



## **PHARMACY**

### **Introduction**

Pharmacies (also known as "drugstores" in American English) are retail stores that sell medicines in particular. At pharmacies, pharmacists monitor prescription compliance and make it available to patients on prescription or over-the-counter medications, or health and wellness issues. A typical pharmacy is located in a community industrial zone.

Pharmacies typically require a qualified pharmacist to work during business hours. In many cases, the owner of the pharmacy also needs to be a registered pharmacist, but this does not apply to all jurisdictions. Many retailers (including supermarkets and mass marketers) have introduced pharmacies as a division of their stores, if permitted.

### **Market Potential**

The pharmacy retail market in India has witnessed significant growth over the past few years, owing to favourable demographic factors and an epidemiological transition.

In terms of revenue, the pharmacy retail market in India was valued at INR 996.68 billion in 2016 and is projected to reach INR 2,330.2 billion by 2024, expanding at a CAGR of 10.08% during the 2019-2024 period. The market is majorly occupied by unorganized local players. However, the unorganized sector is anticipated to face intense competition from organized players and online retailers. Increased affordability, improved accessibility and epidemiological transition are expected to fuel the pharmacy retail market in India during the forecast period.

### **Assumptions**

1. For SME unit having yearly turnover of 500 lakhs, the Nayak Committee recommendation has been implemented by all the banks. Hence, we have worked out the funding requirement accordingly.
2. Sales of such trading units is majorly impacted by the selection of business location. The entrepreneur should examine all business aspects while selecting this location. Normally, a pharmacy is established in a prevalent market area. Thus, we have assumed that the unit has been set up in a market area.
3. The shop premises of this unit is taken on lease. 300 sq. ft. is the proposed area which shall be spacious for stock display and stock-keeping.

4. Computation of Closing Stock is done on the basis of Working Capital cycle which is assumed to be of 1 months.
5. DSCR is high because of the term loan component is lesser than working capital requirement. We have not considered repayment for working capital and it is running on a continuous basis.

## Cost of Project

Particulars	Amount (Rs. in Lakhs)
Premises (Lease)	-
Interior Civil Work including False Ceiling, Wall Rack, Partition Rack, etc. (300 sq. ft. @ Rs. 700 per sq. ft.) (Shop Premises)	2.10
Equipment	-
Furniture and Fixtures	0.05
Electrical Equipment	0.64
Desktop and Printer	0.50
Software Cost (Tally/SAP)	0.25
Inverter (10 kv office inverter)	0.30
Preliminary & Preoperative Expenses	0.83
<b>Sub-total (A)</b>	<b>4.67</b>
Working Capital Margin @ 25% of Total WC Requirement	7.50
<b>Total Project Cost</b>	<b>12.17</b>
Total Working Capital Required (Lump sum) (B)	30.00
<b>MEANS OF FINANCE</b>	
<b>Total Funds Required (A+B)</b>	<b>34.67</b>
<u>Loan Component-</u>	-
TERM LOAN (75% of A)	3.50
WORKING CAPITAL (75% of B)	22.50
<b>Total</b>	<b>26.00</b>
Equity	8.67
<b>Total</b>	<b>34.67</b>

## Detailed Cost Element

Sl. No.	Particulars	Quantity	Rate	Amount (Rs. in Lakhs)
	<b>Electrical Equipment</b>			
1	AC	1	50000	0.50
3	Fan	2	2000	0.04
4	Light	LS	LS	0.10
	<b>Total</b>			<b>0.64</b>
	<b>Furniture and Fixtures</b>			
1	Chairs	LS	LS	0.05
	<b>Total</b>			<b>0.05</b>

## Preliminary Expenses

Particulars	Amount (Rs. in Lakhs)
Incorporation Expenses	0.10
Project Report Preparation	0.10
Interior Designer's Fee	0.25
Legal Charges - Drafting for agreements, contracts, stamp paper, notary and affidavit cost	0.05
Salary (1 months)	0.21
Rent Expenses (1 months; Rs. 30/sq. ft.)	0.09
Interest Cost for Both Term Loan And CC (period before commercial production)	0.03
<b>Total</b>	<b>0.83</b>

## Salary

Designation	Manpower	Amount (Rs. in Lakhs)
Staff	1	0.96
Pharmacist	2	3.60

## Profitability Statement

Particulars	Amount (Rs. in lakhs)				
	Year- 1	Year- 2	Year- 3	Year- 4	Year- 5
<b><u>A. INCOME</u></b>					
Total Working Days in a Year	300	300	300	300	300
Estimated Sales per Day	0.40	0.44	0.48	0.53	0.59
Annual Sales	120.00	132.00	145.20	159.72	175.69
<b>Total income during the year</b>	<b>120.00</b>	<b>132.00</b>	<b>145.20</b>	<b>159.72</b>	<b>175.69</b>
<b><u>B. OPERATING EXPENSES</u></b>					
Stock Consumed (75% of Sales)	90.00	99.00	108.90	119.79	131.77
Salary	4.56	4.79	5.03	5.28	5.54
Rent	2.40	2.52	2.65	2.78	2.92
Power & utilities	1.20	1.22	1.25	1.27	1.30
Depreciation and Amortization	0.56	0.56	0.56	0.38	0.38
Administrative and General Expenses	1.20	1.32	1.45	1.60	1.76
<b>Total Operating Expenses</b>	<b>99.92</b>	<b>109.41</b>	<b>119.83</b>	<b>131.10</b>	<b>143.67</b>
<b>Operating Profit (A-B)</b>	<b>20.08</b>	<b>22.59</b>	<b>25.37</b>	<b>28.62</b>	<b>32.02</b>
<b><u>C.FINANCIAL EXPENSES</u></b>					
Interest on Term Loan	0.27	0.21	0.15	0.09	0.03
Interest on WC Loan	1.91	1.91	1.91	1.91	1.91
<b>Total Expenses</b>	<b>2.18</b>	<b>2.12</b>	<b>2.06</b>	<b>2.00</b>	<b>1.94</b>
<b>Net Profit Before Tax</b>	<b>17.90</b>	<b>20.47</b>	<b>23.30</b>	<b>26.61</b>	<b>30.08</b>
Provision for Tax	4.47	5.12	5.83	6.65	7.52
<b>Profit after Tax (PAT)</b>	<b>13.42</b>	<b>15.35</b>	<b>17.48</b>	<b>19.96</b>	<b>22.56</b>

