

RETAIL EQUITY RESEARCH

Yatharth Hospital & Trauma Care Services Ltd.

SUBSCRIBE

Healthcare Services

SENSEX: 66,356

NIFTY: 19,681

Price Range Rs. 285- Rs. 300

A super-speciality hospital chain in Delhi NCR...

Yatharth Hospital & Trauma Care Services Ltd. (Yatharth) is a private super-speciality hospital chain established in 2008 and located in the National Capital Region of Delhi. The company operates three super-speciality hospitals in the Delhi NCR, specifically in Noida, Greater Noida, and Noida Extension, Uttar Pradesh. Yatharth has acquired a 305-bedded multi-speciality hospital in Orchha, Madhya Pradesh (commenced operations in FY22), making it one of the largest hospitals in the Jhansi-Orchha-Gwalior region in terms of bed capacity. As of March 31, 2023, Yatharth has a team of 609 doctors, offering healthcare services across various specialities and super-specialities.

- The Indian healthcare industry is poised to achieve a healthy CAGR of ~11.3% over FY23-27E, driven by strong fundamentals, increasing affordability, and the potential of the Ayushman Bharat scheme (Source: CRISIL Report)
- The number of operational beds grew at a CAGR of 27.5% from 864 (FY21) to 1,405 (FY23), and the occupancy rate of beds increased from 42% in FY21 to 45% in FY23.
- Revenue from operations grew at a CAGR of 51% over FY21-FY23 from Rs.229cr to Rs.520cr in FY23 led by rise in In-patient volumes (~46% CAGR over same period), bed occupancy levels and an increase in average revenue per occupied bed.
- EBITDA grew at ~41% CAGR over FY21-23 and maintained a stable EBITDA margin of ~27.6% (3yr. Avg.) over the same period, led by better operational efficiencies.
- The RoE remained healthy at 33.6% (3yr. Avg.) over FY21-23. The current debt-to-equity ratio is at 1.5x in FY23. Post IPO, by repaying Rs. 245cr, the debt-equity ratio will be reduced to 0.03x.
- The company has undertaken a Pre-IPO Placement of 4,000,000 equity shares at a price of Rs.300/- per share, aggregating to Rs.120cr.
- Further, Yatharth intends to utilise ~Rs.65cr of net IPO Proceeds for inorganic growth initiatives through strategic acquisitions to strengthen their presence in key growth markets.
- At the upper price band of Rs.300, Yatharth is available at a P/E of 39.2x (on FY23 EPS), which appears to be reasonably priced compared to its peers. Considering its consistent topline growth, stable margins, strategic acquisition, revival of medical tourism, and promising industry outlook, we assign a "Subscribe" rating on a medium to long term basis.

Purpose of IPO

The IPO consists of a fresh issue of Rs. 490cr and an offer for sale (OFS) of Rs.197cr by the selling shareholder. The proceeds from its fresh issuance worth Rs.245cr will be utilised for the repayment or prepayment of borrowings of the company & its subsidiaries, Rs.132.6cr for funding capital expenditure expenses of company & its subsidiaries, Rs.65cr for funding inorganic growth initiatives (through acquisitions) & other strategic initiatives and for general corporate purposes.

Key Risks

- Increasing competition, from regional competitors.
- Retention of doctors and other healthcare professionals.

Peer Valuation

Company	MCap(₹ cr)	Sales (₹ cr)	EBITDA(%)	PAT (%)	EPS(₹)	RoE (%)	P/E(x)	Mcap/Sales	ARPOB	Bed Occupancy (%)	CMP(₹)
Yatharth Hospital	2,576	520	25.7	12.6	7.7	35.9	39.2	5.0	26,538	45	300
Apollo Hospital	74,703	16,612	12.3	4.9	57.1	13.9	91.0	4.5	51,668	64	5,195
Fortis Healthcare	25,287	6,213	17.7	9.5	7.8	8.8	43.0	4.1	55,101	67	335
Narayana Hrudayalaya	21,038	4,525	21.3	13.4	29.5	33.5	34.9	4.6	34,794	48	1,029
Max Healthcare	59,184	4,563	27.2	24.2	11.4	16.1	53.6	13.0	67,400	76	609

Source: Geojit Research, Bloomberg; Valuations of Yatharth are based on upper end of the price band (post issue). Financials as per FY23 consolidated.

