



IPO Report

21st Feb'24

Snapshot

GPT Healthcare is one of the key regional corporate healthcare companies in Eastern India in terms of number of beds and hospitals as of Fiscal Year 2023. Company operate a chain of mid-sized full service hospitals under the brand and provide integrated healthcare services, with a focus on secondary and tertiary care. As of September 30, 2023, company operate four multispecialty hospitals in Dum Dum, Salt Lake and Howrah in West Bengal and Agartala in Tripura with a total capacity of 561 beds.

VALUATION

Company is bringing the issue at price band of Rs 177-186 per share at p/e multiple of 32x on post issue annualized H1FY24 PAT basis.

Company is key regional corporate healthcare company with a strong foothold in under-penetrated and densely populated healthcare delivery markets. Also, company's 'Right-sized', full service and strategically located hospitals leading to high return on capital. Company has well diversified specialty mix and location mix. Company has Track record of operating and financial performance and growth along with Professional management and experienced leadership

Hence, looking after all above we recommend "Long term Subscribe" on issue

Price Band (Rs./Share)	177-186
Opening date of the issue	22nd Feb '2024
Closing Date of the issue	26th Feb '2024
No of shares pre issue	79904286 Eq Shares
Issue Size	Rs 502-525 Cr
Fresh issue	Rs 40 Cr
Offer For Sale	26,082,786 Eq Shares
No of Shares	28342673-28233323 Eq Sh
Face Value (Rs/ share)	Rs 10/share
Bid Lot	80

BIDDING DETAILS

QIBs (Including Anchor)	50% of the offer (Approx 14116660 Eq Shares)
Non-Institutional	15% of the offer (Approx 4234999 Eq Shares)
Retail	35 % of the offer (Approx 9881664 Eq Shares)
Lead managers	JM Financial Ltd
Registrar to the issue	Link Intime India Pvt Ltd

WHAT WE LIKE

Key regional corporate healthcare company with a strong foothold in under-penetrated and densely populated healthcare delivery markets

According to the CRISIL Report as of Calendar Year 2020, Eastern India has a concentration of 5 doctors per 10,000 individuals and 12.7 nurses per 10,000 individuals, which is the lowest concentration of doctors and nurses of all regions in India. In comparison, West India has 11.5 doctors and 27.5 nurses for every 10,000 individuals, while South India has 17.3 doctors and 56.5 nurses for every 10,000 individuals. West Bengal, where three of company's hospitals are located, has only 14 hospital beds for every 10,000 persons, compared to states such as Karnataka, with 40 hospital beds for every 10,000 persons, or Telangana, with 26 beds for every 10,000 persons, or even the national average of 14.5 – 15 beds for every 10,000 persons for the Fiscal Year 2022

Track record of operating and financial performance and growth

Company have a consistent track record of expanding its operations and have increased the bed capacity of its hospitals from eight beds in July 2000 to 561 beds as of September 30, 2023. As of March 31, 2023, March 31, 2022, March 31, 2021, September 30, 2023 and September 30, 2022 company's net debt-to- EBITDA ratio was 0.73, 1.11, 2.14, 1.11, and 2.28, respectively. Company have achieved free cash flow levels, in terms of its cash flows from operations relative to its capital expenditures, by effectively managing its capital expenditures as company's business and hospital network have grown, resulting in cash flow conversion, in terms of free cash flow compared to EBITDA.

Professional management and experienced leadership

Company's senior management team has extensive healthcare industry experience and is led by Dwarika Prasad Tantia and Dr. Om Tantia, the Chairman and Managing Director of Company, respectively. Dwarika Prasad Tantia and Dr. Om Tantia are founding members of the 'ILS Hospitals' brand and continue to lead Company to this day. The senior leadership also includes Dr. Aruna Tantia, its non-executive director, who is a renowned gynaecology and obstetrics practitioner, with over a decade of experience in laparoscopic gynaecological surgery.



COMPANY BACKGROUND

Company offer a comprehensive range of healthcare services across over 35 specialties and super specialties, including internal medicine and diabetology, nephrology (including renal transplants), laparoscopic and general surgery, gynaecology and obstetrics, critical care, gastroenterology, orthopaedics and joint replacements, interventional cardiology, neurology, neurosurgery, paediatrics, and neonatology. Each of company's hospitals also provides integrated diagnostic services and pharmacies that cater to its patients.

