achieved **Operating Cashflow** of INR **96.2 Cr** driven by improving cashflows through the year on the back of optimized net working capital and higher EBITDA margin
- › Continued improvement in NWC days on a quarterly basis through the initiatives taken during the year
- › ROCE improved to **14.6% in FY26** from 10.7% in the previous financial year. ROE was **12.5%** vs 7.7%
- › Seven Acquisitions closed during the year. MedTech segment including three acquisitions closed in FY26 is expected to contribute more than INR 1,000 Cr in FY27

FY26 Acquisitions Update



Sr. No.	Acquisition Name	Region	Summary/Rationale	Date of Announcement	Completion Date	Stake Acquired
1.	Sai RK Pharma Pvt Ltd	Delhi	Specialty Pharma	May-25	Jul-25	70%
2.	Well Wisher Pharma Pvt Ltd	Delhi	Specialty Pharma	May-25	Sep-25	70%
3.	Ramson Medical Distributors Pvt Ltd	Chennai	Trade Generic	May-25	Jun-25	70%
4.	Anand Medilink Pvt Ltd	Pune	Geographic expansion in Pune	May-25	Oct-25	80%
5.	Ace Cardiopathy Solutions Pvt Ltd	Delhi	MedTech – Cardiology	Sep-25	Oct-25	60%
6.	Bioaide Technologies Pvt Ltd	Delhi	MedTech- Cardiology, ENT, CNS	Nov-25	Nov-25	80%
7.	Anand Chemiceutics Pvt Ltd	Pune	MedTech- IVD	Nov-25	Feb-26	51.5%

- › 7 Acquisitions closed during the financial year; 3 Acquisitions in MedTech closed during the financial year
- › Proforma Revenue of INR 1,025 Cr.; Margin accretive acquisitions
- › MedTech revenue is expected to cross INR 1,000 Cr in FY27



Recommendation Timeline & Performance Summary:

- 22 March 2026 – Initial BUY Recommendation:** The BUY call was initiated at a price of 1121 with a target price of 1301, implying an upside potential of ~16% over a 6-month investment horizon.
- 17 April 2026 – First Target Achieved:** The stock achieved our target price of 1301 within one month, delivered a return of ~16% from the recommendation price, well ahead of schedule.
- 6 May 2026 – Target Revision:** The target price was revised upward to 1350, implying a further upside potential of ~13.5% from the then-prevailing price of 1187 over the next 6 months.
- 22 May 2026 – Second Target Achieved:** The stock achieved the revised target price, stock price strengthened to a high of 1390 on 25 May 2026, translating into a return of 24% from our initial recommendation in 2 months, significantly outperforming the original timeline.
- 26 May 2026 – Re-Initiation of BUY Call:** We have re-initiated the BUY call at the CMP of 1349 with a target price of 1551, indicating an envisaged upside potential of 15% over the next 6 months.

Happy Investing!

Thank you and best regards,

On behalf of Bajaj Capital's Research Team