Issue Details	
Date of opening	July 26, 2023
Date of closing	July 28, 2023
Total No. of shares offered (cr.)	2.29
Post Issue No. of shares (cr)	8.6
Price Band	₹ 285- ₹ 300
Face Value	₹10
Bid Lot	50 Shares
Minimum application for retail (upper price band for 1 lot)	₹ 15,000
Maximum application for retail (upper price band for 13 lot)	₹ 1,95,000
Listing	BSE,NSE
Lead Managers	Intensive Fiscal Services (P). Ltd , Ambit (P) Ltd. IIFL Securities Ltd.
Registrar	Link Intime India (P) Ltd.

Issue size (upper price)	Rs.cr
Fresh Issue	490.0
OFS	196.6
Total Issue	686.6

Shareholding (%)	Pre-Issue	Post Issue
Promoter & Promo. Group	91.3	66.3
Public	8.7	33.7
Total	100.0	100.0

Issue structure	Allocation (%)	Size Rs.cr
Retail	35	240.3
Non-Institutional	15	103.0
QIB	50	343.3
Employee Reservation	-	-
Total	100	686.6

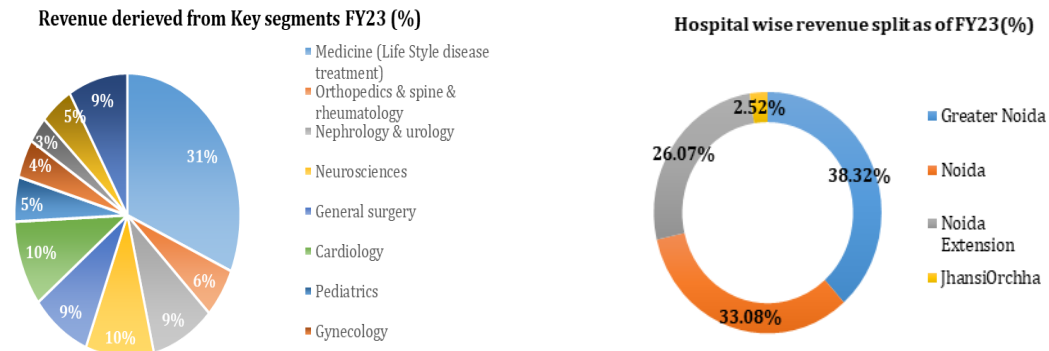
Y.E March (Rs cr) Consol.	FY21	FY22	FY23
Sales	228.7	400.9	520.3
Growth (%)	-	75.3	29.8
EBITDA	67.0	110.8	133.8
Margin(%)	29.3	27.6	25.7
PAT Adj.	19.6	44.2	65.8
Growth (%)	-	125.7	48.8
EPS	2.3	5.1	7.7
P/E (x)	131.5	58.3	39.2
EV/EBITDA	41.3	25.6	21.3
RoE (%)	27.0	37.8	35.9

Business Operations

The business operations encompass all levels of healthcare services from primary to tertiary and positions Yatharth to be an one stop destination for patient needs in the respective micro markets. Yatharth hospitals has successfully completed 4,535, 8,218, and 16,165 surgeries in FY21, FY22 and FY23, respectively and 9,132, 10,114 and 15,359 dialysis procedures in FY21, FY22 and FY23, respectively.