Company strategically focus on the relatively under-penetrated healthcare market in Eastern India where it have presence in three cities which has provided an understanding of regional nuances, patient culture and the mindset of medical professionals and where there is under-penetration of quality and affordable healthcare services. This has enabled company's revenue from operations (ex-COVID) to grow at a CAGR of 53.87% over Fiscal Year 2021 to Fiscal Year 2023 and ROCE being 26.09% for Fiscal Year 2023. Dr. Om Tantia, company's Managing Director and one of its Promoters, is the founder of ILS Hospitals and is an established name in the field of laparoscopic surgery. He has more than 40 years of experience as a medical practitioner and established ILS Hospitals in the year 2000 with the vision of providing quality healthcare services in Eastern India. An experienced surgeon, Dr. Om Tantia has been the president of the Association of Minimal Access Surgeons of India and holds an honorary professorship bestowed by the Indian Medical Association and has been recognized as a 'Surgeon of Excellence in Metabolic and Bariatric Surgery' in the year 2016 by the Surgical Review Corporation, USA. Under his guidance, the first hospital in company's network was established in Salt Lake, Kolkata (West Bengal) in the year 2000 with a capacity of eight beds, which has grown to 85 beds, including 17 beds across various ICUs and HDUs as of September 30, 2023. Company's second hospital was set up in Agartala (Tripura) in the year 2011 and has a capacity of 205 beds as of September 30, 2023, including 66 beds across various ICUs and HDUs. Company's hospital in Dum Dum, Kolkata (West Bengal), established in the year 2013, has 155 beds, including 53 beds across various ICUs and HDUs as of September 30, 2023. It is authorized to perform renal transplants. Company's hospital in Howrah (West Bengal) was commissioned in the year 2019, with 116 beds including 43 beds across ICUs and HDUs as of September 30, 2023. Company endeavour to provide quality and affordable healthcare services to all its patients, and company have 1,902 employees, 91 full-time consultants, and 481 visiting consultants as of September 30, 2023. Company wholly own and manage each of its hospitals through a separate professional management team. Each of company's hospitals is managed by a Chief Operating Officer, who is responsible for supervising day to day functioning. This structure provides company with greater control over its hospitals and helps it to deliver quality healthcare services.

Company's hospitals in West Bengal are strategically located in densely populated cities of Kolkata (West Bengal) and Howrah (West Bengal), which enables it to be more easily accessible to patients and their attendants for medical requirements. As at September 30, 2023, its capital cost per bed was around ₹ 5.41 million per bed (including land costs), which included two hospitals in a tier-I city, one hospital in a tier-II city and one in a tier-III city, compared to the industry average (excluding land costs) of above ₹ 10.00 million per bed in tier-I cities, ₹ 5.00 million to ₹ 8.00 million per bed in tier-II cities and ₹ 2.5 million to ₹ 5.00 million per bed in tier-III cities, for tertiary care hospitals. (Source: CRISIL Report) In the Fiscal Years 2023, 2022, 2021, and for the six months ended September 30, 2023 and September 30, 2022, company's four hospitals recorded ARPOB of ₹ 29,671, ₹ 29,253, ₹ 24,681, ₹ 32,979, and ₹ 29,295 respectively. For the Fiscal Years 2023, 2022, and 2021 and for the six months ended September 30, 2023, September 30, 2022, company also recorded a bed occupancy rate of 58.92%, 56.36%, 48.00%, 59.92%, and 56.72%, respectively, and an ALOS of 4.22 days, 4.80 days, 5.56 days, 3.98 days and 4.17 days, respectively, on 196 an aggregate basis. Due to its strategy of operating right-sized hospitals in densely populated areas of under-penetrated geographies, company is able to achieve monthly EBITDA break-even within nine to ten months. For instance, its Howrah Hospital commenced operations in September 2019 and reported positive EBITDA beginning in May 2020, while company's Dum Dum Hospital commenced operations in March 2013 and reported positive EBITDA beginning in January 2014.



