

## RETAIL EQUITY RESEARCH

# Global Health Ltd.

## Healthcare

SENSEX: 60,906

NIFTY: 18,083

**SUBSCRIBE**

Price Range Rs. 319 - Rs. 336

## A largest multi-speciality hospital chain in North and East India....

Global Health Ltd. (Medanta), incorporated on August 13, 2004, at New Delhi, is one of the largest private multi-speciality hospital chains operating in the North and East regions of India. As per the CRISIL report, its key specialties are cardiology and cardiac science, neurosciences, oncology, digestive and hepatobiliary sciences, orthopaedics, liver transplant, and kidney and urology. Medanta has a network of five hospitals currently in operation (Gurugram, Indore, Ranchi, Lucknow and Patna) and one hospital under construction (Noida). As of June 30, 2022, Medanta provides healthcare services in over 30 medical specialties and engages over 1,300 doctors, spanning an area of 4.7mn sq. ft. with 2,467 installed beds.

- The Indian healthcare industry is expected to clock a healthy CAGR of 13-15% and reach Rs. 8.3 trillion by FY26, driven by increasing affordability for healthcare services, schemes launched by the Govt. of India like Ayushman Bharat, the national health insurance, etc.
- The bed capacity grew at a rate of ~15% from 2,141 beds in FY20 to 2,467 beds as of June 30, 2022. Further, it is expected to exceed 3,500 beds by the end of FY25 upon the completion of the Noida facility.
- Revenue from operations grew at ~50%YoY in FY22 and ~27% YoY in Q1FY23, led by an rise in patient volumes, bed occupancy levels (~61% in FY22) and increase in average revenue per occupied bed (~up by 14%YoY in FY22).
- EBITDA grew at ~55% CAGR, while EBITDA margins improved from 12% to 21% over FY20-22, aided by better operational efficiencies.
- The RoE improved from 2.7% in FY20 to 12.0% in FY22. The current debt-to-equity ratio is at 0.6x in Q1FY23. Post IPO, by repaying Rs. 375cr, the debt-equity ratio will reduce to 0.3x.
- At the upper price band of Rs.336, Medanta is available at a P/E of 46x (FY22 EPS), which is in-line compared to its peers. Considering its strong brand value, new hospital addition, rise in ARPOB, pick up in medical tourism, increasing affordability for healthcare services and promising industry outlook, we assign a "Subscribe" rating on a short to medium term basis.

## Purpose of IPO

The IPO consists of a fresh issue of Rs. 500cr and an offer for sale (OFS) of Rs.1,706cr by the selling shareholder. The proceeds from its fresh issuance worth Rs.375cr will be utilised for the repayment or prepayment of borrowings of the subsidiaries and for general corporate purposes.

## Key Risks

- Retention of doctors and other healthcare professionals.
- Increasing competition from other healthcare service providers.

## Peer Valuation

Company	MCap(₹ cr)	Sales (₹ cr)	EBITDA(%)	PAT (%)	EPS(₹)	RoE (%)	ARPOB (₹ '000 Per day)	Occupancy (%)	P/BV	P/E(x)	CMP(₹)
Global Health Ltd.	9,011	2,167	20.8	9.1	7.3	12.1	54.6	61	5.6	45.9	336
Apollo Hospital Enterprises	65,666	14,536	15.0	7.3	73.3	20.6	45.3	63	11.7	61.5	4,509
Fortis Healthcare Ltd.	20,961	5,639	19.0	9.8	7.3	9.0	49.3	63	3.4	37.8	277
Max Healthcare Institute	41,730	3,883	24.3	15.6	6.3	10.2	59.0	75	6.6	73.0	457
Narayan Hrudayalaya Ltd.	15,589	3,701	17.7	9.2	16.9	26.2	23.7	42	10.4	45.4	770

Source: Geojit Research, Bloomberg; Valuations of Medanta are based on upper end of the price band (post issue), Financials as per FY22 consolidated. ARPOB- Avg.Revenue Per Occupied Beds

Issue Details	
Date of opening	Nov 03, 2022
Date of closing	Nov 07, 2022
Total No. of shares offered (cr.)	6.56
Post Issue No. of shares (cr)	26.8
Price Band	₹319 - ₹336
Face Value	₹2
Bid Lot	44 Shares
Minimum application for retail (upper price band for 1 lot)	₹ 14,784
Maximum application for retail (upper price band for 13 lot)	₹ 1,92,192
Listing	BSE,NSE
Lead Managers	Kotak Mahindra Capital, Credit Suisse Securities (India), Jefferies India (P) Ltd, JM Financial

Registrar KFin Technologies. Ltd.

