

IPO Note: Yatharth Hospital and Trauma Care Services Ltd.

Industry: Healthcare

Date: July 24, 2023

| Issue Snapshot | | Issue Break up | | |
|----------------|---|------------------------------------|-------------|-------------------|
| Company Name | Yatharth Hospital and Trauma Care Services Ltd. | QIB ex Anchor | 20% | 4,577,005 |
| Issue Opens | July 26, 2023 to July 28, 2023 | Anchor Investor | 30% | 6,865,507 |
| Price Band | Rs. 285 to Rs. 300 | HNI<Rs. 10 Lakhs | 5% | 1,144,251 |
| Bid Lot | 50 Equity Shares and in multiples thereof. | HNI>Rs. 10 Lakhs | 10% | 2,288,502 |
| The Offer | Public issue of 12,620,000 Equity shares of Face value Rs. 10 each, (Comprising of fresh issue of 16,333,333 Equity Shares* (Rs. 490 cr.) and Offer for Sale of 6,551,690 Equity Shares* (Rs. 197 cr.) by Selling Shareholder). | RII | 35% | 8,009,758 |
| | | Total Public | 100% | 22,885,023 |
| Issue Size | Rs. 676.7 – 686.6 Crore | Equity Share Pre Issue (Nos. Cr.) | 7.0 | |
| IPO Process | 100% Book Building | Fresh Share (Nos. Cr.) | 1.6 | |
| Face Value | Rs. 10.00 | OFS Share (Nos. Cr.) | 0.7 | |
| Exchanges | NSE & BSE | Equity Share Post Issue (Nos. Cr.) | 8.6 | |
| BRLM | Intensive Fiscal Services Private Ltd, Ambit Private Ltd and IIFL Securities Ltd | Market Cap (Rs. Cr.) | 2,575.5 | |
| Registrar | Link Intime India Private Ltd | Equity Dilution | 19.0% | |
| | | Stake Sale by OFS | 7.6% | |

Objects of the Offer

Offer for Sale

The Company will not receive any proceeds of the Offer for Sale by the Selling Shareholder. (up to 3,743,000 equity shares by Vimla Tyagi, up to 2,021,200 equity shares by Prem Narayan Tyagi and up to 787,490 equity shares by Neena Tyagi)

Fresh Issue

- Repayment/ prepayment, in full or part, of certain borrowings availed by the Company (Rs. 100 cr.).
- Repayment/ prepayment, in full or part, of certain borrowings availed by the Subsidiaries, namely, AKS Medical & Research Centre Pvt Ltd (AKS) and Ramraja Multispeciality Hospital & Trauma Centre Pvt Ltd (Ramraja) (Rs. 145 cr.).
- Funding capital expenditure expenses of the Company for two hospitals, namely, Noida Hospital and Greater Noida Hospital (Rs. 25.64 cr.).
- Funding capital expenditure expenses of the Subsidiaries, AKS and Ramraja, for respective hospital operated by them (Rs. 106.97 cr.).
- Funding inorganic growth initiatives through acquisitions and other strategic initiatives. (Rs. 65 cr.); and
- General corporate purposes.

Company Highlights

- Yatharth Hospital & Trauma Care Services Ltd. (YHTCSL) is a north region-centric private hospital chain company. It started with its first hospital in Greater Noida in November 2010 and since then it has been on an expansion spree. As of the filing of this offer document, it had four operational hospitals in the northern regions with 1405 beds. As of March 31, 2023, it had 609 doctors engaged on their panel for servicing the patients.
- Its Greater Noida, Noida and Noida Extension hospitals were one of the largest hospitals in the region. The overall average bed utilization has been around 50% for all these hospitals containing approximately 87% occupancy in Greater Noida (commenced in 2010).
- YHTCSL is empanelled with several third-party health insurance administrators, non-life insurance companies, ESIC (Employees State Insurance Corp.), CGHS (Central Government Health Schemes) as well as public and private sector undertakings. YHTCSL's Noida Extension and Greater Noida hospitals are the 8th and 10th largest private hospitals the National Capital Region of Delhi (Delhi NCR) and are having a major thrust on introducing new specialties in healthcare services to remain at the forefront.
- Post the pandemic, as health awareness and insurance coverage have increased, preference for a good healthcare service provider has been on the rise and such trends are likely to continue in coming years. As of March 31, 2023, it had 3303 individuals engaged with the company including 178 resident medical officers, 267 consulting doctors besides 164 visiting doctors.

