

# Stocks and Securities

Aditya Birla Money Ltd.



PROTECTING INVESTING FINANCING ADVISING

## IPO Note- Global Health Limited

Founded by Dr. Naresh Trehan, Global Health Ltd (“Medanta”) is one of the largest private multi-speciality tertiary care providers. Currently, Medanta has a network of 5 hospitals operating in Gurugram, Indore, Ranchi, Lucknow, and Patna with an installed bed capacity of 2,467 beds.

### Doctor Driven Culture

Medanta’s ability to recruit and retain high calibre medical professionals has been integral to the success of its business. The day-to-day operational governance of the hospitals is overseen by a committee comprising the heads of the major clinical specialties. Each speciality operates on a departmental concept with all doctors in the department working together as a team, thus enabling sub-specialisation. Most doctors (90%+) work full-time and exclusively at Medanta’s hospitals. The high proportion of senior doctor retention has allowed Medanta to provide a high-quality care across all its hospitals.

### Focus on High End Care

A large amount of autonomy is given to each departmental head to drive their clinical practice to ensure the focus is on delivering the highest standard of healthcare. This allows Medanta to focus on the quality tertiary and quaternary care and work on a high number of critical & complex cases. This is demonstrated by the fact that Medanta’s hospital are consistent rated highly by numerous publications. It has one of the highest ARPOBs (Medanta: 54.6k Apollo: 45.3k Fortis: 49.3k) in the industry despite not being the most expensive hospitals in the regions due to its focus on high-end complex surgeries.

### Using Proceeds for Sustained Growth

There is a long growth runway for Medanta as private hospitals are expected to increase share from 65% in FY22 to 74% by FY26. Medanta will be directing its bed expansion plans towards under-served areas with dense population. After starting the Noida hospital (300+ beds), Medanta expects the bed count to exceed 3,500 (FY25e). Although aided by Covid-19, Medanta’s Lucknow hospital turned EBITDA break-even in its 1<sup>st</sup> year of operations, demonstrating its brand recall and ability to scale up new hospitals.

**Key Risks** – i) Revenue concentration risk ii) Adverse government regulation (Price caps)

### Reasonable Valuation: Long growth runway – SUBSCRIBE

At the upper price band, Medanta is available at FY22 EV/EBITDA of 19.7x. We believe that the under penetrated Indian market and Medanta’s proven model will provide a huge opportunity for the company to grow. We have a **SUBSCRIBE** recommendation on the issue.

Particulars (₹ Cr)	Mar-20	Mar-21	Mar-22
Revenue	1,544	1,478	2,206
EBITDA	231	223	490
EBITDA Margin (%)	14.9%	15.1%	22.2%
Net Profit	36	29	196
Total Equity	1,350	1,382	1,616
Total Debt	606	578	768
CFO	175	242	311
Operational Beds	2,141	2,176	2,404
ARPOB (₹)	50,170	47,730	54,550

### Aditya Birla Money Ltd.

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04 November 2022

Rating	SUBSCRIBE	
<b>Issue Details</b>		
Issue Opens	03-Nov-22	
Issue Closes	07-Nov-22	
Face Value (₹)	10	
Price Band (₹)	319-336	
Bid Lot	44	
Fresh Issue Size (₹ Cr.)	500	
Market cap @ upper price band (₹ Cr.)	9,011	
Listing	NSE/BSE	
BRLMs	Kotak, CS, JM Financial, Jefferies	
Registrar	KFin Tech.	
<b>Shareholding Pattern (%)</b>		
	<b>Pre Issue</b>	<b>Post Issue</b>
Promoter Group	35	33
Non-Promoter	65	67
<b>Issue Structure (In Cr. no. of shares)</b>		
Issue size	6.5	
OFS	5.1	
<b>Break-up of net issue to public (%):</b>		
QIB's portion	50.0	
Non-institutional portion	15.0	
Retail Portion	35.0	

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