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Global Health Ltd. (Medanta)

By

Jainam Broking Ltd.

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IPO Details	
Opening date	3rd Nov 2022
Closing date	7th Nov 2022
Face Value	INR 2 rs. Per share
Price band	INR 319 rs. To 336 per share
Lot size	44 shares
Listing on	16th Nov 2022
Total issue size	INR 2205 crores
Fresh issue	INR 500 crores
Offer for sale	INR 1705 crores

Promoter's Holdings	
Pre-issue shareholdings	35.0%
Post-issue shareholdings	33.0%

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About the company:

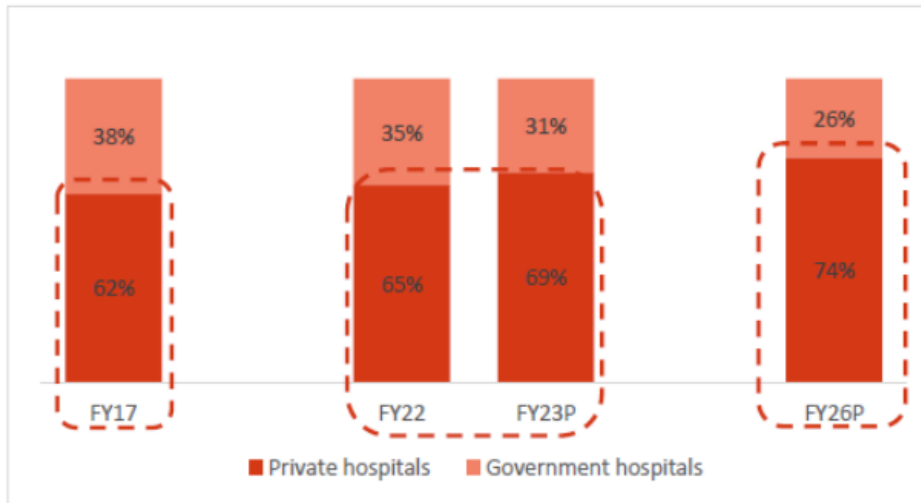
- Global health ltd is founded by Mr. Naresh Trehan, a world-renowned cardiovascular and cardiothoracic surgeon. He established 1st hospital in Gurugram in 2009 for providing high-quality and cost-effective medical services.
- It is one of the largest private multi-specialty tertiary care providers operating in the North and East regions of India in terms of bed capacity.
- Tertiary care is a solution to rare and complex disorders like Bypass surgery, Dialysis, Neurosurgeries, plastic & severe burn treatments, etc.
- It is operating under the brand name “Medanta”. Currently, it has a network of 5 hospitals operating in Gurugram, Indore, Ranchi, Lucknow, Patna, and one hospital in Noida which is under construction. It is also providing over 30 medical specialty services, with a specialty division:
 - The heart institute- Related to cardiac health.
 - The institute of neurosciences- Solutions for brain & spines related.
 - The cancer institute- Specialized for all cancer patients like Radiation oncology, organ-specific surgical division, and breast- head & neck oncology.
 - The institute of digestive and hepatobiliary sciences- Solution for providing diagnostic, digestive tract, liver, and pancreas.
 - Kidney and Urology Institute- Disease-like urinary systems, including the kidneys, bladder, and prostate gland.
 - Institute of Musculoskeletal disorders and orthopedics- Musculoskeletal conditions including joint pain, spine pain, trauma, sports, birth, congenital defects, and other injuries.
 - Institute of liver transplantation and regenerative medicine;
 - Medanta’s internal medicine division.
- As of 30th June 2022, its operational hospitals have 2467 installed beds.

About the Industry:

- Indian healthcare delivery market is expected to grow at 13%-15% CAGR of INR 8.3 trillion in fiscal 2026.
- An initiative by the government, the Pradhan Mantri Jan Arigya Yojna (PMJAY) is expected to lead to the adoption of new business models focusing on volume-driven, and affordable healthcare.
- The healthcare services are moving more towards private players, due to a lack of healthcare spending by the government. The share of private players is expected to increase from 62% in FY17 to nearly 74% in FY26.