Issue size (upper price)	Rs.cr
Fresh Issue	500.0
OFS	1,705.6
<b>Total Issue</b>	<b>2,205.6</b>

Shareholding (%)	Pre-Issue	Post Issue
Promoter & Promo. Group	35	33
Public	65	67
<b>Total</b>	<b>100</b>	<b>100</b>

Issue structure	Allocation (%)	Size Rs.cr
Retail	35	771.9
Non-Institutional	15	330.8
QIB	50	1,102.8
Employee Reservation	-	-
<b>Total</b>	<b>100</b>	<b>2,205.6</b>

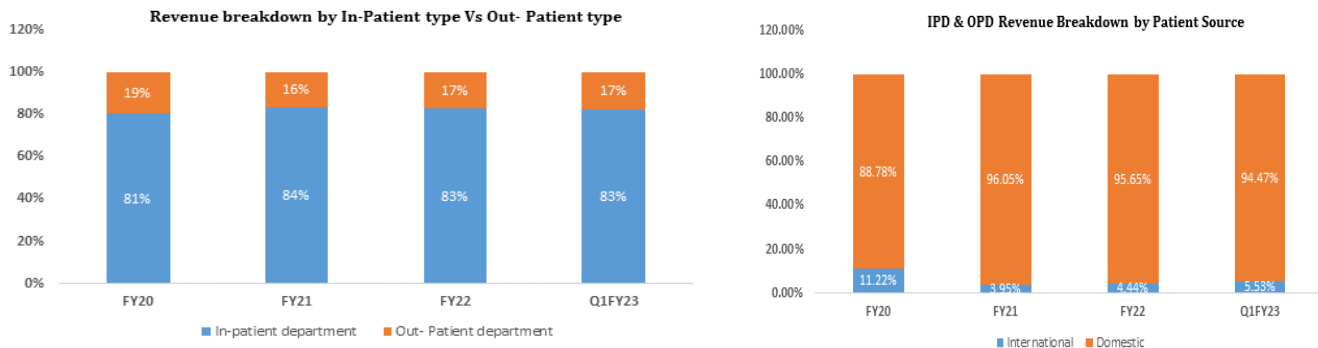
Y.E March (Rs cr) Consol.	FY20	FY21	FY22
<b>Sales</b>	<b>1,500.4</b>	<b>1,446.7</b>	<b>2,166.6</b>
Growth (%)	-	-30.6	49.8
<b>EBITDA</b>	<b>186.6</b>	<b>191.4</b>	<b>450.5</b>
Margin(%)	12.4	13.2	20.8
<b>PAT Adj.</b>	<b>36.3</b>	<b>28.8</b>	<b>196.2</b>
Growth (%)	-	-20.8	581.1
<b>EPS</b>	<b>1.4</b>	<b>1.1</b>	<b>7.3</b>
P/E (x)	247.9	312.8	45.9
EV/EBITDA	53.3	51.9	22.5
RoE (%)	2.7	2.1	12.1

## Business Operation

### Revenue from operations

Revenue from operations primarily comprises revenue from customers for provision of healthcare services (in-patient and out-patient) and income from sale of pharmacy products from our pharmacies. This component also includes other operating revenue including government grant income, clinical research income and other operating revenue which consists of revenue derived from our medical clinic at the Delhi Airport.

