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## IPO Report

25<sup>th</sup> July'23

### Snapshot

Company's hospitals (i.e., Noida Extension Hospital and Greater Noida) are the eighth and 10th largest private hospital in the National Capital Region of Delhi ("Delhi NCR"), respectively, in terms of number of beds in Fiscal 2023. Company operate three super specialty hospitals located in Delhi NCR, i.e., at Noida, Greater Noida and Noida Extension, Uttar Pradesh. Further, company acquired a 305-bedded multi-speciality hospital in Orchha, Madhya Pradesh near Jhansi, Uttar Pradesh ("Jhansi-Orchha") which commenced commercial operations in from April 10, 2022, and is one of the largest hospital in JhansiOrchha-Gwalior region in terms of number of beds. With this acquisition, total bed capacity has increased to 1,405 beds

### VALUATION

Company is bringing the issue at price band of Rs 285-300 per share at p/e multiple of 39.16x on post issue FY23 basis. Company is among the leading super-specialty hospital in Delhi NCR with diverse specialty and payer mix Also, company ha advanced and high-end medical equipment and technology with track record of stable operating and financial performance and growth. Hence, we recommend "Subscribe" on issue.

<b>Price Band (Rs./Share)</b>	<b>285-300</b>
<b>Opening date of the issue</b>	<b>26<sup>th</sup> July '2023</b>
<b>Closing Date of the issue</b>	<b>28<sup>th</sup> July '2023</b>
<b>No of shares pre issue</b>	69516900 Eq Shares
<b>Issue Size</b>	Rs 677-687 Cr
<b>Fresh Issue</b>	Rs 490 Cr
<b>Offer For Sale</b>	6551690 Eq Shares
<b>Face Value (Rs/ share)</b>	Rs 10/share
<b>Bid Lot</b>	50

### BIDDING DETAILS

<b>QIBs (Including Anchor)</b>	50% of the offer (Approx 11442510 Eq Shares)
<b>Non-Institutional</b>	15% of the offer ( Approx 3432754 Eq Shares)
<b>Retail</b>	35 % of the offer ( Approx 8009759 Eq Shares)
<b>Lead managers</b>	Intensive Fiscal Services, Ambit Pvt Ltd, IIFL Securities
<b>Registrar to the issue</b>	Link Intime India Pvt Ltd

## WHAT WE LIKE

### *Among the leading super-specialty hospital in Delhi NCR with diverse specialty and payer mix*

Company's hospitals (i.e., Noida Extension Hospital and Greater Noida) are the eighth and 10th largest private hospital in the National Capital Region of Delhi ("Delhi NCR"), respectively, in terms of number of beds in Fiscal 2023. Company's use of compassionate patient care, technology, and experienced medical practitioners enable company to offer its patients comprehensive patient care services with individualized attention

### *Track record of stable operating and financial performance and growth*

Company's EBITDA has grown at a CAGR of 41.29% from ₹ 670.11 million in Fiscal 2021 to ₹ 1,337.65 million in Fiscal 2023. Company's net profit increased from ₹ 195.88 million in Fiscal 2021 to ₹ 441.62 million in Fiscal 2022 which further increased to ₹ 657.68 million in Fiscal 2023. Company's net worth has increased from ₹ 724.55 million as at March 31, 2021 to ₹ 1,829.64 million as at March 31, 2023. It recorded an operating margin of 25.71% in Fiscal 2023. Company's revenue per OPD patient was ₹ 1,669.22 in Fiscal 2021 which increased to ₹ 2,074.01 in Fiscal 2023. Company's number of operational beds which increased from 864 in Fiscal 2021 to 1,405 beds in Fiscal 2023 at CAGR of 27.52%, and the occupancy rate of its beds, increased from 41.63% in Fiscal 2021 to 49.97% in Fiscal 2022. In Fiscal 2023, company's bed occupancy rate was 45.33% as the Jhansi-Orchha hospital commenced commercial operations in Fiscal 2023 with effect from April 10, 2022 and had a low occupancy rate

