

YATHARTH HOSPITAL & TRAUMA CARE SERVICES LTD

26-07-2023 to 28-07-2023

Industry: Hospital

Price Band: ₹ 285 - 300

Recommendation: Subscribe for long term

Post Implied Market Cap: ₹ 2,471 - 2,576 Cr

Key Data

Issue Size (₹ Cr)	677 - 687
Fresh (₹)	490
OFS (₹)	197
No of shares offered	22,885,023 - 23,744,672
Face Value (₹ /share)	10
Bid Lot	50

About the Company

Yatharth Hospital and Trauma Care Services Ltd ("Yatharth") is a renowned Delhi NCR based healthcare company founded on February 28, 2008. At present, the company operates three super specialty hospitals in Delhi NCR, Noida, Greater Noida, and Noida Extension, Uttar Pradesh ("UP"). Additionally, Yatharth recently has extended its presence by acquiring a 305-bedded multi-speciality hospital in Orchha, Madhya Pradesh, near Jhansi, Uttar Pradesh ("Jhansi-Orchha"), commencing commercial operations from April 10, 2022. By this acquisition Yatharth's total bed count stands to 1,405, including 394 critical care beds as of March 31, 2023. Under the leadership of experienced medical professionals, Dr. Ajay Kumar Tyagi and Dr. Kapil Kumar, Mr Yatharth has earned a strong reputation for delivering quality care, evidenced by "5 Star" ratings awarded by Infomeric Analytics and Research Pvt Ltd in 2022. The company upholds international quality standards, holding accreditations from NABH and NABL across its facilities. Employing 609 doctors, Yatharth continues to be a prominent player in the healthcare industry, driven by its firm commitment to providing cost-effective quality services and earning the trust of its patients.

Indicative Timetable

Activity	On or about
Finalisation of Basis of Allotment	02-08-2023
Refunds/Unblocking ASBA Fund	03-08-2023
Credit of equity shares to DP A/c	04-08-2023
Trading commences	07-08-2023

Investment Rationale

- Strategic Expansion into newer geography:** The acquisition of the Jhansi-Orchha hospital is a strategic move to expand into new regions and strengthen its position in the regional healthcare market. With plans to establish a comprehensive oncology treatment unit by Fiscal 2025, the hospital aims to meet the growing demand for specialized medical services. Situated on an expansive 43,180 square meters of land, it is one of the largest healthcare facilities in the Jhansi-Orchha-Gwalior region. Furthermore, its accreditation by NABH highlights its commitment to maintaining high-quality standards and patient care.
- Strong Balance Sheet and adequate operating efficiency:** The company will become debt-free after the IPO and will improve the ROCE and ROE metrics. In terms of operational performance, the company's occupancy rate currently stands at 45.3%, while they achieve an Average Revenue Per Occupied Bed (ARPOB) of 26,538 and an Average Length of Stay (ALOS) of 4.32 days. The company boasts a high Return on Capital Employed (ROCE) of 26.1% and a commendable Return on Equity (ROE) of 36.0%.
- Among the leading super-specialty hospital in Delhi NCR with diverse specialty and payer mix:** Yatharth is equipped with a team of 609 skilled doctors, led by experienced clinical department directors, offering a wide array of healthcare services across various specialties and super specialties. These include their renowned Centres of Excellence like Medicine, Cardiology, Neurosciences, General Surgery, Nephrology & Urology, Paediatrics, Gastroenterology, Pulmonology, Gynaecology, Orthopaedics & Spine, and Rheumatology, along with other specialties. Yatharth operates throughout all levels of healthcare, from primary to tertiary, positioning itself as a comprehensive destination for patients' needs in their respective micro markets. Their diversified revenue streams, spanning specialties, hospitals, and customer mixes, enable them to grow the business while mitigating risks effectively, facilitating differentiated pricing and marketing strategies to attract customers and patients.
- Introduce new specialties at existing hospitals and grow the medical tourism segment:** Recent acquisition of a strategically located land parcel adjacent to their existing hospital, in close proximity to the airport, indicates their focus on attracting international patients. The company's growth strategy encompasses both organic and inorganic avenues, including an open stance towards potential acquisitions. Yatharth is intending to introduce new specialties at their existing hospitals such as radiation therapy to their oncology department at their hospitals located in Noida Extension and Jhansi-Orchha.

