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On valuation front, the company is available at 43.24x PE for FY22 which appears to be attractive as compared to industry peers. The company has well diversified tertiary care facilities and one of the largest hospitals in North and East region along with healthy return ratios. Hence, we recommend for subscribe the issue for long term.



About the Company

Global Health Limited (Medanta) is one of the largest private multi-speciality tertiary care providers operating in the North and East regions of India. The company has key specialities in cardiology and cardiac science, neurosciences, oncology, digestive and hepatobiliary sciences, orthopaedics, liver transplant, and kidney and urology.

Global Health Limited has a network of five hospitals currently in operation (Gurugram, Indore, Ranchi, Lucknow and Patna) under the 'Medanta' brand. The company established 'The Medanta Institutional Tissue Repository' in 2017 to promote biomarker and other tissue-based research.

In FY2020, FY2021 and FY2022 and the three months ended June 30, 2021 and 2022, the company generated income from healthcare services of Rs. 14,805.71 million, Rs. 14,178.41 million, Rs. 21,003.95 million, Rs. 4,732.10 million and Rs. 5,960.89 226 million, respectively, and had EBITDA of Rs. 2,304.54 million, Rs. 2,228.52 million, Rs. 4,897.57 million, Rs. 1,057.69 million and Rs. 1,416.46 million, respectively.

As of June 30, 2022, the company provide healthcare services in over 30 medical specialities and engage over 1,300 doctors led by experienced department heads, spanning an area of 4.7 million sq. ft., the operational hospitals have 2,467 installed beds.

Issue Details

Price Band (in ₹ per share)	319-336
Issue size (in ₹ Crore)	2219-2206
Fresh Issue (in ₹ Crore)	500
Offer for Sale (shares in lakhs)	507.61
Total number of shares (lakhs)	664.35-656.42
Issue open date	03-11-2022
Issue close date	07-11-2022
Tentative date of Allotment	11-11-2022
Tentative date of Listing	16-11-2022
Offer Allocation	QIB - 50 %, Retail- 35%, NII - 15%
No. of shares for QIBs (lakhs)	332.17-328.21
No. of shares for non-institutional investors (lakhs)	99.65-98.46
No. of shares for retail investors (lakhs)	232.52-229.75
Minimum order quantity	44
Face value (in ₹)	2
Amount for retail investors (1 lot)	14036-14784
Maximum number of shares for Retail investors at lower Band	616 (14 lots)
Maximum number of shares for Retail investors at upper band	572 (13 lots)
Maximum amount for retail investors at lower Band-upper band (in ₹)	196504-192192
Exchanges to be listed on	BSE, NSE

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Promoters

Dr. Naresh Trehan



Objective of the Offer

- Investment of INR 375 crore in two of their subsidiaries, Global Health Patliputra Private Limited (GHPPL) and Medanta Lucknow Hospital (MHPL), in the form of debt or equity for repayment /prepayment of borrowings, in full or part, of such Subsidiaries
- Offer for Sale of 507.61 lakh equity shares
- General corporate purposes

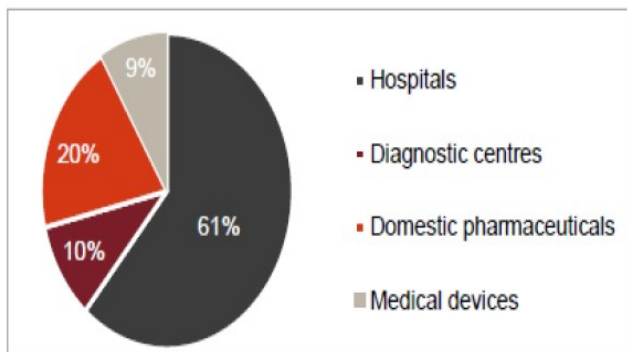
Brief Financials

Particulars (Rs. Cr) *	Q1FY23	FY22	FY21	FY20
Share Capital	50.65	50.65	49.65	49.35
Net Worth	1,675.55	1,616.01	1,382.34	1,349.54
Revenue from Operations	617.21	2166.59	1446.74	1500.42
EBITDA as stated	141.65	489.76	222.85	230.45
EBITDA Margin (%)	22.95%	22.61%	15.40%	15.36%
PAT	58.71	196.20	28.81	36.33
PAT Margin (%)	9.51%	9.06%	1.99%	2.42%
Basic EPS(Rs)	2.32	7.78	1.15	1.45
Diluted EPS(Rs)	2.31	7.77	1.14	1.44
Net Asset Value (Rs)	66.17	63.82	55.76	54.7
P/E #	36.36^	43.24	-	-
P/B #	5.08	5.26	-	-

