

Stocks and Securities

Aditya Birla Money Ltd.



ADITYA BIRLA
CAPITAL

PROTECTING INVESTING FINANCING ADVISING

IPO Note- Rainbow Children's Medicare Limited

26 April 2022

Rainbow Children's Medicare Limited ("RCML") is a leading multi-specialty paediatric, obstetrics and gynecology hospital chain in India, operating 14 hospitals and 3 clinics in 6 cities, with a total bed capacity of 1,500 beds.

Cluster Based Expansion Strategy

RCML follows a hub-and-spoke model in Hyderabad, with their Banjara Hills hospital being the hub and 4 spoke hospitals around the city. At the hub hospital, RCML focuses on tertiary and quaternary care. This model has strengthened their market position in a region, providing them with synergies through referrals for tertiary and quaternary care to their hub arising from the spoke hospitals. The company would use this hub-and-spoke strategy to penetrate other regions where RCML is currently operating.

Growing Demands for RCML's Offerings

The private paediatric care market is expected to grow by 14% CAGR between FY20-26. RCML's ability to offer integrated paediatric, along with their obstetric and gynecologic services, enables them to provide a one-stop cost efficient healthcare solutions to families. This efficiency is largely attributable to the synergies between their paediatric care and their obstetrics & gynecology services.

Proven Doctor Retention Model

RCML's ability to recruit and retain high calibre medical professionals has been integral to the success of its business. They follow a doctor engagement model whereby most of their core specialists work exclusively at their hospitals on a full-time retainer basis. This model ensures that most of their core specialists are available 24/7 on a roster basis at their hospitals, which is particularly important for children's emergency, neonatal and paediatric intensive care services. Additionally, RCML enters retainership contracts with their newly hired doctors covering the initial few year periods, which provides them with stability and makes RCML a desirable workplace.

Key Risks – i) Long gestation period for new hospitals ii) Dependence on select medical professionals iii) High regional concentration.

Buoyant Valuation: Long growth runway – SUBSCRIBE

At the issue price, RCML will trade at 8.5x FY21 P/S. Given the blue ocean opportunity in RCML's business verticals and the gradual shift from unorganised to organised sector, we believe that in the near term RCML would be valued more on its longer-term growth potential. Investors with a long-term perspective can **SUBSCRIBE** to the IPO.

Particulars (₹ Cr)	Mar-19	Mar-20	Mar-21
Revenue	542.7	719.3	650.0
Adj. EBITDA	148.5	197.0	162.8
EBITDA Margin (%)	27.4%	27.4%	25.0%
Net Profit	44.6	55.3	39.6
CFO	127.2	170.4	142.7
Beds	1,162	1,296	1,475
ARPOB (₹)	26,696	29,277	40,893
ALOS	3.20	3.05	2.57

Rating	SUBSCRIBE	
Issue Details		
Issue Opens	27-Apr-22	
Issue Closes	29-Apr-22	
Face Value (₹)	10	
Price Band (₹)	516-542	
Bid Lot	27	
Fresh Issue Size (₹ Cr.)	280	
Market cap @ upper price band (₹ Cr.)	5,501	
Listing	NSE/BSE	
BRLMs	Kotak, J.P. Morgan, IIFL Securities	
Registrar	KFin Tech.	
Shareholding Pattern (%)		
	Pre Issue	Post Issue
Promoter Group	62.2	49.8
Non-Promoter	37.8	50.2
Issue Structure (In Cr. no. of shares)		
Issue size	2.92	
OFS	2.40	
Break-up of net issue to public (%):		
QIB's portion	50.0	
Non-institutional portion	15.0	
Retail Portion	35.0	

Analyst Details

Advik Shetty

022-6819 0517

advik.shetty@adityabirlacapital.com

Aditya Birla Money Ltd.

10th Floor, R - Tech Park, Nirlon Knowledge Park, Off Western Express Highway, Goregaon (E), Mumbai - 400 063
+91 22 6225 7600

care.stocksandsecurities@adityabirlacapital.com | www.stocksandsecurities.adityabirlacapital.com

Registered Office:

Indian Rayon Compound, Veraval, Gujarat - 362 266

CIN: L65993GJ1995PLC064810

Stocks and Securities

Aditya Birla Money Ltd.



PROTECTING INVESTING FINANCING ADVISING

IPO Note- Rainbow Children's Medicare Limited

26 April 2022

Disclaimer:

This document is not for public distribution and is meant solely for the personal information of the authorised recipient. No part of the information must be altered, transmitted, copied, distributed or reproduced in any form to any other person. Persons into whose possession this document may come are required to observe these restrictions. This document is for general information purposes only and does not constitute an investment advice or an offer to sell or solicitation of an offer to buy / sell any security and is not intended for distribution in countries where distribution of such material is subject to any licensing, registration or other legal requirements.

The information, opinion, views contained in this document are as per prevailing conditions and are of the date appearing on this material only and are subject to change. No reliance may be placed for any purpose whatsoever on the information contained in this document or on its completeness. Neither Aditya Birla Money Limited (ABML), its group companies, its directors, associates, employees nor any person connected with it accepts any liability or loss arising from the use of this document. The views and opinions expressed herein by the author in the document are his own and do not reflect the views of Aditya Birla Money Limited or any of its associate or group companies. The information set out herein may be subject to updation, completion, revision, verification and amendment and such information may change materially. Past performance is no guarantee and does not indicate or guide to future performance.

Nothing in this document is intended to constitute legal, tax or investment advice, or an opinion regarding the appropriateness of any investment, or a solicitation of any type. The contents in this document are intended for general information purposes only. This document or information mentioned therefore should not form the basis of and should not be relied upon in connection with making any investment. The investment may not be suited to all the categories of investors. The recipients should therefore obtain their own professional, legal, tax and financial advice and assessment of their risk profile and financial condition before considering any decision.

Aditya Birla Money Limited, its associate and group companies, its directors, associates, employees from time to time may have various interests/ positions in any of the securities of the Company(ies) mentioned therein or be engaged in any other transactions involving such securities or otherwise in other securities of the companies / organization mentioned in the document or may have other interest with respect to any recommendation and / related information and opinions. The company follows Employee Trading Policy which regulates the trading activities of the research analysts. The compensation of the research analysts is governed as per the Board approved "Research Analyst" Policy.

Aditya Birla Money Limited is acting as a Research Analyst and is registered under SEBI (Research Analyst) Regulations, 2014. SEBI Registration No. INH000002145

Aditya Birla Money Ltd.

10th Floor, R - Tech Park, Nirlon Knowledge Park, Off Western Express Highway,
Goregaon (E), Mumbai - 400 063
+91 22 6225 7600

care.stocksandsecurities@adityabirlacapital.com | www.stocksandsecurities.adityabirlacapital.com

Registered Office:

Indian Rayon Compound, Veraval,
Gujarat - 362 266

CIN: L65993GJ1995PLC064810