Shareholding (No. of shares)

Pre-Issue	6,95,16,900
Post Issue (Lower price band)	8,67,09,882
Post Issue (Higher price band)	8,58,50,234

Shareholding Pattern

	%
Promoters:	
Pre Issue	56.37
Post Issue	45.64
Promoters Group:	
Pre Issue	34.97
Post Issue	20.68
Public - Other Selling S/h:	
Pre Issue	5.75
Post Issue	4.66
Public - Others:	
Pre Issue	2.91
Post Issue	29.01

Issue Breakup

QIB	50%
NIB	15%
Retail	35%

Risk

- Exposure to regulatory risk - Any policy change that may negatively impact the credit risk profile will be closely monitored.
- Increase in insurance penetration - Higher than the expected increase in insurance penetration would affect the margins of the hospital as a whole.
- Reliance on scarcely available qualified medical professionals.

Other Details

BRLMs: Intensive Fiscal Services, Ambit Pvt, Ltd, IIFL Securities

Registrar: Link Intime India Pvt. Ltd.

Listing: BSE & NSE

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MView

We believe Yatharth, being a leading super-specialty hospital in Delhi NCR, is poised for significant growth and success. With a diverse specialty and payer mix, the company holds a strong market position. Its strategic approach involves organic and inorganic expansions, introducing new specialties like Radiation Therapy for Oncology Unit and Human Organ Transplant Unit, and targeting the medical tourism segment to attract international patients. The company boasts high margins compared to peers and is led by an experienced and qualified professional management team, including Dr. Ajay Kumar Tyagi and Dr. Kapil Kumar, each with over 17 years of experience in the medical profession. In addition, Yatharth will become a debt-free company after its IPO, and all its hospitals are accredited by NABH, with some also accredited by NABL. In terms of valuation, Yatharth's PE ratio stands at 39.50 on FY23 earnings, compared to an industry average of 60x which seems the ask valuations is reasonably priced leaving something on table for new investors. With its strong credentials and favourable valuation allow with bright prospects of growth in the Indian healthcare sector, we recommend investors to subscribe for the long term.

CONSOLIDATED FINANCIAL TABLES

BASIC FINANCIAL DETAILS

Particulars ₹ (in Cr)	2023	2022	2021
Equity Share Capital	65.52	65.52	16.38
Reserves	117.45	51.37	56.08
Net worth as stated	182.96	116.89	72.46
Revenue from Operations	520.29	400.94	228.67
Revenue Growth (%)	29.77%	75.34%	-
EBITDA	133.77	110.81	67.01
EBITDA Margin	25.71%	27.64%	29.30%
Net Profit	65.77	44.16	19.59
Net Profit Margin	12.64%	11.01%	857%
EPS	10.09	6.78	2.77

Source: RHP

COMPARISON WITH LISTED PEERS ₹ (IN CR)

Companies	Mcap (in Cr)	FV	Revenue from operation (as at march 2023)	EPS	NAV	P/E	RONW
Yatharth Hospital and Trauma Care Services Ltd	2576	10	523.1	10.09	27.93	40	35.95%
Apollo Hospital Enterprise Ltd	74637	5	16,702.79	56.97	431.02	89.44	13.22%
Fortis Healthcare Ltd	25536	10	6,359.35	7.8	95.93	40.36	8.13%
Narayana Hrudayalaya Ltd	21532	10	4,590.21	29.85	104.30	33.29	28.44%
Max Healthcare Institute Ltd	59572	10	4,701.84	11.38	76.32	52.66	14.89%
Krishna Institute of Medical Sciences Ltd	1971	10	2,223.55	42.03	208.62	42.44	20.14%
Healthcare Global Enterprises Ltd	4458	10	1,707.62	2.11	61.86	151.02	3.41%
Global Health Ltd	19225	2	2,759.16	12.58	90.54	52.44	13.43%

Source: RHP, Data as on 31st March 2023, Mcap: as on 25-07-2023



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Msearch's Recommendation (Absolute Performance)

Buy: > 20% within the next 12 Months

Accumulate: 5% to 20% within the next 12 Months

Sell : < -20% within the next 12 Months

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