The following is a breakdown of the income from healthcare services by key metrics:



Source: RHP, Geojit Research

Income from Healthcare Services Breakdown by Speciality Type <sup>(1)</sup>					
	Fiscal 2020	Fiscal 2021	Fiscal 2022 <sup>(3)</sup>	Three months ended June 30, 2021	Three months ended June 30, 2022 <sup>(3)</sup>
Heart Institute	26.22%	20.65%	20.93%	14.44%	24.32%
Institute of Neurosciences	10.41%	10.49%	11.16%	9.10%	11.81%
Institute of Musculoskeletal Disorders and Orthopaedics	6.30%	3.68%	4.48%	2.50%	5.83%
Kidney & Urology Institute	8.24%	7.95%	7.22%	5.59%	7.55%
Cancer Institute <sup>(2)</sup>	11.60%	12.26%	10.82%	9.68%	11.91%
Institute of Digestive and Hepatobiliary Sciences	11.84%	11.71%	10.19%	7.56%	11.66%
Institute of Liver Transplantation and Regenerative Medicine	4.35%	3.98%	3.56%	3.38%	3.69%
Medanta's Internal Medicine Division	5.59%	10.91%	11.26%	24.45%	5.88%
Others	15.45%	18.37%	20.37%	23.31%	17.36%

Source: RHP, Geojit Research

### Clinics

Medanta operates six multi-speciality clinics and out-patient facilities across northern and eastern India (DLF Cybercity Gurugram, Delhi Airport, south Delhi, Darbhanga, Patna and Subhash Chowk Gurugram).

### Home Care Service

The Home Care Services provide sample collection, preventive health checks, paediatric vaccinations and nursing services (by transaction), all at the convenience of the patient's home.

### Pharmacies

Medanta has taken in-house and operate pharmacies at their Gurugram, Lucknow, Indore and Ranchi hospitals as well as launched an out-patient department pharmacy at south Delhi clinic in FY21 and at Patna hospital in FY22. Medanta has also recently incorporated a wholly-owned subsidiary of the company, GHL Pharma, through which company aim to run all of out-patient pharmacies in the hospitals and clinics as well as explore opportunities for expanding 'out-of-hospital' laboratory diagnostic services.

### Air Ambulance

Medanta have partnered with third party service providers, Flying Doctors India Private Limited and Air Charter Services Private Limited, to operate an air ambulance aircraft based in New Delhi. The air ambulance aircraft is equipped with neonatal ventilators and intra-aortic balloon pump, and can fly in patients from different locations to any one of their hospitals for emergency care. The air ambulance aircraft is made available 24 hours a day and 365 days a year depending on weather and other conditions being suitable for flying.

### Key strategies:

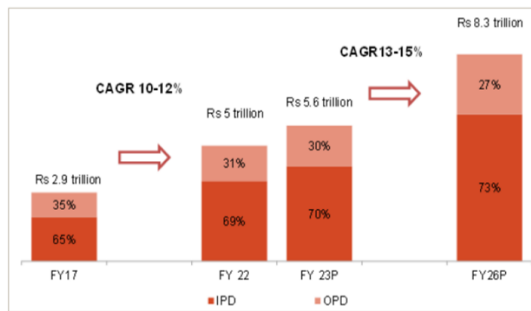
- Continue to invest in bed capacity expansion in existing facilities and develop further super-specialities, employ new technology and focus on preventive healthcare
- Continue to attract, engage and train prominent, skilled doctors and other healthcare professionals.
- Enhance clinical capabilities and improve operating efficiencies
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- Leverage technology to improve patient experience and grow the digital health services.
- Build on the thought leadership through increased focus on academics and research.



## Industry Outlook...

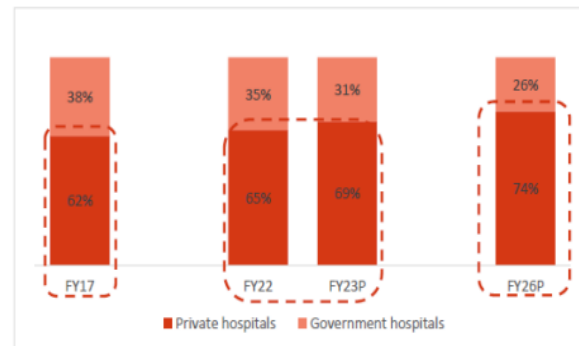
The Indian healthcare delivery industry is estimated to clock a healthy CAGR of 13-15% between FY22 and FY26 driven by long term structural factors, strong fundamentals, increasing affordability and potential of the Ayushman Bharat scheme, the national health insurance scheme launched in 2018 to provide access to healthcare for low income earners in India.