Share of treatments in value terms (government hospitals versus private hospitals/clinics)



Source: CRISIL Research

Management:

Dr. Naresh Trehan: Chairman & MD:

- Chairman & MD since 1st June 2017.
- Holds bachelor's degree in medicine and surgery from the university of Lucknow. Served in the training program and as the 'Fellow in Thoracic Surgery at the New York university medical center, USA.
- He has been awarded the 'Padma Bhushan in 2001 and the 'Padma Shri in 1991 by GOI. He has also been awarded a special award dated 14th November 2021 by the American of cardiologists of Indian origin for his outstanding contributions as the 'Indian father of cardiac surgery.

Sunil Sachdeva: Non-executive director:

- Holds a bachelor's degree in science from a government college.
- On board since 13th August 2004.

Ravikant Jaipuria: Non-executive nominee director:

- On board since 6th October 2005.
- Completed higher secondary education at Delhi public school, New Delhi.
- He was awarded the 'distinguished entrepreneurship award' at the PHD chamber for excellence in 2018.

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Financials:

	Mar 2016	Mar 2019	Mar 2020	Mar 2021	Mar 2022
Sales +	1,382	1,456	1,500	1,447	2,167
Expenses +	1,081	1,283	1,309	1,250	1,709
Operating Profit	301	172	192	197	457
OPM %	22%	12%	13%	14%	21%
Other Income +	45	50	44	31	39
Interest	14	38	57	73	86
Depreciation	70	102	115	123	130
Profit before tax	262	83	64	32	281
Tax %	35%	38%	43%	11%	30%
Net Profit	170	51	36	29	196
EPS in Rs	35.10	10.44	7.36	5.81	7.75
Dividend Payout %	0%	0%	0%	0%	0%

Revenue break-up by Out & In-patient type:

	Fiscal 2020 (₹14,805.71 million)	Fiscal 2021 (₹14,178.41 million)	Fiscal 2022⁽³⁾ (₹21,003.95 million)	Three months ended June 30, 2021 (₹4,732.10 million)	Three months ended June 30, 2022⁽³⁾ (₹5,960.89 million)
Out-patient department	19.35%	16.31%	17.13%	14.79%	17.40%
In-patient department	80.65%	83.69%	82.87%	85.21%	82.60%
Total	100%	100%	100%	100%	100%

(*Out-patient: Treatment without staying there overnight;

*In-patient: Lives in hospital while under treatment)

Revenue break-up by specialty type:

	Fiscal 2020	Fiscal 2021	Fiscal 2022⁽³⁾	Three months ended June 30, 2021	Three months ended June 30, 2022⁽³⁾
Heart Institute	26.22%	20.65%	20.93%	14.44%	24.32%
Institute of Neurosciences	10.41%	10.49%	11.16%	9.10%	11.81%
Institute of Musculoskeletal Disorders and Orthopaedics	6.30%	3.68%	4.48%	2.50%	5.83%
Kidney & Urology Institute	8.24%	7.95%	7.22%	5.59%	7.55%
Cancer Institute ⁽²⁾	11.60%	12.26%	10.82%	9.68%	11.91%
Institute of Digestive and Hepatobiliary Sciences	11.84%	11.71%	10.19%	7.56%	11.66%
Institute of Liver Transplantation and Regenerative Medicine	4.35%	3.98%	3.56%	3.38%	3.69%
Medanta's Internal Medicine Division	5.59%	10.91%	11.26%	24.45%	5.88%
Others	15.45%	18.37%	20.37%	23.31%	17.36%

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Geo-geographical revenue break-up:

	Fiscal 2020	Fiscal 2021	Fiscal 2022⁽³⁾	Three months ended June 30, 2021	Three months ended June 30, 2022⁽³⁾
Domestic	88.78%	96.05%	95.65%	96.38%	94.47%
International	11.22%	3.95%	4.44%	3.62%	5.53%
Total	100%	100%	100%	100%	100%

Occupancy levels and length of hospital stay:

	Fiscal 2020	Fiscal 2021	Fiscal 2022	Three months ended June 30, 2021	Three months ended June 30, 2022
Total occupied bed ⁽¹⁾	832	814	1,076	1,059	1,111
Average occupancy levels ⁽²⁾	54.85%	51.57%	60.50%	62.58%	59.57%*
Average revenue per occupied bed (ARPOB) ⁽³⁾ (in ₹)	50,166.34	47,730.59	54,547.29	49,123.97	58,960.99
Average length of stays in hospitals (ALOS) ⁽⁴⁾	3.52	3.89	3.76	4.65	3.22*