Source: RHP, *Restated Consolidated, FV Rs.2/-, # Calculated at the upper price, ^Annualised

Industry Review

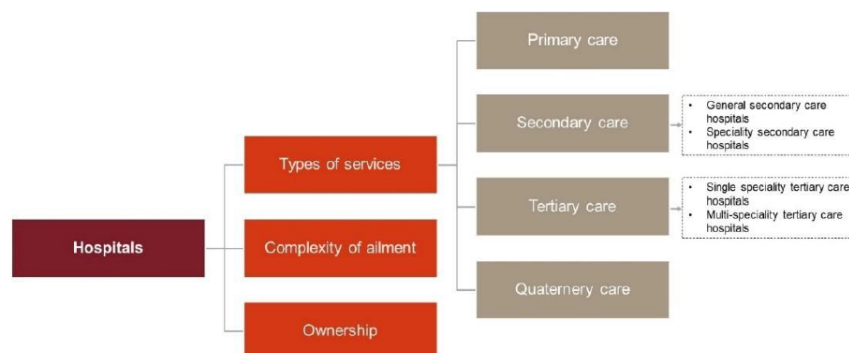
Structure of the Healthcare Delivery Industry In India



Source: CRISIL Research

CRISIL Research estimates the healthcare delivery market, consisting of hospitals and diagnostic centres, to account for a major share of the healthcare pie (71%), followed by domestic pharmaceuticals (20%) and medical devices market (9%) as of fiscal 2020.

Classification of hospitals



Source: RHP, CBSL

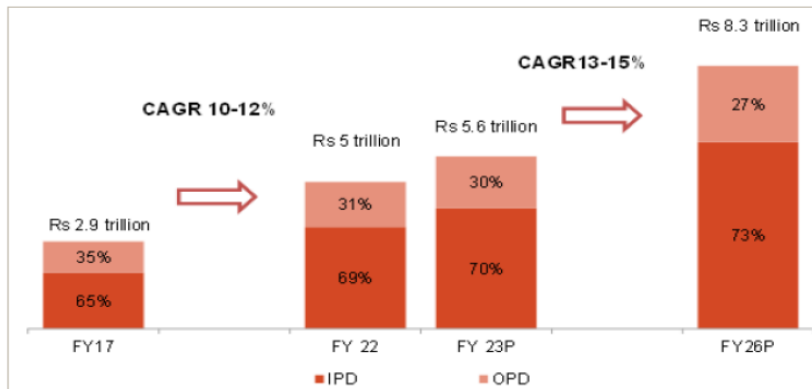


Industry Review

India's Hospital Market

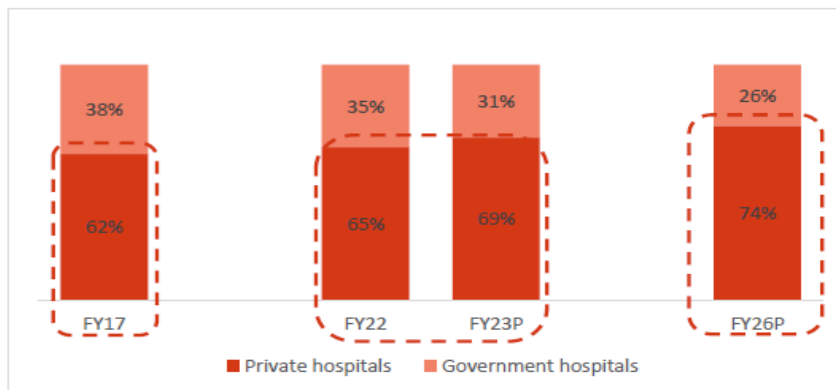
Indian healthcare delivery market poised for robust growth in the medium term. Barring the momentary setbacks in fiscal 2021, CRISIL Research estimates the Indian healthcare delivery industry to post a healthy 13-15% CAGR between fiscals 2022 and 2026, driven by long term structural factors, strong fundamentals, 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-patients are those who are not required to stay at the hospital overnight. It includes consultancy, day surgeries at eye care centres, and diagnostics, and excludes 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, CBSL

Healthcare delivery industry estimated to grow to approximately Rs 5.6 trillion in fiscal 2023

CRISIL Research estimates the Indian healthcare delivery market to reach approximately Rs 5.5 - 5.7 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 Average revenue per occupied bed ("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 IPD is expected to account for nearly 70% (in value terms), while the balance is to be catered by the OPD. Though in terms of volumes, OPD volumes outweigh IPD volumes, with the latter contributing the bulk of the revenues to healthcare facilities.