Overall healthcare delivery market in India



Note: IPD stands for in-patient department and OPD stands for out-patient department. According to CRISIL Research out-patient who are not required to stay at the hospital overnight. It includes consultancy, day surgeries at eye care centres, and diagnostics, pharmaceuticals purchased from standalone outlets.  
Source: CRISIL Research

Share of treatments in value terms (government hospitals versus private hospitals/clinics)

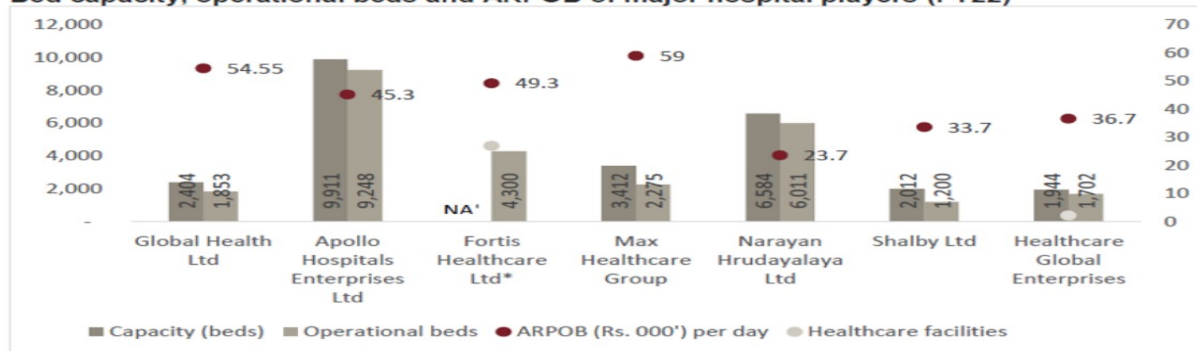


Source: CRISIL Research

Source: RHP, Geojit Research

India's bed density (bed count per 10,000 population) of 15 beds (as estimated by CRISIL Research for 2021) is below the global median (29 beds for 2017) and other developing countries. Amongst the underpenetrated micro-markets in India, Lucknow and Patna had an estimated total of 1,718 and 933 beds, respectively, as of March 2022, in key private hospitals for a population of approximately 2.8 million and 1.7 million, respectively (Source: CRISIL Report).

Bed capacity, operational beds and ARPOB of major hospital players (FY22)



Note: Max Healthcare Group includes beds in associate trust owned hospitals, \*Fortis Healthcare Ltd capacity beds not available  
Source: Company annual reports, Company investor presentations, CRISIL Research

Source: RHP, Geojit Research

## Promoter and promoter group

Dr. Naresh Trehan is the Promoter of the Company. As on date of this Red Herring Prospectus, the Promoters' holds 88,725,240 (including 34,460,375 equity shares held by Dr. Naresh Trehan jointly with Madhu Trehan, where Dr. Naresh Trehan is the first holder), representing 35.00% of the pre-Offer issued, subscribed and paid-up Equity Share capital of the company.

## Brief Biographies of directors

As on the date of this Red Herring Prospectus, the Board comprises of 9 Directors, of which one is Executive Director and 8 are Non-executive Directors, including 5 Independent Directors. Independent Director.

- **Dr. Naresh Trehan**, is the Chairman and Managing Director of the company.
- **Sunil Sachdeva**, is a Non-Executive Director of the company.
- **Ravi Kant Jaipuria**, is a Non-Executive Nominee Director of the company.
- **Venkatesh Ratnasami**, is a Non-Executive Nominee Director of the company.
- **Praveen Mahajan**, is a Non-Executive Independent Director of the company.
- **Vikram Singh Mehta**, is a Non-Executive Independent Director of the company.
- **Hari Shanker Bhartia**, is a Non-Executive Independent Director of the company.
- **Rajan Bharti Mittal**, is a Non-Executive Independent Director of the company.
- **Ravi Gupta**, is a Non-Executive Independent Director of the company.

