

Company Overview

Global Health Limited is one of the largest private multi-speciality tertiary care providers operating in the North and East regions of India. It has five hospitals currently in operation located in Gurugram, Lucknow, Indore, Ranchi and Patna and the sixth hospital is under construction in Noida. The hospitals operate under the “Medanta” brand. The company has key specialities in cardiology and cardiac sciences, neurosciences, oncology, digestive and hepatobiliary sciences, orthopaedics, liver transplant, and kidney and urology. The company provides healthcare services in over 30 specialities and engages over 1300 doctors and has 2467 beds across its operational hospitals. The company’s flagship hospital in Gurugram is approximately 2.7mn sq ft with 1391 installed beds as of 30th June 2022. It also operates six multi-speciality clinics in DLF Cybercity Gurugram, Delhi Airport, South Delhi, Darbhanga, Patna and Subhash Chowk Gurugram. Upon completion of the hospital in Noida, the company expects the number of beds to exceed 3500 at the end of Fiscal 2025. The company also provides home care service which provides sample collection, delivery of medicine, preventive health checks, paediatric vaccinations and nursing services.

Objects of the issue

The IPO proceeds of the fresh issue will be used towards the following purposes:

⇒ Repayment/prepayment of borrowings, in full or part, of the Subsidiaries, GHPPL and MHPL.

⇒ General Corporate Purposes

Investment Rationale

Clinical Expertise and Focus on Clinical Research

The company focuses on super specialization and clinical expertise by working on a high number of complex cases. The company has a doctor-led management model enabling sub-specialisation to provide the highest level of clinical expertise to the patients. It also has a research facility “The Medanta Institutional Tissue Repository” in 2017 to promote biomarker and other tissue-based research. The company is currently developing an algorithm to increase productivity and accuracy in medical diagnosis, particularly in radiology scans.

Large-scale hospitals with sophisticated infrastructure and steady growth strategies

The hospitals that the company has built are on a large-scale basis. Its flagship hospital in Gurugram has a built-up structure of more than 2 million. The company’s hospitals are built to install additional beds without any significant investment. The hospital has an installed bed capacity of 473 beds as of June 30, 2022, with a further capacity to accommodate over 900 beds. The hospitals also have an international-grade infrastructure. Across all the hospitals 30% are dedicated to critical care and the chain has a total of 70 OPDs. The company is also focusing on diversification into new services like digital health. The company has scaled up its telemedicine and remote delivery of healthcare services.

Valuation and Outlook

There is huge growth in the healthcare sector and the super specialization market in India is highly under-penetrated. This puts Global Health (Medanta) in a strong position to further grow and expand into different geographies. The company also has steady ARPOB and EBITDA levels through the fiscal years 2020, 2021 and 2022. The company primarily focuses on under-penetrated and under-served geographies with dense populations and government schemes such as Ayushman Bharat Scheme present the company to expand in such under-served areas to reach the low-income population. However, the company’s subsidiaries GHPPL and MHPL have incurred losses and medical and legal risks remain the key risk facts. On the upper end of the price band, the issue is valued at a P/E of 43.2x based on FY22 earnings which we feel is fairly priced and we, therefore, recommend to “**SUBSCRIBE**” the IPO for the benefit of listing gains.

Issue Details

Offer Period	3 rd Nov– 7 th Nov, 2022
Price Band	INR.319 to INR.336
Bid Lot	44
Listing	BSE&NSE
Issue Size (no. of shares in mn)	66.43/65.64
Issue Size (INR. in bn)	22.06
Face Value	2

Issue Structure

QIB	50%
NIB	15%
Retail	35%
	Kotak Mahindra Capital Company Limited
	Credit Suisse Securities (India) Private Limited
BRLM	Jefferies India Private Limited
	JM Financial Limited
Registrar	KFin Technologies Limited

Particulars Pre Issue % Post Issue %

Promoter and Promoter Groups	35.03%	33.08%
Public	64.97%	66.92%
Total	100%	100%

(Assuming issue subscribed at higher band)

Research Team - 022-61596407



Global Health Ltd.

