

Healthcare | India

IPO | 25 July 2023

Yatharth Hospital

Healthcare Service Provider

About the Company

Yatharth Hospital & Trauma Care Services Ltd. (YHTCSL) is a private hospital which provides healthcare services and based in the northern region of India. Post its first hospital in Greater Noida in Nov'10, it has continued to expand. It has four operational hospitals in the northern regions with 1405 beds and as of Mar'23, it had 609 doctors engaged on their panel for servicing the patients. After the COVID-19 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 Mar'23, the hospital had 3303 individuals engaged with the company including 178 resident medical officers, 267 consulting doctors and 164 visiting doctors. The company is coming out with an IPO comprising of fresh issue of 16.3mn share and OFS of 6.6mn shares, aggregating to ~Rs6.87bn in the upper price band. The company will primarily utilise the funds for repayment of borrowings and capex requirements.

Major Player in the Northern Region

YHTCSL's Noida Extension hospital with 450 beds is one of the largest hospitals in the Noida Extension, Uttar Pradesh region. Its Greater Noida, Noida and Noida Extension hospitals had an overall average bed utilization of around 50%. There is ~87% occupancy in Greater Noida while its latest Jhansi-Orchha hospital (commenced in 2022) has around 9% bed occupancy. All their hospitals are accredited by the NABH while their hospitals located at Greater Noida and Noida Extension are also accredited by NABL. The Gautam Buddha Nagar district, the area in which their existing hospitals are situated, has witnessed strong economic growth in the last few years. Further, employment and capital invested in industries in these regions has been growing at a good rate, indicating potential for growth and economic activity.

Advanced and Patient-Friendly Facilities

The hospital offers spacious diagnostic areas, designed with the goals of providing patient-friendly and relaxing environments. They have advanced medical equipment such as Azurion Catheterization laboratory, 1.5 Tesla whole-body MRI, advanced non-contrast MR Angiography, 128 slice CT scan, endo bronchial ultrasound, nerve conduction velocity and other advanced equipment. These provide for better and more accurate diagnosis, as well as insight into the surgical procedure, which increases surgical success rate. Some of their modular OT's are equipped with high efficiency particulate air (HEPA) filters and laminar flow, operating microscopes with image intensifiers. Their in-house diagnostic radiology setup and diagnostic labs are well-equipped with comprehensive diagnostic capabilities including, haematology, biochemistry, microbiology, molecular biology and histopathology along with 24x7 in-house pharmacy shops. YHTCSL is empanelled with several third-party health insurance administrators, non-life insurance companies, ESIC, CGHS as well as public and private sector undertakings. YHTCSL's Noida Extension and Greater Noida hospitals are the 8th and 10th largest private hospitals and are having a major thrust on introducing new specialties in healthcare services to remain at the forefront.

Financials in Brief

On the financial front, YHTCSL reported a consolidated turnover of Rs2291.9mn, Rs4025.9mn and Rs5231mn for FY21, FY22 and FY23. Its net profit stood at Rs195.9mn, Rs441.6mn and Rs.657.7mn for the aforementioned period. During these three fiscals, its PAT margin grew from 8.6% to 12.6% and its ROE improved from 25.1% to 36%. The company has reported an average EPS of Rs7.8 and an average RoNW of 34.8% over FY21-23. .

Our View

On FY23 financials, the IPO is valued at 39.2x P/E, 20.9x EV/EBITDA and 5.4x EV/Sales. India's current healthcare expenditure is largely dominated by private expenditure. North India regions including Haryana, Uttar Pradesh and Uttarakhand have lower than average doctor and nurse density per 10,000 population. This is expected to improve going ahead while favouring the company's expansion plans. Their recent acquisition of the Jhansi-Orchha hospital is aimed at further expanding into new geographies and growing their presence in the regional healthcare market. They 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. **In view of strong financials, growth potentials in Northern India, debt free company post IPO proceeds, advanced and patient-friendly facilities we give a 'SUBSCRIBE' to the issue.**

SUBSCRIBE 

IPO Details

Price Band (Rs)	285-300
Face Value (Rs)	10
Issue Open/Closing Date	26-Jul-23/28-Jul-23
Fresh Issues (mn)	16.3
OFS (mn)	6.6
Total Issue (mn)	22.9
Minimum Bid Qty. (Nos)	50
Issue Size (Rs bn)*	6.87
QIB / HNI / Retail	50%/15%/35%
Implied Market Cap (Rs bn)*	25.8

*At higher band

Object of the Issue

- ▶ Repayment of borrowings.
- ▶ Funding capital expenditure.
- ▶ Funding inorganic growth initiatives.
- ▶ General corporate purposes.