## CONSOLIDATED FINANCIALS

### PROFIT & LOSS

Y.E March (Rs cr)	FY20	FY21	FY22
Sales	1,500.4	1,446.7	2,166.6
% change	-	-3.6	49.8
<b>EBITDA</b>	<b>186.6</b>	<b>191.4</b>	<b>450.5</b>
% change	-	3	135
Depreciation	115	123.2	129.7
<b>EBIT</b>	<b>71.6</b>	<b>68.2</b>	<b>320.8</b>
Interest	51.5	67.2	79.5
Other Income	43.8	31.4	39.2
Exceptional Items	-	-	-
<b>PBT</b>	<b>63.9</b>	<b>32.5</b>	<b>280.6</b>
% change	-	-49	764.2
Tax	27.5	3.7	84.4
Tax Rate (%)	43	11	30
<b>Reported PAT</b>	<b>36.3</b>	<b>28.8</b>	<b>196.2</b>
Adj	-	-	-
<b>Adj. PAT</b>	<b>36.3</b>	<b>28.8</b>	<b>196.2</b>
% change	-	-20.8	581.1
Post issue No. of shares (cr)	26.8	26.8	26.8
<b>Adj EPS (Rs)</b>	<b>1.4</b>	<b>1.1</b>	<b>7.3</b>
% change	-	-20.8	581.1

### BALANCE SHEET

Y.E March (Rs cr)	FY20	FY21	FY22
Cash	250.1	289.3	511.8
Accounts Receivable	149.2	133.6	180.2
Inventories	38.5	39.8	53.4
Other Cur. Assets	6.6	7.7	14.8
Investments	65.9	58.8	71.6
Deff. Tax Assets	-	25.7	27.8
Net Fixed Assets	1,694.6	1,608.4	1,769.6
CWIP	381.7	463.8	439.3
Intangible Assets	8.5	7.2	6.3
Other Assets	71.1	59.7	70.9
<b>Total Assets</b>	<b>2,666</b>	<b>2,694</b>	<b>3,146</b>
Current Liabilities	174.0	183.7	197.0
Provisions	102.2	106.4	116.2
Debt Funds	928.9	931.4	1,118.8
Other Fin. Liabilities	111.6	90.3	97.6
Deferred Tax liability	-	-	-
<b>Equity Capital</b>	<b>81.8</b>	<b>82.1</b>	<b>50.6</b>
<b>Reserves &amp; Surplus</b>	<b>1,267.7</b>	<b>1,300.3</b>	<b>1,565.4</b>
Shareholder's Fund	1,349.5	1,382.3	1,616.0
<b>Total Liabilities</b>	<b>2,666</b>	<b>2,694</b>	<b>3,146</b>
<b>BVPS (Rs)</b>	<b>50</b>	<b>52</b>	<b>60</b>

### CASH FLOW

Y.E March (Rs cr)	FY20	FY21	FY22
PBT Adj.	63.9	32.5	280.6
Non-operating & non cash adj.	165.3	189.1	195.5
Changes in W.C	-54.1	20.2	-164.8
<b>C.F. Operating</b>	<b>175.1</b>	<b>241.8</b>	<b>311.3</b>
Capital expenditure	-187.7	-141.9	-273.1
Change in investment	81.2	-112.2	-164.2
Sale of investment	-	-	-
Other invest.CF	19.5	15.0	16.4
<b>C.F - investing</b>	<b>-87.1</b>	<b>-239.2</b>	<b>-420.9</b>
Issue of equity	0.2	0.2	38.0
Issue/repay debt	-1.1	-81.0	121.6
Dividends paid	-	-	-
Other finance.CF	-	-	-
<b>C.F - Financing</b>	<b>-0.9</b>	<b>-80.7</b>	<b>159.6</b>
Change. in cash	87.1	-78.1	50.0
Closing cash	147.6	69.5	119.4