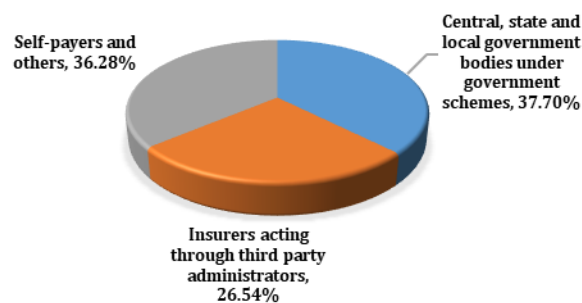
Revenue generation:

The picture below depicts revenue derived from key service segments stated as a percentage of total revenue from operations:



Source: RHP, Geojit Research

Revenue-wise split from various payer categories as of FY23



Source: RHP, Geojit Research

Diversification of revenue in terms of specialties, hospital and customer mix allows Yatharth hospitals to grow its 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.

Other Services and Facilities

Pharmacies

The hospital has an in-house pharmacies at all our hospitals and offer branded prescription drugs and over-the-counter medication as well as a range of nutritional, lifestyle and beauty products. Hospital-based pharmacies have direct access to patients and require relatively low investments and there is a healthy demand for high-margin surgical items at these pharmacies, which boosts their profitability compared with standalone pharmacies.

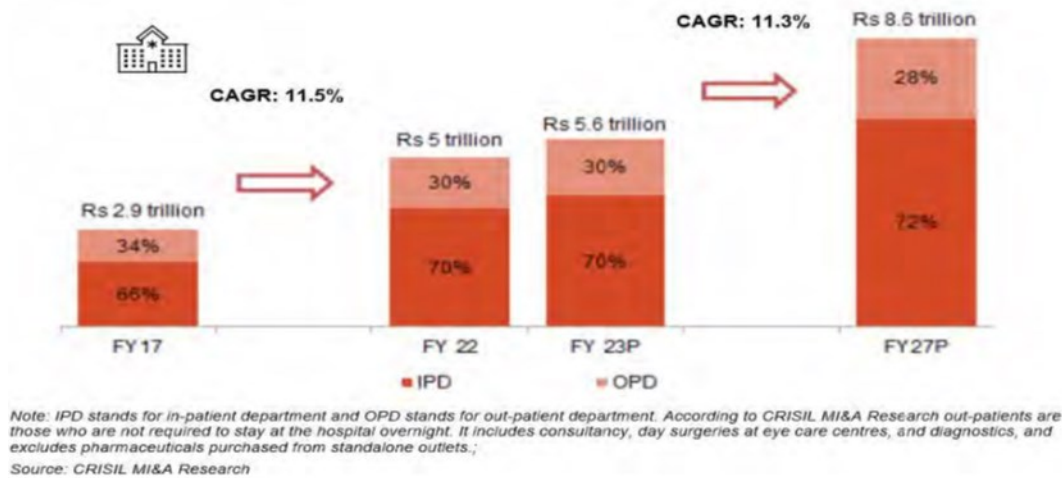
Key Specialties

- ◆ **Medicine:** Yatharth offers a comprehensive treatment of lifestyle-related diseases such as diabetes, hypertension, and obesity, along with infectious diseases such as malaria, typhoid, dengue and rheumatic fever.
- ◆ **Cardiology:** Yatharth offers offer a comprehensive range of diagnostics and therapeutic services for patients with cardiovascular ailments.
- ◆ **Neurology:** Yatharth offers a comprehensive evaluation and therapeutic services to a wide range of conditions such as stroke, brain haemorrhage, backache, spinal disorders, neuro-oncology, epilepsy and other neurological ailments.
- ◆ **Orthopaedics:** Yatharth offers comprehensive care for various orthopaedic afflictions including knee, hip, spine and joint problems.
- ◆ **General Surgery:** Yatharth offers all surgical interventions that focus on endocrine system, gastrointestinal tract, liver and colon
- ◆ **Nephrology & Urology:** Nephrology deals with the treatment of kidney or any other illness induced by kidney related issues.
- ◆ **Paediatric:** Department of paediatrics and neonatologists is a comprehensive clinical department that provides investigative, treatment, and emergency services for a whole range of paediatrics and neonatology conditions.
- ◆ **Gynaecology.** Yatharth offers a wide range of services in obstetrics and gynaecology department
- ◆ **Gastroenterology.** Gastroenterology department addresses diseases of the oesophagus, stomach, small intestine, colon and rectum, pancreas, gallbladder, bile ducts, and liver.
- ◆ **Pulmonology:** Pulmonology department provides advanced diagnostic and therapeutic solutions to a spate of respiratory and chest diseases.

