

Pharmeasy- Thyrocare

PharmEasy becomes the first
unicorn to acquire public-listed
company in India.

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The Acquirer



API Holdings – Pharmeasy

API Holdings is India's largest digital healthcare platform which comprises of Aknamed, Docon, Pharmeasy, Retailio, etc.

It operates an integrated, end-to-end business involving medicine retailers, consultants, treatment and technology. They emphasise solving the healthcare needs of consumers through technology and fulfilment capabilities.

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The Acquiree



Thyrocare Technologies

Thyrocare Technologies was founded by Dr. A. Velumani in 1996. It has around 3300 collection centres & has Centralized Processing Laboratory in Mumbai for esoteric tests; and Regional Processing Laboratory in major metro cities of India and other parts of Asia. It conducts over 110 Mn tests annually.

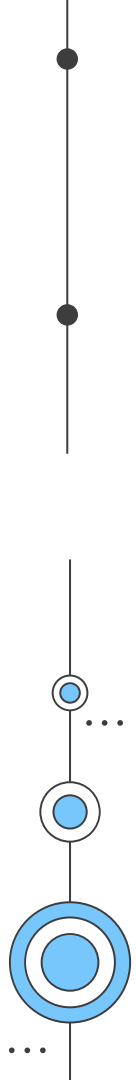
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01

Why an acquisition?

Why Pharmeasy acquired a 26 year old
Health tech Thyrocare Technologies?



Factors Driving for Pharmeasy



Competition

Tata Digital acquired 60% stake in 1MG for \$270 Mn. Reliance acquired 60% stake in Netmeds for \$85 Mn. So, even the big industrialists are in business.

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Stand-apart

To still lead the business, Pharmeasy had to go something different, because well it is, "Survival of the fittest"

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API Holdings

API Holdings is a lot more than just Pharmeasy and it is generating its major profit from Retailio and they want to develop Docon further

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Why did Thyrocare let go?



Founder's Reason

Dr Velumani stated that business has not been progressing with the expected rate for past 5 years and it was time to accept an opportunity to survive

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Future of Digitalization

Though there were no financial or economic reasons to sell, they started with an aim of digitizing pathologies and even in 26 years they could only cover 3% of the diagnostics in India.

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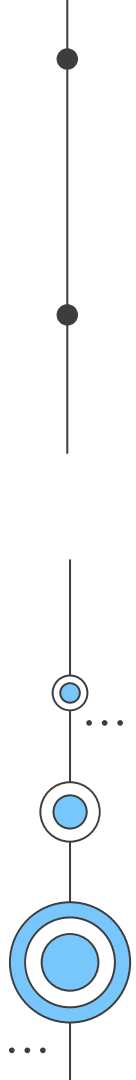
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02

Financial Valuation

How well versed the deal was from
Financial perspective?



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4546 Crores

For 66% stakes bought by API Holdings

26%, 1788 cr

Open shares at ₹1300/share

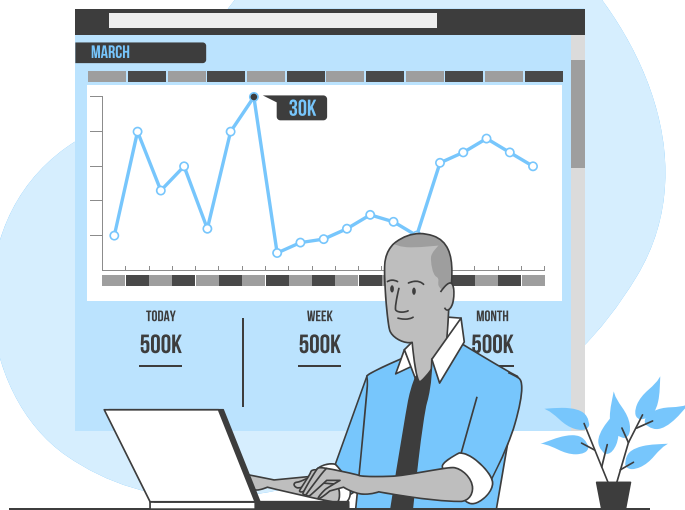
4.9% Stake

Bought by Thyrocare in API Holdings

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Pharmeasy is currently valued at 4 billion dollars



Pharmeasy has raised its valuation to 1.8b\$ before the deal, with 7 investors funding this deal, it is now has a valuation of \$4bn

- They bought Thyrocare at the market value at that time, therefore no compromises in the valuation in an all stock deal.
- Thyrocare is a profit generating company, so it wouldn't affect the finances of API Holdings instantly.
- Investors hold 80% stake in API Holdings, thus was an investors funded deal

03

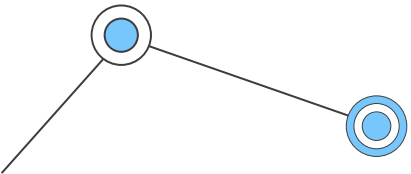
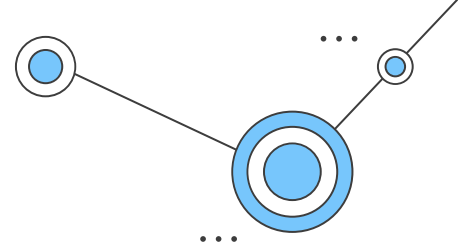
Benefits

Let's evaluate the potential synergies
between the companies.