### *Advanced and high-end medical equipment and technology*

Company's hospitals are equipped with machines and devices with sophisticated technology. Company's hospitals are designed to assist its practitioners in providing timely, efficient and quality healthcare. Company also equip its hospitals with advanced medical technology and equipment and diagnostic instruments with the aim of providing company's patients with accurate diagnoses and effective treatments. In addition, all of company's hospitals are accredited by the NABH while company's hospitals located at Greater Noida and Noida Extension are also accredited by NABL

## COMPANY BACKGROUND

As of March 31, 2023, company engaged 609 doctors and offer healthcare services across several specialties and super specialties. For better and more focussed patient care, company have carved out the following super specialty as Centres of Excellence (“COE”):

• Centre of Medicine • Centre of General Surgery • Centre of Gastroenterology • Centre of Cardiology • Centre of Nephrology & Urology • Centre of Pulmonology • Centre of Neurosciences • Centre of Paediatrics • Centre of Gynaecology • Centre of Orthopaedics & Spine & Rheumatology

Company commenced operations in 2008 with a clinic in Noida, Uttar Pradesh and thereafter established its first hospital in Greater Noida, Uttar Pradesh in November 2010. This hospital has since grown to become a super-specialty tertiary care hospital with 400 beds, including 112 critical care beds, nine modular and other operation theatres, as of March 31, 2023. Company’s second hospital in Noida, Uttar Pradesh commenced operations in 2013 as a 250-bedded super-specialty tertiary care hospital. The Noida hospital has a mix of four modular and other operation theatres as well as 81 critical care beds. Company’s third hospital located in Noida Extension, Uttar Pradesh is a 450-bedded tertiary care hospital with a mix of 11 modular and other operation theatres. It also has 125 critical care beds, and had commenced operations in May 2019. Further, company acquired a 305-bedded Jhansi-Orchha hospital during the last quarter of Fiscal 2022, which is one of the largest hospital in Jhansi-Orchha-Gwalior region in terms of number of beds. The Jhansi-Orchha hospital commenced commercial operations from April 10, 2022 and is equipped with 11 modular and other operation theatres and has 76 critical care beds, as of March 31, 2023.

Company is empanelled with several of the third-party health insurance administrators and the non-life insurance companies, many government organisations including Employees’ State Insurance Corporation (“ESIC”), Central 181 Government Health Scheme (“CGHS”), Ex-Servicemen Contributory Health Scheme (“ECHS”), as well as public sector undertakings and private enterprises. Company’s number of operational beds grew at a CAGR of 27.52% from 864 as at March 31, 2021, to 1,405 as at March 31, 2023. As of the date company have 1,405 beds, including 305 beds at company’s Jhansi-Orchha hospital.

The table below reflects the revenue derived from its key service segments stated as a percentage of company’s total revenue from operations, for the periods indicated based on service segments.

Particulars	Fiscal					
	2021		2022		2023	
	Amount (₹ million)	Percentage of Revenue from Operations (%)	Amount (₹ million)	Percentage of Revenue from Operations (%)	Amount (₹ million)	Percentage of Revenue from Operations (%)
Medicine	1286.76	56.27%	2008.19	50.08%	1636.73	31.46%
– COVID-19	739.58	32.34%	851.20	21.23%	0.00	0.00%
–Non-COVID19						
Orthopedics & spine & rheumatology	108.47	4.74%	231.66	5.78%	295.18	5.67%
Nephrology & urology	143.44	6.27%	252.03	6.29%	472.75	9.09%
Neurosciences	185.60	8.12%	310.75	7.75%	508.74	9.78%
General surgery	148.91	6.51%	260.59	6.50%	442.19	8.50%
Cardiology	163.30	7.14%	266.74	6.65%	508.86	9.78%
Pediatrics	61.01	2.67%	147.96	3.69%	264.93	5.09%
Gynecology	71.51	3.13%	127.78	3.19%	230.35	4.43%
Gastroenterology	29.50	1.29%	83.34	2.08%	157.82	3.03%
Pulmonology	25.34	1.11%	113.43	2.83%	241.72	4.65%
Others*	62.89	2.75%	206.90	5.16%	443.66	8.53%
<b>Total</b>	<b>2286.74</b>	<b>100.00%</b>	<b>4009.37</b>	<b>100.00%</b>	<b>5202.93</b>	<b>100.00%</b>