INVESTMENT RATIONALE

<p><i>‘Right-sized’, full service and strategically located hospitals leading to high return on capital</i></p>	<p>Company right-size its hospitals according to the needs of each sub-region in which company operate. For example, company have entered into long term leases for some of its hospitals, and company utilise land on long-term, low-cost terms to avoid high fixed rental costs, such as the land for its Salt Lake Hospital and Agartala Hospital, which company hold leases of 999 years and 99 years, respectively. Accordingly, company have been able to minimize lease expenses and lease renewal risks that would have otherwise -driven-up costs of its operations. Company’s hospitals are mid-sized, which enables it to incur lower capital expenditure per bed in comparison to other secondary care hospitals in India. Company is also in the process of implementing this approach in its proposed hospital at Ranchi (Jharkhand), for which an MoU has been signed and a long-term lease agreement for 30 years (which is further extendable for a period of 20 years) has been entered into, at an estimated capital outlay of ₹ 500 million. Additionally, to further expand company’s operations, company propose to open a hospital in Raipur (Chhattisgarh), for which an MoU has been signed for 20 years (which can be renewed for another 20 years) in January 2023, at an estimated capital outlay of ₹ 550 million. The hospitals at Ranchi (Jharkhand) and Raipur (Chhattisgarh) are proposed to be on an asset-light basis, where the investment in land and building construction would be borne by the owner and the developer of the lands in return for periodic rent payments.</p>
<p><i>Well diversified specialty mix and location mix</i></p>	<p>Company have an established presence in Eastern India, with multiple healthcare delivery verticals and serve multiple economic segments. Company’s operations encompass different 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 offer a comprehensive range of healthcare services across over 35 specialties and super specialties, including internal medicine and diabetology, nephrology (including renal transplants), laparoscopic and general surgery, gynaecology and obstetrics, critical care, gastroenterology, orthopaedics and joint replacements, interventional cardiology, neurology, neurosurgery, paediatrics and neonatology. .</p>
<p><i>Ability to attract, train and retain quality medical professionals</i></p>	<p>Company maintain its standard of quality healthcare services by consistently employing and engaging a diverse pool of talented doctors, nurses and paramedical professionals. Company’s multi-disciplinary approach, combined with its high-volume tertiary care model, and its focus on teaching and research, has helped company attract and retain talented doctors and other healthcare professionals. As of September 30, 2023, company were associated with 91 full time consultants, 481 visiting consultants, and 740 nurses.</p>
<p><i>Investment in infrastructure, processes and clinical excellence driving affordability, and a strong value proposition for stakeholders</i></p>	<p>Company’s hospitals’ team of doctors have also made significant contributions to the field of medical sciences. Company’s locations may be easily accessible to patients and their attendants, and its goodwill in the markets in which company operate aids company in attracting patients and healthcare professionals alike. Company’s proposition to prospective patients is one of well-trained staff, multi-specialties and accessibility. Accordingly, company aim to achieve complete transparency in billing, and pass on system efficiencies to company’s patients. Company is also dedicated towards building patients’ trust and confidence in its healthcare services, for which company provide treatment packages to some of its patients for specialized surgeries, including knee replacement, laparoscopic cholecystectomy, angioplasty, among others. Company have collaborated with some of the major insurance companies including General Insurance Public Sector Association (GIPSA) with an aim to simplify the financial aspect of healthcare and enhance the overall patient experience by providing cost-effective care.</p>



OBJECTS OF OFFER

The Offer comprises a Fresh Issue aggregating up to ₹ 400.00 million and an Offer for Sale of up to 26,082,786 Equity Shares by the Investor Selling Shareholder.

Fresh Issue

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

1. Repayment or prepayment, in full or in part, of all or a portion of certain outstanding borrowings availed by Company from banks and financial institutions; and
2. General corporate purposes;

RISKS

Company derive approximately 70% of its revenue from operations from its hospitals situated in West Bengal as these serve a significant percentage of its patients. Further, all company's hospitals are located in the eastern region of India. Any impact on the revenue from these hospitals or any change in the economic or political conditions of West Bengal could materially affect company's business, financial condition, results of operations and cash flows.