Strengths

- ▶ Leading super-specialty hospital in Delhi NCR region.
- ▶ Advanced medical equipment and technology.
- ▶ Strong financial performance.
- ▶ Focus on growing the medical tourism segment.

Key Risk

- ▶ High fixed costs.
- ▶ Dependent on financing from banks or financial institutions.
- ▶ Dependent on certain specialties for a majority of revenue.

Shareholding (%)	Pre-Issue	Post-Issue
Promoters	56.4	45.6
Others	43.6	54.4

Key Financials

(Rs mn)	FY21	FY22	FY23
Revenue	2,287	4,009	5,203
EBITDA	670	1,108	1,338
EBITDA Margin (%)	29.3	27.6	25.7
PAT	196	442	658
PAT Margin (%)	8.6	11.0	12.6
EPS (Rs)	2.3	5.1	7.7
P/E (x)	131.5	58.3	39.2
EV/EBITDA (x)	41.1	25.5	20.9
EV/Sales (x)	12.1	7.0	5.4
Net Worth	807	1,169	1,830
RoE (%)	24.3	37.8	35.9
Gross Debt	1,861	2,582	2,638
Net Block	2,504	2,634	2,588
Net Asset Turnover (x)	0.9	1.5	2.0

Source: RHP

Senior Research Analyst:

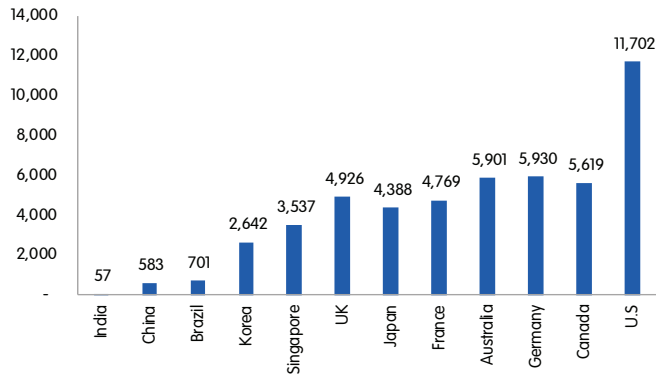
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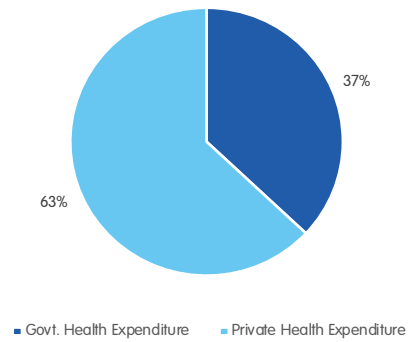
Industry Data

Exhibit 1: Per Capita Current Expenditure on Health in 2020 (\$)



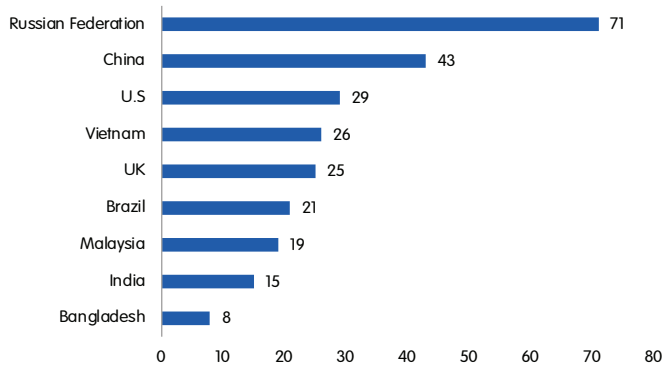
Source: RHP, National Health Profile, CRISIL MI&A

Exhibit 2: Govt. Vs Private Health Expenditure in India (%)