## Breakeven Point

Break Even Point (BEP)		Amount (Rs. In Lakhs)				
SL	Particulars	Year - 1	Year - 2	Year - 3	Year - 4	Year - 5
A.	Net Sales	120.00	132.00	145.20	159.72	175.69
B.	Variable Cost					
	Stock Consumed	90.00	99.00	108.90	119.79	131.77
	Power and Utility	1.20	1.22	1.25	1.27	1.30
	Total Variable Cost	91.20	100.22	110.15	121.06	133.07
C.	Contribution (A-B)	28.80	31.78	35.05	38.66	42.62
D.	Fixed cost					
	Salary	4.56	4.79	5.03	5.28	5.54
	Rent Expenses	2.40	2.52	2.65	2.78	2.92
	Interest on Term Loan	0.27	0.21	0.15	0.09	0.03
	Interest on WC Loan	1.91	1.91	1.91	1.91	1.91
	Depreciation and Amortization	0.56	0.56	0.56	0.38	0.38
	Total Fixed Cost	9.70	9.99	10.30	10.45	10.79
E.	Breakeven Point	34%	31%	29%	27%	25%
F.	Cash BEP	32%	30%	28%	26%	24%

## Debt-Service Coverage Ratio

		Amount (Rs. In lakhs)				
SL	Particulars	Year - 1	Year - 2	Year - 3	Year - 4	Year - 5
i	Profit	13.42	15.35	17.48	19.96	22.56
ii	Depreciation	0.56	0.56	0.56	0.38	0.38
iii	Interest	0.27	0.21	0.15	0.09	0.03
A	Total (i + ii + iii)	14.25	16.12	18.19	20.44	22.98
i	Interest	0.27	0.21	0.15	0.09	0.03
ii	Principal repayment	0.70	0.70	0.70	0.70	0.70
B	Total (i + ii)	0.97	0.91	0.85	0.79	0.73
	DSCR (A / B)	14.70	17.71	21.37	25.82	31.39

## Interest on Term Loan and Principal Repayment

Refer Annexure I for Loan Repayment Schedule.

We have assumed the repayment tenure of term loan for a period of 5 years, Rate of interest being 8.5% p.a.

## Address of Vendors

Name of the Vendor	Address and Contact Number
Ozone Pharmaceuticals Ltd.	5MMG+9FX, Amingaon, Guwahati, Assam 781031 Contact No.- 0361 268 2559
Nilamani Pharmaceutical Works	Paona Road, Imphal- 795001 Manipur Contact No.- 941450258

# ANNEXURE - 1

Year	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12
I												
<b>Principal</b>												
Opening	3.50	3.44	3.38	3.32	3.27	3.21	3.15	3.09	3.03	2.97	2.92	2.86
Repaid	0.06	0.06	0.06	0.06	0.06	0.06	0.06	0.06	0.06	0.06	0.06	0.06
Closing	3.44	3.38	3.32	3.27	3.21	3.15	3.09	3.03	2.97	2.92	2.86	2.80
<b>Interest</b>	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02
II												
<b>Principal</b>												
Opening	2.80	2.74	2.68	2.62	2.57	2.51	2.45	2.39	2.33	2.27	2.22	2.16
Repaid	0.06	0.06	0.06	0.06	0.06	0.06	0.06	0.06	0.06	0.06	0.06	0.06
Closing	2.74	2.68	2.62	2.57	2.51	2.45	2.39	2.33	2.27	2.22	2.16	2.10
<b>Interest</b>	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02
III												
<b>Principal</b>												
Opening	2.10	2.04	1.98	1.92	1.87	1.81	1.75	1.69	1.63	1.57	1.52	1.46
Repaid	0.06	0.06	0.06	0.06	0.06	0.06	0.06	0.06	0.06	0.06	0.06	0.06
Closing	2.04	1.98	1.92	1.87	1.81	1.75	1.69	1.63	1.57	1.52	1.46	1.40
<b>Interest</b>	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01
IV												
<b>Principal</b>												
Opening	1.40	1.34	1.28	1.22	1.17	1.11	1.05	0.99	0.93	0.87	0.82	0.76
Repaid	0.06	0.06	0.06	0.06	0.06	0.06	0.06	0.06	0.06	0.06	0.06	0.06
Closing	1.34	1.28	1.22	1.17	1.11	1.05	0.99	0.93	0.87	0.82	0.76	0.70
<b>Interest</b>	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01
V												
<b>Principal</b>												
Opening	0.70	0.64	0.58	0.52	0.47	0.41	0.35	0.29	0.23	0.17	0.12	0.06
Repaid	0.06	0.06	0.06	0.06	0.06	0.06	0.06	0.06	0.06	0.06	0.06	0.06
Closing	0.64	0.58	0.52	0.47	0.41	0.35	0.29	0.23	0.17	0.12	0.06	0.00
<b>Interest</b>	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00