As opposed to fiscal 2021, when the Government investments in the sector to combat the Covid-19 pandemic via temporary establishments had gained prominence, and private hospitals saw revenue erosion owing to travel restrictions, the private sector complemented the role of the Government in fiscal 2022 in the second wave, which was an upside especially for hospitals where occupancies were typically on the lower side. Growth was driven in fiscal 2022 by low base and the pent up demand from deferred treatments due to Covid-19 waves.

The healthcare delivery market is expected to reach a market size of approximately Rs 6.4 - 6.6 trillion in fiscal 2024 on back of the fundamental strengths of the sector and inherent structural strengths of the sector in India.



Competitive Strengths

Tertiary and quaternary care provider in India, well recognised for clinical expertise in particular in dealing with complicated cases

For the last 3 years (2020 to 2022), company's hospital in Gurugram has been rated as the best private hospital in India by Newsweek. They achieved this leadership position by the focusing of their experienced doctors on treating complicated cases and ensuring at the same time the best quality of care. Medanta focuses on quality tertiary and quaternary care, treatment of lifestyle diseases, provision of value-based treatments and work on a high number of critical, complex cases. These procedures have included a number of complex surgeries, including a paediatric liver transplant for a 3-month-old infant in 2020, a 3D printed titanium spine implant procedure in 2017, and a successful intestinal transplant in 2013.

Focus on Clinical Research and Academics

Medanta is also focused on clinical research and academics. Established in 2009, their clinical research facility is another driving force behind their high standard of care. They established "The Medanta Institutional Tissue Repository" in 2017 to promote biomarker and other tissue-based research. Doctors associated with their hospitals have published 451 peer reviewed indexed journal publications between January 2021 and June 2022. They have on-going research studies and are currently working with Qure.ai to develop artificial intelligence algorithms with the aim of increasing productivity and improving the accuracy of medical diagnoses. Medanta covers 37 specialties under the Diplomate of National Board ("DNB") and Fellowship in National Board programs with over 100 approved seats. Since the inception of their academic program, Medanta has successfully graduated 325 students across 36 specialties for the DNB and, as at June 30, 2022, they had 184 students undergoing training at their hospitals

'Doctor-led' hospitals driven by skilled and experienced doctors in the healthcare space

As at June 30, 2022, they had a team of more than 6,000 medical professionals, including over 1,300 doctors and over 3,700 nurses and 1,000 paramedical personnel. Medanta has adopted a 'doctor-led' model of management. Dr. Trehan leads the entire organization. The day-to-day operational governance of their hospitals is overseen by a committee comprising the Heads of the major clinical specialties, the Medical Director/CEO/CMD. Each speciality operates on a departmental concept with all doctors in the department working together as a team, thus enabling sub-specialisation, a joint rewards system and a combined team-based approach to patient care. A large amount of autonomy is given to each departmental head to drive their clinical practice. Their doctors are among the best in their fields and almost all their clinical department heads are recognized by their peers in the industry as among the leaders in their specializations. Company's world-class infrastructure, the advanced technology and, most importantly, the doctor-driven culture of the organization have allowed them to attract and retain some of the best clinical leaders in India.



Risk Factors

Highly dependent on doctors, nurses and other healthcare professionals and business will be impacted significantly in case unable to attract / retain such professionals

Medanta's performance and growth strategy depends substantially on ability to attract and retain experienced doctors, nurses and other healthcare professionals in a highly competitive industry. The demand for doctors is highly competitive. The availability of specialist doctors is limited by the training period, which can be up to 15 years and even longer for certain medical specialties. Skilled doctors are in high demand in India, making it difficult to hire and retain senior doctors. It compete with other healthcare providers including public healthcare institutions to attract and retain doctors from a limited pool of candidates. The key factors that doctors consider for their place of employment include the reputation of the hospital, the quality of the facilities, the range of specialties offered by the hospital, the ability of the hospital to attract adequate patient load, research and teaching opportunities, compensation (subject to local rules and regulations) and community relations.