Industry Outlook...

Breaching pre-Covid levels, CRISIL estimates the Indian healthcare delivery industry to post healthy ~11.3% CAGR between Fiscals 2023 and 2027 and reach at Rs.8.6 trillion in FY27, driven by long term structural factors, strong fundamentals, increasing affordability and potential of the Ayushman Bharat scheme. CRISIL estimates the Indian healthcare delivery market to have reached approximately ₹ 5.6 trillion in value terms by end of Fiscal 2023, with growth being contributed by stabilisation of regular treatments, surgeries and OPD amid minimization of disruption due to the pandemic and expansion of ARPOB for the sector. A potential upside is also expected from picking up of high realisation medical tourism as international travel restrictions are relaxed. Within the overall healthcare delivery market, the in-patient department is expected to account for nearly 70% (in value terms), while the balance is to be catered by the out-patient department.

Overall healthcare delivery market in India



Source: RHP, Geojit Research

The Delhi-NCR healthcare industry is highly competitive with the presence of large private and government hospitals. The region has a large number of private hospitals (chains and standalone) some of which include Medanta Medicity– Gurugram, Apollo Indraprastha, BLK Max Super Specialty Hospital, Max Super Specialty Hospital Saket, Sir Ganga Ram Hospital, Batra Hospital, Yatharth Super Specialty Hospitals, Fortis Hospitals, Park Hospitals and Manipal Hospital. The large government hospitals include Lok Nayak Jai Prakash Narayan Hospital, Dr. Ram Manohar Lohia Hospital, GB Pant Hospital and AIIMS (All India Institute of Medical Sciences) (Source: CRISIL Report).

Promoter and promoter group

Mr. Ajay kumar Tyagi and Mr. Kapil Kumar are the Promoters of the Company. As on the date of this Red Herring Prospectus, the Promoters hold an aggregate of 39,186,000 Equity Shares, equivalent to 56.37% of the pre-Offer issued, subscribed and paid-up Equity Share capital of the Company.

As on the date of this Red Herring Prospectus, the Board comprises six Directors including three Executive Director (including Managing Director), three Independent Directors, one of whom is a woman Independent Director.

Brief Biographies of directors

- **Ajay Kumar Tyagi**, is the Chairman and Whole-time Director of the Company.
- **Kapil Kumar**, is the Managing Director of the Company
- **Yatharth Tyagi**, is the whole-time Director of the Company.
- **Promila Bhardwaj**, is an Independent Director of the Company
- **Mukesh Sharma**, is an Independent Director of the Company
- **Sanjeev Upadhyaya**, is an Independent Director of the Company.

CONSOLIDATED FINANCIALS

PROFIT & LOSS

Y.E March (Rs cr)	FY21	FY22	FY23
Sales	228.7	400.9	520.3
% change	-	75.3	29.8
EBITDA	67.0	110.8	133.8
% change	-	65	21
Depreciation	20.6	27.9	27.5
EBIT	46.5	82.9	106.3
Interest	18.8	21.5	21.4
Other Income	0.5	1.6	2.8
Exceptional items	-	-	-
PBT	28.1	63.1	87.7
% change	-	124	38.9
Tax	8.5	18.9	21.9
Tax Rate (%)	30	30	25
Reported PAT	19.6	44.2	65.8
Adj	-	-	-
Adj. PAT	19.6	44.2	65.8
% change	-	125.7	48.8
Post issue No. of shares (cr)	8.6	8.6	8.6
Adj EPS (Rs)	2.3	5.1	7.7
% change	-	125.7	48.8