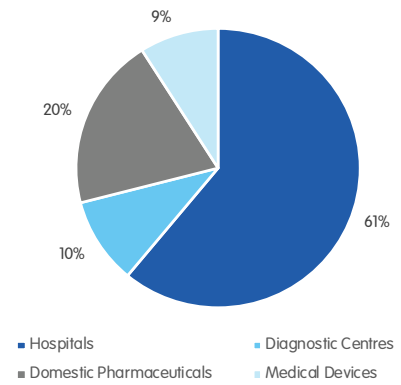
Source: RHP, Global Health Expenditure Database, CRISIL MI&A

Exhibit 3: Bed Density (Per 10,000 Population)



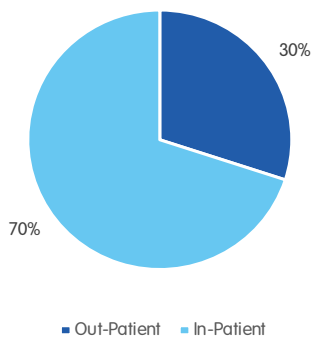
Source: RHP, WHO Database, CRISIL MI&A

Exhibit 4: Healthcare Structure in India (%)



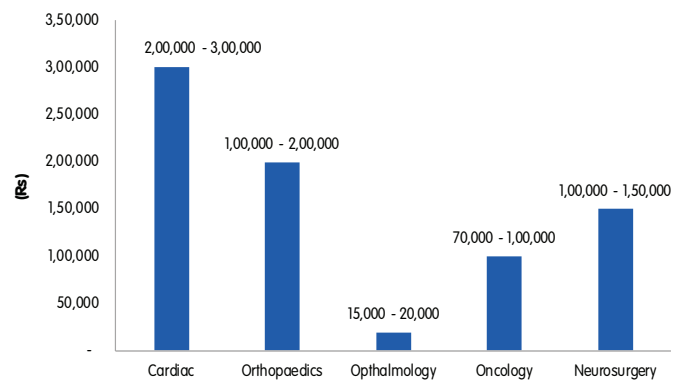
Source: RHP, Global Health Expenditure Database, CRISIL MI&A

Exhibit 5: Industry Revenue Mix (%)



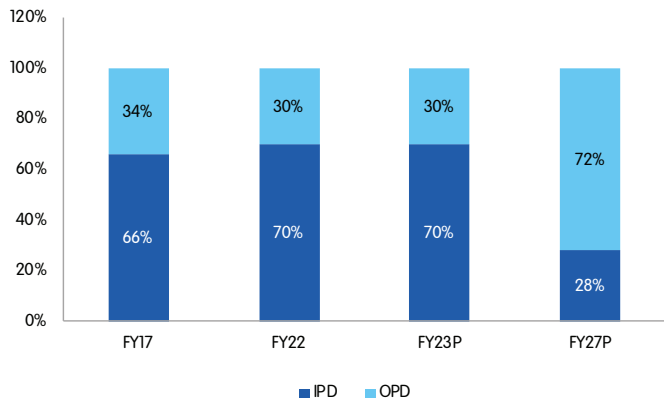
Source: RHP, CRISIL MI&A

Exhibit 6: Ailment-Wise Average Realisation Per Patient



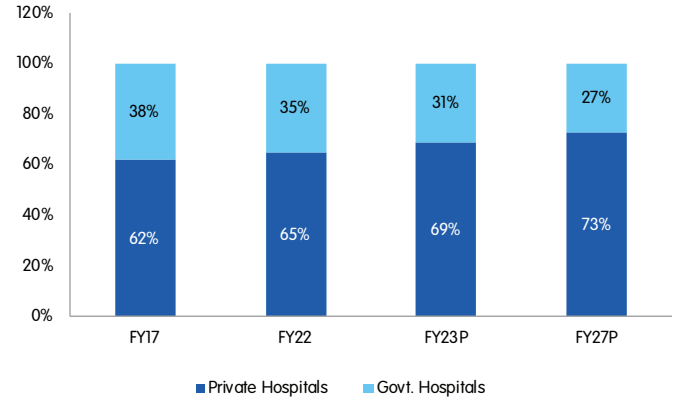
Source: RHP, CRISIL MI&A

Exhibit 7: Overall Helathcare Delivery Market in India (%)