Income Statement (Rs in millions)

Particulars	Q1FY23	FY22	FY21	FY20
Revenue				
Revenue from Operations	6,172	21,666	14,467	15,004
Total Revenue	6,172	21,666	14,467	15,004
Expenses				
Cost of Materials Consumed	1,351	5,082	3,409	3,248
Purchases of Stock in Trade	135	375	127	-
Change in inventory of Stock-in-Trade	(14)	(28)	(50)	-
Employee benefit expenses	1,555	5,680	4,663	5,388
Impairment losses on financial assets	5	33	63	111
Other expenses	1,817	6,018	4,342	4,391
Total Operating Expenses	4,849	17,161	12,553	13,138
EBITDA	1,323	4,505	1,914	1,866
Depreciation and amortisation expense	361	1,297	1,232	1,150
Other income	93	392	314	438
EBIT	1,056	3,600	996	1,154
Finance costs	185	795	672	515
Exceptional Item			-	-
PBT	870	2,806	325	639
Current tax	241	857	368	497
Current tax - for earlier periods			7	
Deferred Tax charge	43	(13)	(338)	(222)
MAT Credit reversed/(availed)	-	-		
Total tax	283	844	37	275
PAT	587	1,962	288	363
Diluted EPS	2	8	1	1

Source: RHP, BP Equities Research

Cash Flow Statement (Rs in million)

Particulars	Q1FY23	FY22	FY21	FY20
Cash Flow from operating activities	1,376	3,113	2,418	1,751
Cash flow from investing activities	(644)	(4,209)	(2,392)	(871)
Cash flow from financing activities	(723)	1,596	(807)	(9)
Net increase/(decrease) in cash and cash equivalents	10	500	(781)	871
Cash and cash equivalents at the beginning of the period	1,194	695	1,476	605
Cash and cash equivalents at the end of the period	1,204	1,194	695	1,476

Source: RHP, BP Equities Research

Global Health Ltd.

Balance Sheet (Rs in millions)

Particulars	Q1FY23	FY22	FY21	FY20
Equity and Liabilities				
Share Capital	506	506	496	493
Instruments entirely equity in nature			325	325
Other Equity	16,249	15,654	13,003	12,677
Net worth	16,756	16,160	13,823	13,495
Financial Liabilities				
Borrowings	7,124	7,676	5,777	6,055
Lease liabilities	2,314	2,357	2,507	2,703
Other Financial Liabilities	107	98		
Provisions	540	511	423	361
Deferred tax liabilities	0	0	0	81
Other non-current liabilities	451	458	363	391
Total Non Current Liabilities	10,537	11,100	9,071	9,591
Current Liabilities				
Borrowings	820	702	669	164
Lease liabilities	356	354	361	367
Trade Payables				
(a) total outstanding dues of micro enterprises and small enterprises	503	334	301	179
(b) total outstanding dues of creditors other than micro enterprises and small enterprises	1,297	1,009	1,014	1,128
Other Financial Liabilities	1,170	976	903	1,116
Short Term Provisions	176	193	277	189
Other current liabilities	604	627	522	433
Total Current Liabilities	4,927	4,195	4,047	3,577
Total liabilities	15,464	15,295	13,118	13,168
Total Equity and Liabilities	32,219	31,455	26,941	26,663
Assets				
Property, plant and equipment	14,380	14,385	12,595	13,205
Right-of-Use assets	3,273	3,311	3,489	3,741
Capital work in Progress	4,591	4,393	4,638	3,817
Other Intangible assets	59	62	72	85
Investments	1	1	1	0
Other Financial Assets	464	199	270	317
Deferred tax assets	234	278	257	0
Income tax assets	587	595	471	659
Other non-current assets	124	114	126	52
Total Non current assets	23,713	23,338	21,920	21,876
Inventories	594	534	398	385
Financial Assets				
Trade Receivables	2,042	1,802	1,336	1,492
Cash and cash equivalents	1,204	1,194	695	1,476
Other Bank Balances	3,978	3,924	2,198	1,026
Loans and Advances	0	0	0	0
Other Financial Assets	497	516	318	342
Other current assets	192	148	77	66
Total Current Asset	8,507	8,117	5,021	4,786
Total Assets	32,219	31,455	26,941	26,662

Source: RHP, BP Equities Research

Key Risks

- ⇒ The company is subject to medical and legal risks associated with the operation of medical facilities and in-house pharmacies, including negative publicity.
- ⇒ The company's developing or under-construction facilities may experience delays in construction, in reaching full operational capacity and may not achieve the synergies and other benefits expected from such facilities.
- ⇒ The company's subsidiaries, MHPL and GHPPL, have incurred losses in the preceding Fiscals and may incur losses in the future

**Disclaimer Appendix****Analyst (s) holding in the Stock : Nil****Analyst (s) Certification:**

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