### RATIOS

Y.E March	FY20	FY21	FY22
<b>Profitab. &amp; Return</b>			
EBITDA margin (%)	12.4	13.2	20.8
EBIT margin (%)	4.8	4.7	14.8
Net profit mgn.(%)	2.4	2.0	9.1
ROE (%)	2.7	2.1	12.1
ROCE (%)	2.9	1.9	5.0
<b>W.C &amp; Liquidity</b>			
Receivables (days)	36	36	26
Inventory (days)	43	41	31
Payables (days)	32	33	23
Current ratio (x)	1.8	1.8	2.7
Quick ratio (x)	2.3	2.3	3.5
<b>Turnover &amp; Levq.</b>			
Net asset T.O (x)	0.9	0.9	1.3
Total asset T.O (x)	0.6	0.5	0.7
Int. covge. ratio (x)	0.7	0.1	0.2
Adj. debt/equity (x)	0.7	0.7	0.7
<b>Valuation ratios</b>			
EV/Sales (x)	6.6	6.9	4.7
EV/EBITDA (x)	53.3	51.9	22.5
P/E (x)	247.9	312.8	45.9
P/BV (x)	6.7	6.5	5.6

## General Disclosures and Disclaimers

### CERTIFICATION

We, Sheen G & 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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Geojit Financial Services Limited (hereinafter Geojit), a publically listed company, is engaged in services of retail broking, depository services, portfolio management and marketing investment products including mutual funds, insurance and properties. Geojit is a SEBI registered Research Entity and as such prepares and shares research data and reports periodically with clients, investors, stake holders and general public in compliance with Securities and Exchange Board of India Act, 1992, Securities And Exchange Board Of India (Research Analysts) Regulations, 2014 and/or any other applicable directives, instructions or guidelines issued by the Regulators from time to time.

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Geojit's Associates consists of privately held companies such as Geojit Technologies Private Limited (GTPL- Software Solutions provider), Geojit Credits Private Limited (GCPL- NBFC Services provider), Geojit Investment Services Limited (GISL- Corporate Agent for Insurance products), Geojit Financial Management Services Private Limited (GFMSL) & Geojit Financial Distribution Private Limited (GFDPL), (Distributors of Insurance and MF Units). In the context of the SEBI Regulations on Research Analysts (2014), Geojit affirms that we are a SEBI registered Research Entity and in the course of our business as a stock market intermediary, we issue research reports /research analysis etc that are prepared by our Research Analysts. We also affirm and undertake that no disciplinary action has been taken against us or our Analysts in connection with our business activities.

In compliance with the above mentioned SEBI Regulations, the following additional disclosures are also provided which may be considered by the reader before making an investment decision:

#### 1. Disclosures regarding Ownership:

*Geojit confirms that:*

It/its associates have no financial interest or any other material conflict in relation to the subject company (ies) covered herein.

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

#### 2. Disclosures regarding Compensation:

During the past 12 months, Geojit or its Associates:





(a) Have not received any compensation from the subject company; (b) Have not managed or co-managed public offering of securities for the subject company (c) Have not received any compensation for investment banking or merchant banking or brokerage services from the subject company. (d) Have not received any compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company (e) Have not received any compensation or other benefits from the subject company or third party in connection with the research report (f) The subject company is / was not a client during twelve months preceding the date of distribution of the research report.

3. Disclosure by Geojit regarding the compensation paid to its Research Analyst:

Geojit hereby confirms that no part of the compensation paid to the persons employed by it as Research Analysts is based on any specific brokerage services or transactions pertaining to trading in securities of companies contained in the Research Reports.

4. Disclosure regarding the Research Analyst's connection with the subject company:

It is affirmed that We , Sheen G & Rajeev T, Research Analyst (s) of Geojit have not served as an officer, director or employee of the subject company

5. Disclosure regarding Market Making activity:

Neither Geojit/its Analysts have engaged in market making activities for the subject company.

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