Source: RHP, CRISIL MI&A

Exhibit 8: Share of Treatments in Value Terms (%)



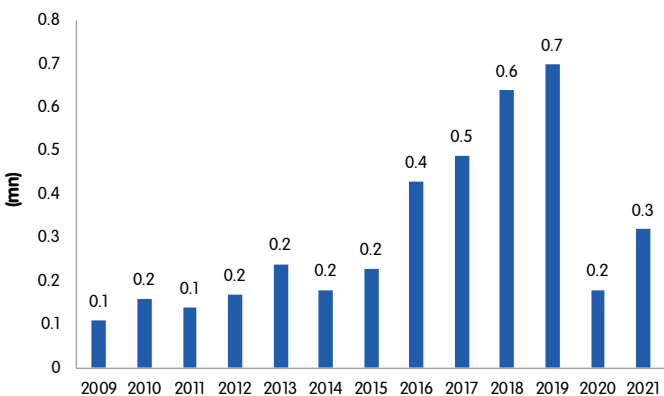
Source: RHP, CRISIL MI&A

Exhibit 9: Emerging Technologies in Healthcare Delivery



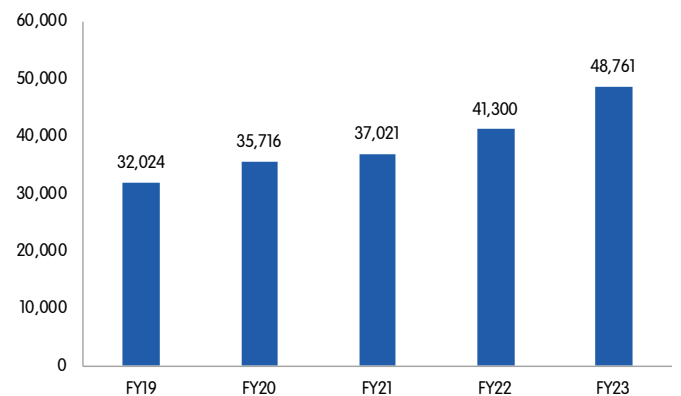
Source: RHP

Exhibit 10: Medical Tourists



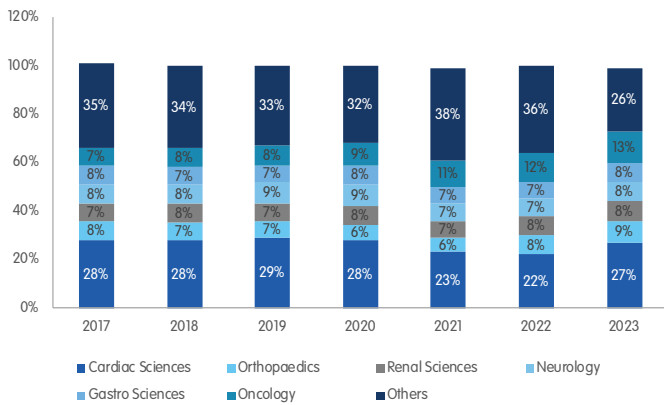
Source: RHP, Ministry of Tourism

Exhibit 11: Average Revenue Per Occupied Bed (ARPOB)



Source: RHP, CRISIL MI&A

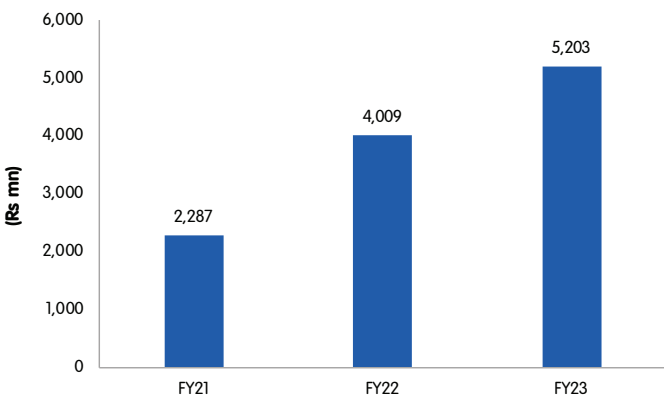
Exhibit 12: Treatment Mix (%)



