

Company Overview

Headquartered in Noida, Uttar Pradesh, Yatharth Hospital and Trauma Care Services Ltd. commenced operations in 2008 with a clinic and thereafter established its first hospital in Greater Noida, Uttar Pradesh in November 2010. The hospital has since then seen a transformational journey to become a super-speciality tertiary care hospital. The company then expanded via the inorganic route through the acquisition of a multi-speciality hospital in Orchha, Madhya Pradesh which commenced commercial operations on April 10, 2022, and is one of the largest hospitals in that region in terms of the number of beds. The company's hospitals are amongst the largest private hospitals in the Delhi NCR region in terms of the number of beds in FY23. Currently, they operate three super speciality hospitals with a total bed capacity of 1,405 beds. In addition, their critical care program comprises 394 critical care beds, as of March 31, 2023. The company's USP is its super speciality hospitals that involve equipping these specialities with (i) advanced medical infrastructure; (ii) trained and experienced doctors, nursing, paramedical and other staff; and (iii) resources to provide a better healthcare experience to the patient and attendants. The company's hospitals are accredited by the NABH, with hospitals at Greater Noida and Noida Extension accredited by NABL as well. The company has taken a leap of faith and started bone marrow and kidney transplant operations and also intends to introduce new specialities such as radiation therapy in its oncology department. The company has deployed advanced medical equipment such as Azurion catheterization laboratory, 1.5 Tesla whole-body MRI with optical digital broadband and embedded express coil technology for minimal patient repositioning and advanced non-contrast MR Angiography, 128 slice CT scan, endo bronchial ultrasound, nerve conduction velocity ("NCV"), advanced surgical equipment including Thulium Uro laser, flexible scope, advance laparoscope, advance microscopes, and Cusa set. The advanced equipment provides for better and more accurate diagnosis, as well as further insight into the surgical procedure, which increases the surgical success rate.

Objects of the issue

- ⇒ Repayment/ prepayment, in full or part, of certain borrowings availed by the Company
- ⇒ Repayment/ prepayment, in full or part, of certain borrowings availed by its subsidiaries, namely, AKS Medical & Research Centre Private Limited ("AKS") and Ramraja Multispeciality Hospital & Trauma Centre Private Limited ("Ramraja")
- ⇒ Funding capital expenditure expenses of the Company for two hospitals, namely, Noida Hospital and Greater Noida Hospital.
- ⇒ Funding capital expenditure expenses of the subsidiaries, AKS and Ramraja, for respective hospitals operated by them.
- ⇒ Funding inorganic growth initiatives through acquisitions and other strategic initiatives.
- ⇒ General corporate purposes.

Investment Rationale

Advanced and high-end medical equipment and technology

Yatharth's hospital chains are well-equipped with machines and devices with sophisticated technology. The hospitals have well-equipped modular and other operation theatres with three-stage air filtration and laminar flow to ensure patient safety, as well as operating microscopes, image intensifiers, and laparoscopic equipment. The hospital's blood bank meets several standards and has been set up with facilities such as aphaeresis and blood component separation. The critical care units are equipped with high-end patient monitoring devices, ventilators and dedicated isolation rooms. Facilities for haemodialysis, sustained low-efficiency dialysis, endoscopy and bronchoscopy are available 24x7 by the bedside. They have a well-equipped laboratory in all their operating hospitals for diagnostic services in haematology, biochemistry, microbiology, molecular biology and histopathology.

Leading super-speciality hospital in Delhi NCR with diverse speciality & payer mix

The hospitals (i.e., Noida Extension and Greater Noida) are the eighth and tenth largest private hospitals in the Delhi NCR region in terms of the number of beds in FY23. The company's advanced facilities coupled with its diverse specialisations and tailored best practices differentiate it from the regional competitors. The company generates revenue from different customers, which include government bodies established by the Govt under prevailing statutes such as ESIC, EGHS, ECHS, public and private insurance companies working directly or through registered third-party administrators ("TPAs"), various institutions, public and private corporates and walk-in customers. The company offers a range of healthcare services across specialities and super specialities, which include its Centres of Excellence such as the Centre of Medicine, Centre of Cardiology, Centre of Neurosciences, Centre of General Surgery, Centre of Nephrology & Urology, Centre of Paediatrics, Centre of Gastroenterology, Centre of Pulmonology, Centre of Gynaecology and Centre of Orthopaedics & Spine & Rheumatology and other specialities. The company also plans to introduce new specialities, namely radiation therapy to its oncology department at their Noida Extension and Jhansi Orchha hospitals. Further, the company has started bone marrow and kidney transplant operations at its hospitals located at Noida Extension and Greater Noida.

Issue Details

Offer Period	26 th July, 2023 - 28 th July, 2023
Price Band	Rs. 285 to Rs. 300
Bid Lot	50
Listing	BSE & NSE
Issue Size (no. of shares in mn)	22.89
Issue Size (Rs. in bn)	6.87
Face Value (Rs.)	10

Issue Structure

QIB	50%
NIB	15%
Retail	35%

BRLM	Intensive Fiscal services, Ambit Pvt Ltd, IIFL Securities
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Registrar	Link Intime India Private Ltd.
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Particulars	Pre Issue %	Post Issue %
Promoter & Promoter Group	91.34	66.32
Public	8.66	33.68
Total	100.00	100.00

(Assuming issue subscribed at higher band)

Research Team - 022-61596138



Yatharth Hospital and Trauma Care Services Ltd.