Details of company’s revenue-wise split from various payer categories for the periods indicated is set out below:

Particulars	Fiscal					
	2021		2022		2023	
	Amount (₹ million)	Percentage of Revenue from Operations (%)	Amount (₹ million)	Percentage of Revenue from Operations (%)	Amount (₹ million)	Percentage of Revenue from Operations (%)
Greater Noida	810.51	35.44%	1702.47	42.46%	1993.80	38.32%
Noida	680.86	29.77%	1283.42	32.01%	1721.34	33.08%
Noida Extension	795.37	34.78%	1023.47	25.53%	1356.50	26.07%
Jhansi-Orchha	--	--	--	--	131.29	2.52%
<b>Total</b>	<b>2286.74</b>	<b>100.00%</b>	<b>4009.37</b>	<b>100.00%</b>	<b>5202.93</b>	<b>100.00%</b>



## INVESTMENT RATIONALE

<i>Among the leading super-specialty hospital in Delhi NCR with diverse specialty and payer mix</i>	Company's operations encompass all levels of healthcare services from primary to tertiary and position it to be a onestop destination for patient needs in the respective micro markets. Company have successfully completed 4,535, 8,218, and 16,165 surgeries in Fiscal 2021, 2022 and 2023, respectively and 9,132, 10,114 and 15,359 dialysis procedures in Fiscal 2021, 2022 and 2023, respectively. Company's super-specialty offerings also result in minimal concentration risk due to diversified revenue portfolio. While COVID-19 resulted in several restrictions imposed by GoI and patient adversity towards non-essential surgeries and treatment, revenue from all of company's key specialities increased between Fiscal 2021 and Fiscal 2023. Company's nonCOVID-19 revenue was ₹ 1,528.23 million, ₹ 3,119.84 million, and ₹ 5,202.93 million in Fiscal 2021, Fiscal 2022 and Fiscal 2023. Company have been growing and its non-COVID-19 revenue from all of its specializations including gastroenterology, cardiac science, neuro science, nephrology, gynaecology including revenue from general surgery have also increased.
<i>Advanced and high-end medical equipment and technology</i>	Company's hospitals are equipped with machines and devices with sophisticated technology. Company's hospitals are designed to assist its practitioners in providing timely, efficient and quality healthcare. Company also equip its hospitals with advanced medical technology and equipment and diagnostic instruments with the aim of providing patients with accurate diagnoses and effective treatments. In addition, all of company's hospitals are accredited by the NABH while its hospitals located at Greater Noida and Noida Extension are also accredited by NABL. Company continuously strive to introduce cutting-edge medical technology and state-of-the-art equipment and facilities across each aspect of its healthcare services, from out-patient to in-patient. Company also have well-equipped modular and other operation theatres with three stage air filtration and laminar flow to ensure patient safety, as well as operating microscopes, image intensifiers, and laparoscopic equipment. Company's blood bank meets several standards and has been set up with facilities such as aphaeresis and blood component separation. All company's critical care units are equipped with high-end patient monitoring devices, ventilators and dedicated isolation rooms. Facilities for haemodialysis, sustained low-efficiency dialysis, endoscopy and bronchoscopy are available 24x7 by the bedside. Further, as prescribed under NABH guidelines, company maintain better nurse to patient ratio in different line of treatments like the patients being treated on ventilators, the patients being admitted in critical care units and others. Company maintain the nurse to bed ratio per NABH guidelines.
<i>Ability to attract quality doctors, nurses, paramedical, and other staff</i>	Company's success can be partially attributed to its highly qualified medical professionals and other staff, and its ability to attract such quality professionals and staff. As at March 31, 2023, company engaged 3,303 individuals, which included 609 doctors, of which 267 were consultant doctors, 178 were resident medical officers and 164 were visiting doctors. All the doctors company engage are qualified, certified medical professionals and include specialists in numerous medical specialties.
<i>Experienced and qualified professional management team with strong execution track record</i>	Company continue to be led by a highly qualified, experienced, and reliable management team. Dr. Ajay Kumar Tyagi is a graduate from LLRM Medical College, Meerut, Uttar Pradesh with Bachelor of Medicine and Bachelor of Surgery and completed his diploma in orthopaedics from King George Medical College, Lucknow, Uttar Pradesh. Dr. Ajay Kumar Tyagi has more than 17 years of experience on the field of medical care and hospital management. He provides the overall leadership to company's group on operational and strategic matters. Under the guidance of Dr. Ajay Kumar Tyagi, company have been able to expand its capacity by opening hospitals in Noida, Noida Extension, Uttar Pradesh and JhansiOrchha.