Subsidiaries:

1. Global health patliputra Pvt Ltd (GHPPL)- Wholly owned subsidiary- Incorporated on 11th August 2015 in New Delhi.
2. Medanta holdings Pvt Ltd (MHPL)- Wholly owned subsidiary- Incorporated on 10th April 2013 in New Delhi.
3. GHL pharma & diagnostic Pvt Ltd- Wholly owned subsidiary incorporated on 7th October 2022 in New Delhi.

The objective of the IPO:

Total issue size, INR 2205 crores:

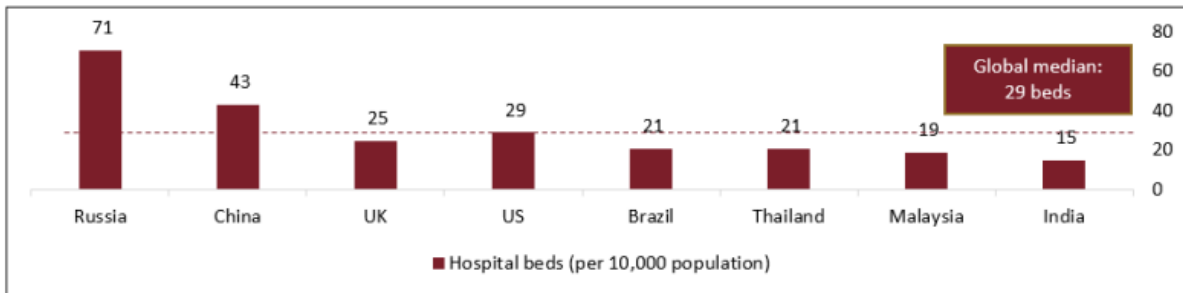
- INR 500 crores of fresh issue:
 - Investments in 2 of its subsidiaries, GHPPL and MHPL for repayment of borrowings.
 - Investment of INR 375 crores in subsidiaries in the form of debt repayment.
 - General corporate purpose.
- ~INR 1705 crores of an offer for sale:
 - ~5,06,61,000 equity shares sold by Anant Investments.
 - ~1,00,000 equity shares sold by Sunil Sachdeva.



Positive factors:

- A well-recognized clinical expertise in dealing with complicated cases for Tertiary and quaternary care providers in India.
- Hospital bed density in India v/s other countries is very low. Health infrastructure is in dire need of improvement.

Hospital bed density: India vs. other countries (2021 for India and latest available for other countries)



- Large-scale hospitals, Long-term agreements, and good relations with lease providers;
 - Indore hospital- 27 years lease agreement since 2014.
 - Ranchi hospital- 15 years lease agreement since 2015.
 - Noida hospital (under construction)- 90 years agreement since 2016.
- Doctor-led hospitals driven by well-experienced, skilled & senior expert management, and a strong team, as on 30th June 2022,
 - 1376 doctors,
 - 1098 para medicals,
 - 3790 nurses,
 - 2188 administrative.
- Delhi and Haryana are the top 2-states with the highest per capita net state domestic product as of FY21, and the company has a good hold on the north & east sides of India.

Negative factors:

- NABH (national accreditation board for hospitals) certificate for Indore hospital expires on 9th November 2022 and the renewal application is pending.
- Subsidiaries have made losses in the past, and a management is planning to put a fresh IPO amount into it. It should be a key watch area in the upcoming time.
- It is highly dependent on doctors and nurses, if they are unable to attract such professionals then it will affect the business.
- Due to in-house pharmacies, their inability to obtain medical facilities and equipment on time can dampen brand or reputation.



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Our recommendation:

We are recommending for long-term 'subscription'. Due to, the following reasons:

- Well-experienced senior management.
- One of the largest multi-specialty tertiary care providers.
- Dr. Naresh Trehan is a highly renowned cardiac surgeon.
- It has 2nd best position amongst peers based on average revenue per occupied bed.