- Yatharth operates 3 fully functional super specialty hospitals located in Delhi NCR i.e., in Noida, Greater Noida and Noida Extension, Uttar Pradesh, with a total capacity of 1,100 beds. Further, the company has also acquired the 305-bedded hospital in Orchha, Madhya Pradesh, which commenced commercial operations in FY22, and is one of the largest hospital in Jhansi-Orchha-Gwalior region in term of number of beds. All their hospitals are accredited by the NABH while their hospitals located at Greater Noida and Noida Extension are also accredited by NABL.
- Adopting technologies to assist the patient care Yatharth has introduced 'Mitra Robot', an artificial intelligence humanoid, in the Noida Extension hospital, to interact and engage with patients, conduct video calls with the family members or hold consultation sessions with psychiatrists. The company also provide access to healthcare services to public through the service provider using telemedicine technology.
- The gross capital expenditure per operational bed was Rs. 3.91 million, Rs. 3.72 million and Rs. 3.07 million in FY21, FY22, FY23, respectively. The capital expenditure per bed has decreased with the increase in the number of operational beds over time.

View

- Yatharth Hospital (i.e., Noida Extension Hospital and Greater Noida) is the 8th and 10th largest private hospital in the National Capital Region of Delhi (Delhi NCR), respectively, in terms of number of beds in FY23.
- Yatharth intends to strengthen the super-specialties by on-boarding new reputable and experienced doctors skilled in the respective fields of practice, further balancing the specialty mix, deepening the expertise in select specialties and adding capabilities and super-specialties to various departments. The company intend to focus on building capabilities for new, more advanced specialties which have high demand in the respective micro markets and deliver a higher ARPOB.
- Yatharth is intending to introduce new specialties at existing hospitals such as radiation therapy to the oncology department at the hospitals located in Noida Extension and Jhansi-Orchha.
- Medical tourism has gained momentum over the years and India is fast emerging as a major medical tourist destination, given the relatively low cost of surgery and critical care in India. Yatharth's strategic location and proximity to the proposed Noida International Airport increases the accessibility for medical tourists. Currently, YHTCSL have established ties with several medical tourism firms. The company has also made contact with local embassy officials to promote themselves as an eligible service provider.
- YHTCSL are 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 Government Health Scheme (CGHS), Ex-Servicemen Contributory Health Scheme (ECHS), as well as public sector undertakings and private enterprises.
- Robotic surgery or robot assisted surgery is one of the minimally invasive methods of surgical procedure and is one of the fastest developing segments in the global healthcare space. Yatharth also intends to employ new technology, machines and treatments by analysing complementariness of cutting-edge medical developments and technologies.
- The hospital continually looks for value-accretive opportunities while strengthening the presence in key growth markets by expanding the network of hospitals owned and operated by them through brownfield or greenfield projects, strategic acquisitions, and arrangements with third party service providers.
- On the back of improved demand, YHTCSL has reported robust growth in the business with improvement in the profitability over FY21-23. Operating revenue grew at 50.8% CAGR (FY21-23) and stood at Rs. 520cr in FY23. Diversification of revenue in terms of specialties, hospital and customer mix allows the company to grow business whilst maintaining a relatively de-risked business proportions, and allows to impose differential pricing and marketing strategies more effectively to attract the customers and the patients. EBITDA increased by 41.3% CAGR during the period to Rs. 134cr in FY23. Due to higher operating profit, PAT also grew by 83.2% CAGR (FY21-23) to Rs. 65.8cr in FY23.
- In terms of the valuations, on the higher price band, YHTCSL demands a P/E multiple of 39.2x based on FY23 post issue fully diluted EPS.