## OBJECTS OF OFFER

### Offer for Sale

The Selling Shareholders will be entitled to their respective portion of the proceeds of the Offer for Sale.

### Requirement of funds:

Company proposes to utilise the Net Proceeds of the Fresh Issue towards funding the following objects:

1. Repayment/ prepayment, in full or part, of certain borrowings availed by company. 2. Repayment/ prepayment, in full or part, of certain borrowings availed by Subsidiaries, namely, AKS Medical & Research Centre Private Limited ("AKS") and Ramraja Multispeciality Hospital & Trauma Centre Private Limited ("Ramraja"). 3. Funding capital expenditure expenses of company for two hospitals, namely, Noida Hospital and Greater Noida Hospital. 4. Funding capital expenditure expenses of company's Subsidiaries, AKS and Ramraja, for respective hospital operated by them. 5. Funding inorganic growth initiatives through acquisitions and other strategic initiatives. 6. General corporate purposes.

## RISKS

Company intend to invest in itself and Subsidiaries (AKS and Ramraja), to fund capital expenditure and repayment of borrowing in part or full. Company placed purchase orders for certain medical equipment of company, AKS and Ramraja and have not entered into any definitive arrangements for remaining medical equipment and availed quotation from vendors to utilize certain portions of the Net Proceeds of the Offer. Company's proposed schedule of implementation and deployment of Net Proceeds may also be subject to delays and company may have to reduce or extend the deployment period for the stated objects.

Source:RHP

## INDUSTRY OVERVIEW

### Key Growth Drivers of Healthcare Delivery Industry

A combination of economic and demographic factors is expected to drive healthcare demand in India. CRISIL MI&A believes the PMJAY scheme launched by the government would also support these drivers. India lags global benchmarks in healthcare infrastructure, both in terms of physical infrastructure as well as personnel. However, the picture is bleak even on the healthcare indicators front. In case of life expectancy at birth, which reflects the overall mortality of the population, India stands at 70 years in comparison with the global average of approximately 73 years in 2020. This is despite life expectancy at birth growing at 0.6% CAGR between 1990 and 2020.

### Government Policies to Improve Healthcare Coverage

The government has kept its healthcare budget flat in 2022-2023 at ₹ 1,025 billion from ₹ 1,023 billion in fiscal 2021-2022. Nonetheless, the focus seems to have shifted from curative aspect to preventive health and well-being under the ambit of holistic healthcare. The long-term goal is to raise its public healthcare spending to 2.5% of GDP by 2025 under the National Health policy 2017 from the current 2% of the GDP.

According to the government, inpatient hospitalisation costs have risen by 300% over the past 10 years and annually, an estimated 60 to 80 million people fall into poverty due to healthcare-related expenditure. The PMJAY was launched on September 23, 2018, with the objective of providing affordable healthcare. The scheme primarily has three objectives:

1. Strengthening of Physical Health Infrastructure: Sub-Centres Upgradation of 1.5 lakh 'Health and Wellness' centres (1,54,338 centres have been made operational as of December 2022) to provide comprehensive healthcare, including coverage of non-communicable diseases and maternal and child health services. These centres would also provide essential medicines and diagnostic services free of cost. Inclusion of new ailments under the ambit of the scheme would go a long way in ensuring focus on preventive care as opposed to only curative care. A strong referral network is vital in providing a continuum of care.