Source:RHP

INDUSTRY OVERVIEW

Key growth drivers of healthcare delivery industry

Growing health insurance penetration to propel demand

Low health-insurance penetration is one of the major impediments to the growth of the healthcare delivery industry in India, as affordability of quality healthcare facilities by the lower-income groups remain an issue. Health insurance coverage has increased from 17% in fiscal 2012 to ~38% in fiscal 2022. As per the Insurance Regulatory and Development Authority (IRDA), more than 520 million people have health insurance coverage in India (as of fiscal 2022), as against 288 million (in fiscal 2015), but despite this robust growth, the penetration in fiscal 2022 stood at only 38%. CRISIL MI&A Research sees that while low penetration is a key concern, it also presents a huge opportunity for the growth of healthcare delivery industry in India. With the PMJAY scheme and other growth drivers, the insurance coverage in the country is expected to increase to 47-50% by FY27. With health insurance coverage in India set to increase, hospitalisation rates are likely to go up. In addition, health check-ups, which form a mandatory part of health insurance coverage, are also expected to increase, boosting demand for a robust healthcare delivery platform. Covid-19 has also accelerated the coverage and also online channels which make it easier to get insurance.

Medical tourism in India

Medical value travel, which is also referred to as 'medical tourism', has gained momentum over the years and India is fast emerging as a major tourist destination, owing to the relatively low cost of surgery and critical care, along with the presence of technologically advanced hospitals with specialized doctors and facilities, such as e-medical visa. India benefits from medical value travel stemming from neighbouring countries such as Bangladesh, Nepal and Bhutan. Eastern India is geographically well positioned for medical value travel from Bangladesh, Nepal and Bhutan, from patients who prefer to obtain quality healthcare services in India. Neighbouring countries (like Bangladesh – which sees the highest footfall of medical tourists to India and some parts of Nepal and Bhutan) come to India as they don't have quality care in their countries. Eastern India is also a more accessible region for these neighbouring countries. Medical tourism is not just driven by cheaper prices. Kolkata and Northeast cities such as Agartala in Tripura are well placed to capture volumes from adjoining markets such as Bangladesh, also given cultural similarities which is a key driver for Kolkata attracting medical tourists from Bangladesh.



Consolidated Financials

(Rs in Mn)

Financials	FY21	FY22	FY23	H1FY24
Total Revenue (A)	2427.53	3374.15	3610.37	2041.76
Total Expenditure (B)	1937.62	2635.80	2866.86	1605.087
EBIDTA	489.91	738.35	743.51	436.67
EBIDTA Margin	20.18	21.88	20.59	21.39
Other Income	61.10	49.88	56.94	25.22
Depreciation	124.72	135.90	149.12	87.23
EBIT	426.29	652.33	651.33	374.66
Interest	137.46	111.54	91.64	38.19
PBT	288.83	540.79	559.69	336.47
Exceptional	0.00	0.00	0.00	0.00
PBT	288.83	540.79	559.69	336.47
Tax	77.90	124.16	169.61	101.59
PAT	210.93	416.63	390.08	234.88
NPM	8.69	12.35	10.80	11.50
ROE%	15.90	26.54	23.77	13.70
EPS	2.64	5.21	4.88	2.94
Eq Cap	179.41	799.04	799.04	799.04
Net Worth	1,339.01	1,581.82	1,653.62	1,726.51

(Source: RHP)

Peer Comparison

Company Name	Face value	P/E	Revenue from operations (Rs in Mn)	EPS	NAV	ROE %
<i>GPT healthcare Limited</i>	<i>10.00</i>	<i>--</i>	<i>3610.37</i>	<i>4.88</i>	<i>20.54</i>	<i>23.77</i>
Peers						
Global Health Limited	2.00	90.29	26942.48	12.57	89.65	13.56
Krishna Institute of Medical Sciences Limited	10.00	49.51	21976.78	42.03	206.47	20.35
Jupiter Life Line Hospitals Limited	10.00	81.73	8925.43	12.95	64.70	19.94
Yatharth Hospital & Trauma Care Services Limited	10.00	37.66	5202.93	10.09	27.84	36.06
Kovai Medical Center & Hospital Limited	10.00	29.93	10197.47	105.80	656.65	16.11
Shalby Limited	10.00	49.01	8049.21	6.27	85.54	7.33

(Source: RHP)



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