Revenue from Operations

| | FY21 | | FY22 | | FY23 | |
|--------------------------------------|------------------|----------------|------------------|----------------|------------------|----------------|
| | Amount (Rs. Cr.) | % to Total | Amount (Rs. Cr.) | % to Total | Amount (Rs. Cr.) | % to Total |
| Greater Noida | 81.05 | 35.44% | 170.25 | 42.46% | 199.38 | 38.32% |
| Noida | 68.09 | 29.77% | 128.34 | 32.01% | 172.13 | 33.08% |
| Noida Extension | 79.54 | 34.78% | 102.35 | 25.53% | 135.65 | 26.07% |
| Jhansi- Orchha | - | - | - | - | 13.13 | 2.52% |
| Total Revenue from Operations | 228.67 | 100.00% | 400.94 | 100.00% | 520.29 | 100.00% |

Key Financial and Operating Metrics

| Brand | FY21 | FY22 | FY23 |
|---|---------|---------|---------|
| Total bed capacity | 1,100 | 1,100 | 1,405 |
| - Greater Noida | 400 | 400 | 400 |
| - Noida | 250 | 250 | 250 |
| - Noida Extension | 450 | 450 | 450 |
| - Jhansi Orchha | - | - | 305 |
| Number of operational beds | 864 | 1,100 | 1,405 |
| Number of operational census beds | 707 | 935 | 1,185 |
| Number of ICU beds | 191 | 318 | 394 |
| In-patient Volume | 21,356 | 32,793 | 45,358 |
| In-patient Revenue (₹ Cr) | 206.01 | 346.36 | 451.9 |
| Out-patient Volume | 135,755 | 222,829 | 329,760 |
| Out-patient Revenue (₹ Cr) | 22.66 | 54.58 | 68.39 |
| Revenue from operations (₹ Cr) | 228.67 | 400.94 | 520.29 |
| EBITDA (₹ Cr) | 67.01 | 110.81 | 133.77 |
| EBITDA Margin | 29.30% | 27.64% | 25.71% |
| ROCE (%) | 18.43% | 22.93% | 26.10% |
| ROE (%) | 25.06% | 37.78% | 35.95% |
| Capital Expenditure Per Operational Bed (₹ Million) | 3.91 | 3.72 | 3.07 |

Revenue from Key Service Segments

| | FY21 | | FY22 | | FY23 | |
|--------------------------------------|------------------|----------------|------------------|----------------|------------------|----------------|
| | Amount (Rs. Cr.) | % to Total | Amount (Rs. Cr.) | % to Total | Amount (Rs. Cr.) | % to Total |
| Medicine | 128.68 | 56.27% | 200.82 | 50.08% | 163.67 | 31.46% |
| - COVID-19 | 73.96 | 32.34% | 85.12 | 21.23% | 0 | 0.00% |
| - Non-COVID- 19 | 54.72 | 23.93% | 115.7 | 28.85% | 163.67 | 31.46% |
| Orthopaedics & spine & rheumatology | 10.85 | 4.74% | 23.17 | 5.78% | 29.52 | 5.67% |
| Nephrology & urology | 14.34 | 6.27% | 25.2 | 6.29% | 47.28 | 9.09% |
| Neurosciences | 18.56 | 8.12% | 31.08 | 7.75% | 50.87 | 9.78% |
| General surgery | 14.89 | 6.51% | 26.06 | 6.50% | 44.22 | 8.50% |
| Cardiology | 16.33 | 7.14% | 26.67 | 6.65% | 50.89 | 9.78% |
| Paediatrics | 6.1 | 2.67% | 14.8 | 3.69% | 26.49 | 5.09% |
| Gynaecology | 7.15 | 3.13% | 12.78 | 3.19% | 23.04 | 4.43% |
| Gastroenterology | 2.95 | 1.29% | 8.33 | 2.08% | 15.78 | 3.03% |
| Pulmonology | 2.53 | 1.11% | 11.34 | 2.83% | 24.17 | 4.65% |
| Others* | 6.29 | 2.75% | 20.69 | 5.16% | 44.37 | 8.53% |
| Total Revenue from Operations | 228.67 | 100.00% | 400.94 | 100.00% | 520.29 | 100.00% |

