

The Investor: Everstone Capital Asia



Fund Manager: Everstone Capital Asia Pte. Ltd.

Fund Name: Everstone Capital Partners III

Fund Size: ~USD730 million

Total AUM: USD5 billion

Founded in 2006, the Everstone Group is a private investment group in India and Southeast Asia, with a team of over 350 professionals across seven offices in Singapore, India, London, New York, and Mauritius. As of October 2020, the Everstone Group manages over USD5 billion in assets across private equity, real estate, credit, infrastructure, and venture capital.

The Company: API Holdings



Company: API Holdings

Website: www.ahwspl.com

Industry / Sector: Digital health distribution platform

Location: India

Founded in 2012, API Holdings is an Indian digital health care platform with three business lines: offline medicine distribution, an online B2B pharmaceutical marketplace (Retail IO), and a B2C pharmaceutical marketplace (PharmEasy). As of October 2020, Ascent is the largest e-pharmacy and the second largest offline distributor in India with access to over 20,000 pharmacies and 4,000 distributors.



Date of Investment:
March 2016

Amount:
USD60.2 million

Participation / Stake:
62.8%

Opportunity

In 2012, Siddharth Shah founded Ascent Health and Wellness Solution—now one of the subsidiaries of API Holdings—with a vision of consolidating India's fragmented pharmaceutical distribution market and creating a digital health care platform that could reach even the most remote corners of India. At the time, the industry was highly fragmented with the top ten players each having less than 2% market share. To achieve his goal, Shah approached Everstone Capital, which had a track record of executing buy-and-build strategies, in 2015.

Everstone saw potential in Ascent, particularly as the consolidation thesis had successfully played out in Western markets and was picking up steam in China. The investment

firm conducted a top-down analysis of the pharmaceutical distribution industry and discovered that first-generation founders—many of whom saw little interest from their second or third generation—dominated the competitive landscape in India. With no clear succession plan, many of these owners were willing to sell their businesses at a discount. Everstone acquired a majority stake in Ascent in March 2016 for USD60.2 million. The firm aimed to provide growth capital for acquisitions, achieve economies of scale, and deploy technology to

build the largest pharmaceutical distribution marketplace in India.



Execution

Everstone's first priority was to scale Ascent's offline medicine distribution business through mergers and acquisitions. At the beginning of 2016, Ascent was present solely in Mumbai and covered approximately 3,300 retailers. In partnership with Everstone, Ascent made 12 acquisitions over the following three years, purchasing at least one of the top two distributors in Delhi, Chennai, Gurgaon, Bangalore, Davangere, and Mysore. These acquisitions enabled Ascent to scale its revenues by more than 10 times since Everstone's investment. Everstone also implemented enterprise resource planning systems in all locations and appointed a professional management team to support the founder. The company has grown from less than 400 to 4,000 employees during this period. Today, more than 500 of these staff members are dedicated to customer support—purchasing medicine requires a prescription in India and customer orders are often rejected. Ascent's team works closely with customers to obtain and correct prescriptions through its brand offering called DocStat.

Ascent was keen to build an e-pharmacy business that could quickly provide affordable medicine directly to consumers throughout India and therefore became one of the first and largest investors in PharmEasy, an online platform that allows people to order medicine and wellness products. Everstone supported this venture in a number of ways—in addition to raising capital and providing financing, the investment firm drove PharmEasy's mass and digital media strategy by setting aside a budget, formulating campaign themes, bringing in an external media buying agency, and hiring a Head of Marketing. As of October 2020, PharmEasy has an annual gross merchandise value (GMV) run rate of over USD150 million, filling approximately one million orders per month and covering 44,000

postal codes across the country. PharmEasy's e-consultation platform, DocOn, is also seeing significant traction, especially as outpatient practices have been significantly impacted by the COVID-19 pandemic.

Everstone additionally led the company's strategy to expand beyond the traditional brick-and-mortar pharmaceutical distribution business. In 2018, it assisted Ascent in launching Retail IO—a homegrown software tool that serves as a marketplace for retailers to order pharmaceutical products from over 4,000 distributors. Within 18 months of its launch, Retail IO had established a presence in more than 50 cities and, in particular, the platform has gained traction in many of India's third- and fourth-tier cities. With more than 50,000 retailers, Retail IO has an annual GMV run rate of approximately USD500 million as of October 2020. Ascent is leveraging its reach through the Retail IO platform to extend credit and insurance products directly to transacting retailers and distributors. In five years, the company expects to scale up its fintech business to more than USD500 million in book size.

In June 2020, the Indian Courts approved a merger between Ascent and PharmEasy to create API Holdings, the investment holding company for India's largest digital health platform comprising of Ascent Health, Pharmeasy and Retail IO. Everstone has led the merger process, which will enable synergies between PharmEasy and Ascent through a centralized procurement process. The new entity is forecast to reach approximately USD1.2 billion in GMV in fiscal year 2021.



Outlook

Everstone realized a partial exit in June 2020 when Singapore's Temasek and Lightstone Global Fund invested in the business. Following the merger between Ascent and PharmEasy, Everstone's stake was reduced to a minority holding, yet it remains the largest shareholder in API Holdings.

As of October 2020, Ascent is the second biggest offline pharmaceutical distribution company in India behind Apollo Hospitals, while Retail IO and PharmEasy are the country's largest online B2B and B2C marketplaces, respectively. Everstone's priority over the next two years is to assist API Holdings in

Spotlight: Working the Frontlines of the COVID-19 Pandemic

Beginning in March 2020, API Holdings began to collaborate with the Indian government to address the COVID-19 pandemic. India accounted for the second highest number of total cases by country as of October 2020. At the onset of the pandemic, the company assisted Mumbai's municipal corporation in setting up a Coronavirus Control Centre to serve as a war room in monitoring and controlling the spread of the virus, which will soon be replicated by the Government of Maharashtra. The company's employees worked closely with municipal authorities as well as local hospitals to create a technology backbone for tracking cases. Because of the company's wide distribution footprint, the government was able to deliver personal protective equipment and medicine to treat COVID-19 symptoms to people living in rural areas that it would not have been able to reach alone.

In particular, the PharmEasy platform has been an important tool in India's response to COVID-19. When the pandemic began, pharmacies were not able to operate and e-pharmacies like PharmEasy were the country's only channel for delivering medicine on time. Once the brick-and-mortar shops were allowed to open, Ascent played a key role in ensuring that disruptions in the industry's supply chain were minimized. PharmEasy is also able to provide video consultations with physicians through its digital platform, DocOn, which has facilitated nearly 300,000 online visits as of October 2020. Through the PharmEasy app, Ascent organized a crowdfunding campaign for mask donations to health care workers, and separately donated 750,000 masks in partnership with Brookfield, Tata Trusts, and RPG Foundation.

becoming the largest digital health care platform and ecosystem in India, consolidating the market via acquisitions, pushing further into underpenetrated second-, third-, and fourth-tier cities within India and increasing its platform offering through credit, insurance, and local area marketing.