BALANCE SHEET

Y.E March (Rs cr)	FY21	FY22	FY23
Cash	5.2	12.1	38.4
Accounts Receivable	36.8	85.5	107.6
Inventories	3.4	5.2	6.1
Other Cur. Assets	4.0	6.6	24.1
Investments	1.6	2.2	2.0
Deff. Tax Assets	-	5.5	8.3
Net Fixed Assets	250.4	263.4	258.8
CWIP	0.0	0.0	0.0
Intangible Assets	0.4	39.7	39.7
Other Assets	7.0	5.8	0.9
Total Assets	309	426	486
Current Liabilities	20.1	23.6	20.0
Provisions	3.9	7.2	1.4
Debt Funds	193.4	263.8	267.4
Other Fin. Liabilities	10.7	14.5	14.2
Deferred Tax liability	-	-	-
Equity Capital	16.4	65.5	65.5
Reserves & Surplus	64.3	51.4	117.4
Shareholder's Fund	80.7	116.9	183.0
Total Liabilities	309	426	486
BVPS (Rs)	8.4	14	21

CASH FLOW

Y.E March (Rs cr)	FY21	FY22	FY23
PBT Adj.	28.1	63.1	87.7
Non-operating & non cash adj.	39.4	49.3	48.8
Changes in W.C	-23.8	-52.4	-72.6
C.F. Operating	43.7	59.94	63.8
Capital expenditure	-21.3	-52.1	-19.8
Change in investment	0.0	0.1	0.1
Sale of investment	-	-	-
Other invest.CF	-0.0	-0.1	-0.5
C.F - investing	-21.2	-52.1	-20.2
Issue of equity	-	-	-
Issue/repay debt	-19.1	-1.1	-17.7
Dividends paid	-	-	-
Other finance.CF	-	-	-
C.F - Financing	-19.1	-1.1	-17.7
Change. in cash	3.4	6.7	25.9
Closing cash	5.0	11.7	37.6

RATIOS

Y.E March	FY21	FY22	FY23
Profitab. & Return			
EBITDA margin (%)	29.3	27.6	25.7
EBIT margin (%)	20.3	20.7	20.4
Net profit mgn.(%)	8.6	11.0	12.6
ROE (%)	27.0	37.8	35.9
ROCE (%)	24.6	18.3	19.7
W.C & Liquidity			
Receivables (days)	59	56	68
Inventory (days)	27	19	22
Payables (days)	26	19	12
Current ratio (x)	2.1	3.6	8.3
Quick ratio (x)	2.1	4.1	7.3
Turnover & Levq.			
Net asset T.O (x)	0.9	1.6	2.0
Total asset T.O (x)	0.7	1.1	1.1
Int. covge. ratio (x)	0.4	0.3	0.2
Adj. debt/equity (x)	2.7	2.3	1.5
Valuation ratios			
EV/Sales (x)	12.1	7.1	5.5
EV/EBITDA (x)	41.3	25.6	21.3
P/E (x)	131.5	58.3	39.2
P/BV (x)	35.5	22.0	14.1

General Disclosures and Disclaimers

CERTIFICATION

We, Sheen G and Rajeev T, author (s) of this Report, hereby certify that all the views expressed in this research report reflect my personal views about any or all of the subject issuer or securities. This report has been prepared by the Research Team of Geojit Financial Services Limited, hereinafter referred to as Geojit.

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It/its associates have no actual beneficial ownership of 1% or more in relation to the subject company (ies) covered herein.

Further, the Analyst confirms that:

he, his associates and his relatives have no financial interest in the subject company (ies) covered herein, and they have no other material conflict in the subject company.

he, his associates and his relatives have no actual/beneficial ownership of 1% or more in the subject company covered

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During the past 12 months, Geojit or its Associates:



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5. Disclosure regarding Market Making activity:

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