Valuation & Outlook

India accounts for nearly a fifth of the world's population, but has an overall bed density of merely 15, with the situation being far worse in rural than urban areas. India's bed density not only falls far behind the global median of 29 beds, but it also lags that of other developing countries such as Brazil (21 beds), Malaysia (19 beds), and Vietnam (26 beds). CRISIL estimates the Indian healthcare delivery industry to post a healthy 11.3% CAGR between FY23-27, driven by long-term structural factors, increasing affordability and the potential of the Ayushman Bharat scheme. We believe that growing healthcare infrastructure and increasing penetration of medical insurance will benefit Yatharth Healthcare and Trauma Care Services in the long run. On the financial front, the company has witnessed steady growth in its top and bottom lines, with the PAT margin growing from 8.57% to 12.64% and its ROE improving from 25.06% to 35.95% during the FY21-23 period. Moreover, the company is likely to retire debt from the IPO proceeds which is expected to improve its profitability going ahead. **On the upper end of the price band, the issue is valued at a P/E of 29.7x based on FY23 earnings which we feel is fairly valued. We, therefore, recommend a "Subscribe" rating for the issue.**

Key Risks

- ⇒ The company sources medicines, consumables, equipment and machines from third-party suppliers under various arrangements. Any failure to procure reagents or drugs on a timely basis, or at all, from such third parties and on commercially suitable terms could affect its ability to provide the services.
- ⇒ The company may not be able to successfully integrate its acquisitions or investments, which may negatively affect its performance and respective contributions to the results of operations.
- ⇒ They have high fixed costs, which can adversely impact profitability. Further, if they fail to achieve favourable pricing on medical consumables, pharmacy items, drugs, and surgical instruments from its suppliers or are unable to pass on any cost increases to its payers, its profitability could be materially and adversely affected.



Yatharth Hospital and Trauma Care Services Ltd.

Income Statement (Rs. in millions)

Particulars	FY21	FY22	FY23
Revenue			
Revenue from Operations	2,287	4,009	5,203
Total Revenue	2,287	4,009	5,203
Expenses			
Cost of material consumed	463	813	929
Changes in inventory	-	-	-
Employee benefit expenses	467	805	919
Other expenses	687	1,283	2,017
Total Operating Expenses	1,617	2,901	3,865
EBITDA	670	1,108	1,338
Depreciation and Amortization expenses	206	279	275
Other income	5	16	28
EBIT	469	845	1,091
Finance costs	188	215	214
PBT	281	630	877
Total tax	86	189	219
PAT	195	441	658
Diluted EPS	2.8	6.8	10.1

Source: RHP, BP Equities Research

Cash Flow Statement (Rs. in millions)

Particulars	FY21	FY22	FY23
Cash Flow from operating activities	437	599	638
Cash flow from investing activities	-212	-522	-203
Cash flow from financing activities	-191	-11	-177
Net increase/(decrease) in cash and cash equivalents	34	66	257
Cash and cash equivalents at the beginning of the period	16	50	117
Cash and cash equivalents at the end of the period	50	117	374

Source: RHP, BP Equities Research



Yatharth Hospital and Trauma Care Services Ltd.

Balance Sheet (Rs. in millions)

Particulars	FY21	FY22	FY23
Equity and Liabilities			
Equity Share Capital	164	655	655
Other equity	643	514	1174
Total Equity	807	1,169	1,830
Non-Current Liabilities			
Financial Liabilities			
(i) Borrowings	1,637	2,074	2,006
(ii) Lease liabilities	55	37	16
Deferred Tax Liabilities (Net)	39	0	0
Provisions	0	10	13
Current Liabilities			
Financial Liabilities			
(i) Borrowings	224	508	632
(ii) Lease liabilities	18	19	20
(iii) Trade Payables			
(a) total outstanding dues of micro enterprises and small enterprises	0	23	15
(b) total outstanding dues of creditors other than micro enterprises and small enterprises	165	181	154
(iv) Other Financial Liabilities	107	145	142
Other current liabilities	35	32	31
Provisions	0	62	1
Current tax liabilities (net)	0	0	0
Total Current Liabilities	549	970	995
Total liabilities	2,280	3,091	3,030
Total Equity and Liabilities	3,088	4,260	4,860
Assets			
Non-Current Assets			
Property, plant and equipment	2,428	2,578	2,553
Capital work in Progress	0	0	0
Right of use assets	76	56	35
Other intangible assets	0	0	0
Goodwill	4	397	397
Financial Assets			
(i) Investments	0	0	0
(ii) Other financial assets	16	22	20
Deferred tax assets (net)	0	55	83
Other non-current assets	70	58	9
Total Non-Current Assets	2,594	3,166	3,097
Current Assets			
Inventories	34	52	61
Financial assets			
(i) Trade receivables	368	855	1076
(ii) Cash and cash equivalents	50	117	374
(iii) Bank balances other than cash and cash equivalents	2	4	10
(iv) Current Tax Asset (Net)	18	30	112
Other current assets	22	36	129
Total Current Assets	494	1,094	1,762
Total Assets	3,088	4,260	4,860

Source: RHP, BP Equities Research

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

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