Financial Statement

| (In Rs. Cr) | FY21 | FY22 | FY23 |
|---------------------------------|-------|-------|-------|
| Share Capital | 16.4 | 65.5 | 65.5 |
| Net Worth | 80.7 | 116.9 | 183.0 |
| Long Term Borrowings | 163.7 | 207.4 | 200.6 |
| Other Long Term Liabilities | 9.4 | 4.7 | 2.9 |
| Short-term borrowings | 22.4 | 50.8 | 63.2 |
| Other Current Liabilities | 32.6 | 46.3 | 36.3 |
| Fixed Assets | 250.8 | 303.1 | 298.5 |
| Non Current Assets | 259.0 | 13.5 | 11.2 |
| Current Assets | 49.3 | 109.4 | 176.3 |
| Total Assets | 308.8 | 426.0 | 486.0 |
| Revenue from Operations | 228.7 | 400.9 | 520.3 |
| Revenue Growth (%) | | 75.3 | 29.8 |
| EBITDA | 67.0 | 110.8 | 133.8 |
| EBITDA Margin (%) | 29.3 | 27.6 | 25.7 |
| Net Profit | 19.6 | 44.2 | 65.8 |
| Net Profit Margin (%) | 8.6 | 11.0 | 12.6 |
| Earnings Per Share (Rs.) | 2.8 | 6.8 | 10.1 |
| Return on Networth (%) | 25.1 | 37.1 | 36.0 |
| Net Asset Value per Share (Rs.) | 11.1 | 17.8 | 27.9 |

Source: RHP, Ashika Research

Cash Flow Statement

| (In Rs. Cr) | FY21 | FY22 | FY23 |
|--|--------|--------|--------|
| Cash flow from Operations Activities | 43.7 | 59.9 | 63.8 |
| Cash flow from Investing Activities | (21.2) | (52.2) | (20.3) |
| Cash flow from Financing Activities | (19.1) | (1.1) | (17.7) |
| Net increase/(decrease) in cash and cash equivalents | 3.4 | 6.6 | 25.7 |
| Cash and cash equivalents at the beginning of the year | 1.6 | 5.0 | 11.7 |
| Cash and cash equivalents at the end of the year | 5.0 | 11.7 | 37.4 |

Source: RHP

Comparison with listed industry peers

| Co Name | Net Sales (Rs. Cr.) | OPM (%) | D/E (x) | ROCE (%) | RONW (%) | P/E (x) | P/BV (x) | EV/EBITDA (x) | MCap/Sales (x) | Market Cap (Rs. Cr.) |
|---|---------------------|---------|---------|----------|----------|---------|----------|---------------|----------------|----------------------|
| Yatharth Hospital and Trauma Care Services Ltd. | 520.3 | 25.7 | 0.2 | 17.2 | 9.8 | 39.2 | 3.8 | 20.2 | 5.0 | 2575.5 |
| Apollo Hospitals Enterprise Ltd. | 14662.6 | 15.4 | 0.5 | 24.9 | 21.6 | 91.0 | 12.0 | 35.5 | 4.5 | 74394.9 |
| Max Healthcare Institute Ltd. | 3931.5 | 27.2 | 0.1 | 12.4 | 10.2 | 53.8 | 8.0 | 43.2 | 13.0 | 59421.6 |
| Fortis Healthcare Ltd. | 6297.6 | 18.5 | 0.1 | 12.5 | 9.4 | 42.3 | 3.4 | 21.6 | 3.9 | 24819.2 |
| Narayana Hrudayalaya Ltd. | 4524.8 | 23.1 | 0.4 | 33.9 | 33.5 | 35.0 | 10.0 | 20.7 | 4.7 | 21231.0 |
| Global Health Ltd. | 2166.6 | 22.9 | 0.5 | 16.4 | 13.4 | 57.8 | 7.8 | 28.3 | 7.0 | 18859.2 |
| Krishna Institute of Medical Sciences Ltd | 1650.8 | 32.8 | 0.1 | 35.7 | 30.5 | 45.8 | 9.2 | 24.5 | 7.0 | 15473.4 |
| Healthcare Global Enterprises Ltd. | 1394.8 | 18.0 | 0.5 | 15.2 | 5.2 | 152.2 | 5.2 | 15.0 | 2.6 | 4463.5 |

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