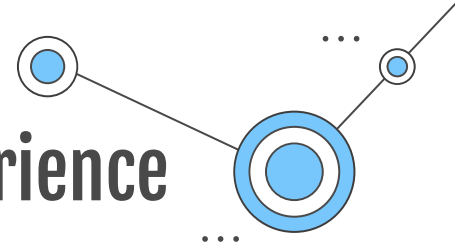
A Holistic Experience

This is how the management of API Holdings likes to put it, that this will lead to a one-spot solution to the growing health care in nation.

Due to tough competition in market this is what will keep Pharmeasy apart, because it already has built the doctor consultant (Docon), Medicine retailing (Retailio), delivery through Pharmeasy, accessible to the people.



How API Holdings will provide this holistic experience

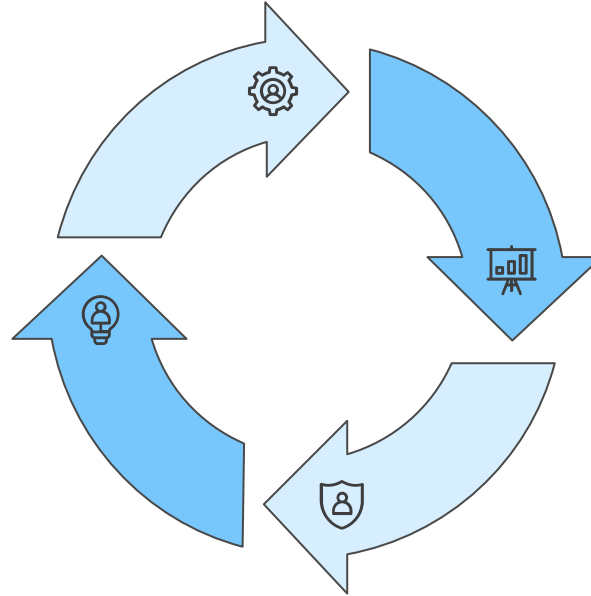


1. Consultation

Docon Technologies will provide doctors.

4. Medicines

Pharmeasy will deliver medicines to them

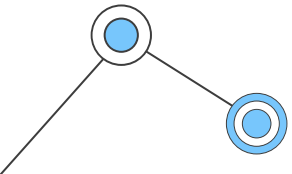


2. Diagnostics

Thyrocare will take care of the relevant tests

3. Report Analysis

Prescribe the relevant medicines and further procedures



WHY NOT BUILD ORGANIC

01

Takes time and efforts

Thyrocare took 26 years to establish itself in the industry and now provides over 270 tests and at the nominal cost and is profit-generating

02

Competition

If they tried to start from scratch, Thyrocare would be a tough competition as it has gained people's trust over time and have given astounding results



Synergies



01

Health Tech

Both the start-ups serve the same set of customers, and are not in competition so customer base would directly add up

02

Listed Company

Thyrocare is already an IPO and API Holdings is planning to go public as well

03

24 Hour Results

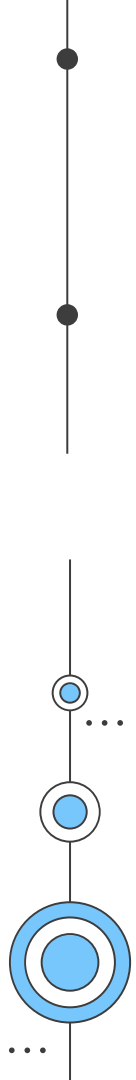
As they aim to provide the whole procedure in 24 Hours, Thyrocare and API Holdings are known for their quick services.



04

Feasibility and Risks

The factors that will decide the success
and recent future expectations

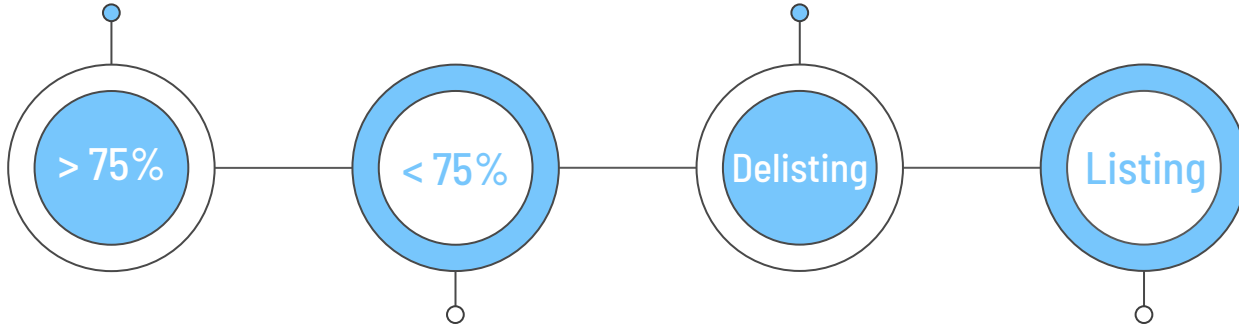


What will happen to Thyrocare?

Docon Technologies will be buying the entire promoter stake of Thyrocare, will hold anywhere between 66.11% to 92.11% stake, therefore can lead to these scenarios.

They will have to sell the excess holdings as they can't hold more than 75% stakes

If API holdings wish to hold more than 75% of the company, they can delist it and hold 90%+



Thyrocare can still remain listed and API Holdings can proceed with regular business

API holdings can get listed autonomously or even use it as a medium to get listed.



Diagnostics

API Holdings clearly states to not hamper the diagnostic space, as they seem already the best. The laboratory industry is dominated by small and regional unorganised laboratories which controls more than 70% share. It's a tricky time for change in power as Metropolis and Lal Path Labs are giving a tough competition. If not handled wisely, it could lead to downfall of Thyrocare. Though we have Dr Velumani stake in API Holdings to provide the right advice.