Particulars	Fiscal 2020	Fiscal 2021	Fiscal 2022	Three months ended June 30, 2022**
Doctors (on-roll and retainer doctors)				
Number of resignations	334	300	382	141
Attrition rate (%)*	33.79%	27.80%	31.43%	10.53%
Nurses				
Number of resignations	2,020	1,781	1,833	437
Attrition rate (%)*	71.45%	55.19%	50.74%	11.40%
Other healthcare professional (comprising paramedics)				
Number of resignations	151	104	180	50
Attrition rate (%)*	19.91%	12.29%	18.62%	4.61%

Note:

* Attrition rate = Number of resignations / ((Opening Headcount + Closing Headcount) * 50%).

** Attrition rate for the three months ended June 30, 2022 are not annualized and accordingly, not comparable to the attrition rates in Fiscals 2020, 2021 and 2022.

Source: RHP, CBSL

Increased competition

Increased competition in the healthcare industry could be caused by (i) existing or new hospitals in the geographies, (ii) the development of alternative health care delivery systems in service areas; (iii) nursing homes, rehabilitation and therapy centers, physician group practices, urgent care centers and other non-hospital providers that provide services for which patients currently rely on hospitals; (iv) increased telehealth opportunities; and (v) the development of new health care cost cutting initiatives (vi) specialty and other service offerings (vii) quality and selection of healthcare professionals (viii) affordability (ix) brand and reputation, etc. Any increase in competition may lead to pricing pressure as well as challenges in talent acquisition. The effects of any such increased competition on the company's revenue cannot be predicted. All of the above may have a material adverse impact on its business, financial condition, results of operations and prospects.

Unfavorable government policies & regulations

The company's operations are subject to extensive government regulation, and required to obtain and maintain a number of statutory and regulatory registrations, permits and approvals under central, state and local government rules in India. The licences are given to carry out for business, procurement and use of equipment at facilities. These regulatory licenses granted for a limited term and are subject to renewal at the end of such terms. Medanta cannot assure that the company would comply such necessary licenses and registrations as and when required, within a reasonable time.



Peer Comparison

Name of the company	Face Value	Total Income (INR crore)	Basic EPS	NAV	P/E*	P/B*	ROE (%)	ROCE(%)
Global Health Ltd (Medanta)	2	2,205.82	7.78	63.82	43.19	5.26	12.14	16.30
Listed Peers								
Apollo Hospital Ltd	5	14,740.80	73.42	408.78	61.53	11.05	18.86	25.50
Fortis Healthcare Ltd	10	5,744.95	7.35	92.83	37.75	2.99	11.27	29.70
Max Healthcare Ltd	10	4,058.82	6.24	64.79	73.13	7.04	9.63	32.90
Narayana Hrudayalaya Ltd	10	3,735.88	16.85	72.88	46.97	10.86	22.97	27.20

*P/E & P/B ratio based on closing market price as on Oct 31st, 2022, at the upper price band of IPO, financial details consolidated audited results as on FY22

Our Views

Global Health Limited is a world-renowned multi-speciality healthcare centre operating under the 'Medanta' brand, with key specialties of cardiology and cardiac science, neurosciences, oncology, digestive and hepatobiliary sciences, orthopaedics, liver transplant, and kidney and urology. Medanta has a network of 5 hospitals currently in operation (Gurugram, Indore, Ranchi, Lucknow and Patna), and 1 hospital (Noida), which is under construction and expected to commence operations in FY25. The company's revenue by healthcare services offered are well diversified viz. Heart Institute (20.93%), Neurosciences (11.16%), Cancer Institute(10.82%), Institute of Digestive and Hepatobiliary Sciences (10.19%), Kidney & Urology Institute (7.22%), Institute of Musculoskeletal Disorders and Orthopaedics(4.48%), Institute of Liver Transplantation and Regenerative Medicine (3.56%), Medanta's Internal Medicine Division (11.26%), and Others (20.37%) as on FY22. The company's ROE and ROCE stood at 12.14% and 16.30% as on FY22 respectively. Its D/E stood at 0.47x as on March 2022.

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Sources: Company Website and red herring prospectus



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