2. Strengthening of Physical Health Infrastructure: Government Hospitals Setting up of 24 new government hospitals and medical colleges and upgradation of existing district hospitals. The intention is to have at least one medical college for three parliamentary constituencies. The government already has a scheme in place, Pradhan Mantri Swasthya Suraksha Yojana ("PMSSY"), to correct the geographical imbalance in the availability of tertiary healthcare. Six All India Institute of Medical Sciences ("AIIMS"), one each at Patna (Bihar), Raipur (Chhattisgarh), Bhopal (Madhya Pradesh), Bhubaneswar (Odisha), Jodhpur (Rajasthan), and Rishikesh (Uttarakhand), have been set up. An AIIMS is under construction at Rae Bareilly (OPD services have started) and 13 new ones have been announced by the government. The aim is to tackle issues of inadequate healthcare infrastructure and personnel.

3. Expansion of Health Insurance Coverage: Ayushman Bharat This involves a provision of ₹ 0.5 million assured healthcare coverage to each family that is eligible, selected on the basis of inclusion under the Socio Economic Caste Census ("SECC") list. Nearly 107.4 million families will be covered under the scheme. All existing central and state health insurance schemes will be subsumed under Ayushman Bharat. The model of implementation of the scheme (via insurance company, trust or mixed model) is the state's prerogative. However, healthcare delivery at affordable prices would require a shift in focus towards capitalising on volumes (with nearly 165 million



## INDUSTRY OVERVIEW

new people coming under a healthcare scheme) rather than on value (via margins). The government has started an initiative of National Health Stack (“NHS”), a shared digital framework for both private and public hospitals. It is expected to digitise all health records and keep track of all details concerning healthcare enterprises in the country. The scheme is well-intentioned and holds huge potential for the healthcare delivery and allied industries, but the mechanism for quality control and monitoring along with raising resources for implementation will be a key monitorable. Ayushman Bharat will further provide volume momentum to the sector, with the scheme on its full scale implementation providing healthcare assurance of ₹ 5 lakh per family (on floater basis) to nearly 107.4 million families (the actual coverage would be greater on account states extending the scheme to even some sections of the uncovered populace). As of May 2023, nearly 48.4 million treatments had taken place under Ayushman Bharat since the inception of the scheme in September 2018. In terms of implementation till date, most states have signed a MoU with the National Health Agency (“NHA”) under varied implementation models- Trust based, Insurance based or Mixed model, however, some states are yet to kick start full scale adoption. However, states like Madhya Pradesh, Uttar Pradesh and Bihar which were devoid of any health insurance scheme have extended coverage under PMJAY to more than 25% of its population.


**Consolidated Financials**

(Rs in Mn)

Financials	FY21	FY22	FY23
Total Revenue (A)	2286.74	4009.37	5202.93
Total Expenditure (B)	1616.62	2901.26	3865.28
EBIDTA	670.12	1108.11	1337.65
EBIDTA Margin	29.30	27.64	25.71
Other Income	5.15	16.49	28.07
Depreciation	205.60	278.68	275.07
EBIT	469.67	845.92	1090.65
Interest	188.44	214.86	213.87
PBT	281.23	631.06	876.78
Share of profit in Associates	0.00	0.00	0.00
PBT	281.23	631.06	876.78
Tax	85.36	189.44	219.10
PAT	195.87	441.62	657.68
NPM	8.57	11.01	12.64
ROE %	25.06	37.78	35.95
EPS	2.77	6.74	10.04
Eq Cap	163.79	655.17	655.17
Net Worth	806.83	1,168.85	1,829.64

(Source: RHP)

**Peer Comparison**

Company Name	Face value	P/E	Total Income for Fiscal 2023 (in Rs million)	EPS	NAV	ROE
<i>Yatharth Hospital</i>	<i>10</i>	<i>---</i>	<i>5231.00</i>	<i>10.09</i>	<i>27.93</i>	<i>35.95%</i>
Apollo Hospital	5	89.44	167027.90	56.97	431.02	13.22%
Fortis	10	40.36	63593.50	7.80	95.93	8.13%
Narayana Hrudalaya Limited	10	33.29	45902.10	29.85	104.30	28.44%
Max healthcare	10	52.66	47018.40	11.38	76.32	14.89%
Krishna Institute of Medical Sciences Limited	10	42.44	22235.50	42.03	208.62	20.14%
Healthcare Global Enterprises Limited	10	151.02	17076.20	2.11	61.86	3.41%
Global Health	2	52.44	27591.63	12.58	90.54	13.43%



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