Source: RHP, CRISIL MI&A

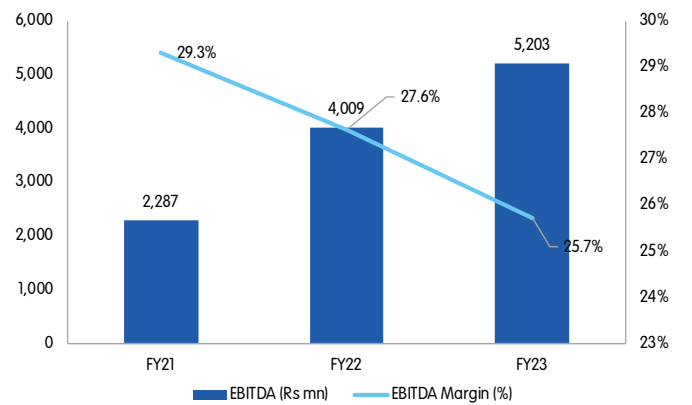
Company Data

Exhibit 13: Revenue



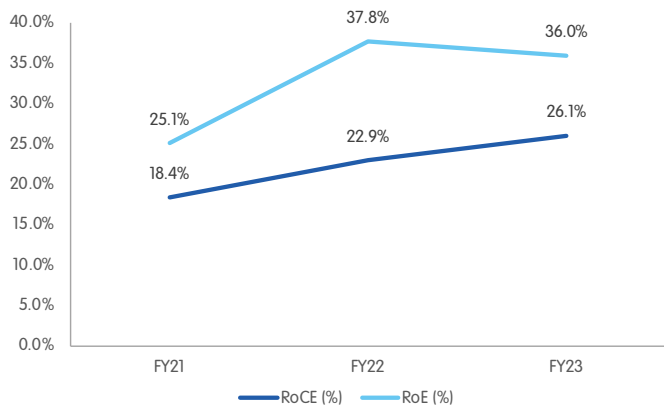
Source: RHP

Exhibit 14: EBITDA Trend



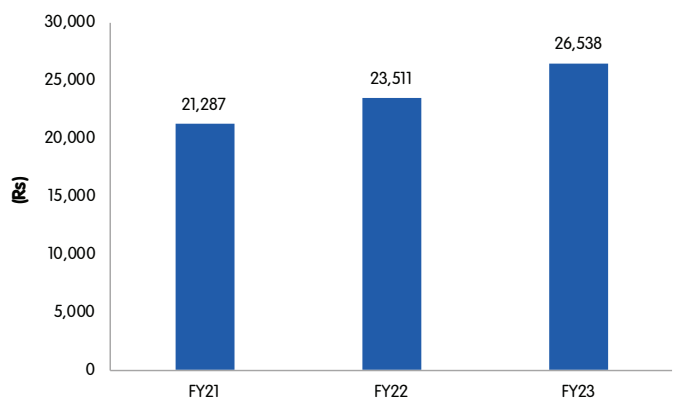
Source: RHP

Exhibit 15: RoE & RoCE



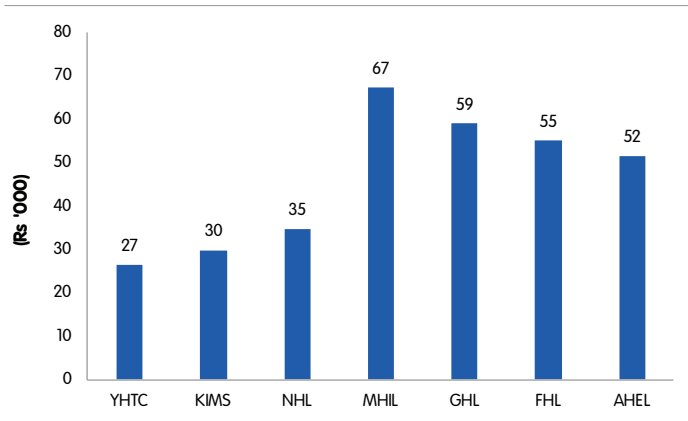
Source: RHP

Exhibit 16: Average Revenue Per Occupied Bed - ARPOB



Source: RHP

Exhibit 17: ARPOB of Major Peers in FY23



Source: RHP, CRISIL MI&A

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