



SME IPO Note

(Note: All the information in this note is taken from RHP)

100% Book Building Issue

Snapshot

Hemant Surgical Industries Limited (HSIL) is into manufacturing, importing, assembling and marketing a comprehensive portfolio of medical equipments and disposables. Company's product offerings cover a wide spectrum of equipments and disposables required for Renal Care, cardiovascular disease respiratory disease, Critical Care and Radiology and Surgical disposables. In addition company is also providing services for maintenance and running of dialysis centres.

Objects of the offer

Company intend to utilize the proceeds of the Issue to meet the following objects: -

1. Funding Capital Expenditure towards installation of additional plant and machinery.
2. Funding to meet working capital requirements

Investment Rationale

Financial Performance: Company's topline has grown at CAGR of 35% while its EBITDA has grown at CAGR of 85% from FY21-23. Company's PAT has grown more than 150 % CAGR from FY21-23. Company's ROE consecutively stood above 30% in last two financial years as it was 35% in FY22 & 32% in FY23.

ISO Certified facilities with more than three decades of establishment: Company was founded in the year 1989 & its facilities are ISO 9001:2015 and ISO 13485:2016 certified having fully equipped quality control department. Company sell some of products under its registered brand name "JMS", "Aero Plus" and "Safecath".

Exclusive Distribution agreements with MNC Companies: Company entered into exclusive distribution agreement with JMS Co. Ltd., Japan for importing and marketing JMS Meditape in India. Company entered into technical collaboration agreement with JMS Singapore Pte. Ltd. for manufacturing Intravenous infusion set, Company appointed as sole agent of SWS Hemodialysis Care Co. Ltd. China to sell and do maintenance of SWS-4000A hemodialysis machines in West India on exclusive basis. Also, company entered into an agreement with Zoncare Bio-medical Electronics Co., Ltd for catering to the needs of radiology.

Indian Medical Devices Market: The Indian market for medical equipment is predicted to increase to US\$ 50 billion by 2025. As of 2020, the medical devices market is estimated to be at US\$ 12 billion in India. Between 2020-25, diagnostic imaging is likely to expand at a CAGR of 13.5%. India has a 75-80% import dependency on medical devices, with exports of US\$ 2.53 billion in FY21, which is expected to increase at a CAGR of 41% to reach US\$ 10 billion by 2025.

IPO DETAILS

Price Band (Rs./Share)	Rs 85-90 per Share
Opening date of the issue	24 th May 2023
Closing Date of the issue	26 th May 2023
Issue size (In Rs)	Rs 24.84 Cr
Issue size (No Of Shares)	27,60,000 Equity Shares
Fresh Issue	27,60,000 Equity Shares
Reserved For Market Makers	1,44,000 Equity Shares
Net Issue To Public	26,16,000 Equity Shares
Face Value	Rs 10/Share
Bid Lot	1600
Listing	BSE SME
Promoter & Group Holding Pre Issue	100.00
Promoter & Group Holding Post Issue	73.56
Total No of Shares Pre Issue	76,80,000 Equity Shares
Total No of Shares Post Issue	1,04,40,000 Equity Shares

Book Building

QIBs (Including Anchor)	13,05,600 Equity Shares
Anchor Investor Portion	7,82,400 Equity Shares
Net QIB	5,23,200 Equity Shares
Non-Institutional	3,93,600 Equity Shares
Retail	916,800 Equity Shares
Lead manager	Hem Securities Ltd
Registrar to the issue	Bigshare Services Pvt Ltd

Valuation

P/E at price Rs 90/share⁽¹⁾	8.75
Industry Average⁽²⁾	51.65
EPS (FY23)⁽³⁾	10.28

1. Calculated on FY23 PAT basis on pre issue Equity Capital.

2. Source: RHP

3 Source: RHP

Background

Offer a diversified range of products

Company have a diversified product portfolio of medical equipments and disposables catering to renal care solution, cardiovascular disease, respiratory disease, Critical Care and Radiology and surgical disposables. Company cater to customer base across India and also expand its reach in international locations like Philippines, Bangladesh, Kenya, Bhutan, Burundi, Camaroon, Congo, Nepal, Nigeria, Ivory Coast, France, Seychelles, etc.

Experienced management team with industry expertise and successful track record

Company have an experienced and qualified management team led by its Promoter and Managing Director, Hanskumar Shamji Shah with overall work experience of around 35 years, its Promoter and Whole Time Director, Kaushik Hanskumar Shah with overall work experience of around 15 years and its Whole Time Director Hemant Praful Shah with overall work experience of around 25 years.



Background

HSIL's wide range of products include some of the indigenously manufactured products along with some other products that are imported from countries like: Japan, China France and Australia and are further processed in company's assembly units.

Company started its operations with importing and marketing of medical disposables like: meditatapes, all over India from JMS Co Ltd. Japan. Later in the year 1999 company started its manufacturing operations with one Manufacturing unit and over the years expanded its manufacturing and assembly operations to two more additional units as under:

1) Manufacturing Unit I situated at Achad Industrial Estate – where company first started its operations in 1999 and is currently manufacturing products like : Dialysis solution (liquid and Powder) used in dialysis, Hot and Cold Sterilant used for cleaning dialyzer, Purified water used in rinsing and cleaning of dialysis machines and sanitizer.

2) Assembly Unit II situated at Atgaon - for assembly of various medical devices like: Nebulizers, Oxygen Concentrator, Air Mattress, Digital Thermometer, Pulse Oximeters, ECG Electrodes, Dialyzer which are sold under the Brand Name "Aero Plus". Silicon Foley catheters imported from China which are further processed and sold under the Brand name "Safecath" and for assembly of new and refurbished dialysis machines imported from China, France and Australia, Meditatapes imported from JMS Co. Ltd., Japan.

3) Assembly Unit III situated at Bhiwandi – for assembly of products like: Intravenous infusion set, ECG Machines, Ultrasound Machines, Paramonitor, Ventilator etc. Company's facilities are ISO 9001:2015 and ISO 13485:2016 certified having fully equipped quality control department with experienced and qualified staff to facilitate smooth manufacturing and assembly line process.

Company was founded in the year 1989 by one of its Promoters, Hanskumar Shamji Shah, who has over 35 years of experience in the industry. As on date, company

1) Entered into exclusive distribution agreement with JMS Co. Ltd., Japan for importing and marketing JMS Meditape in India. The imported meditape undergoes the process of rewinding, slitting, and packaging in company's assembly unit situated at Atgaon and is then sold in Indian market.

2) Entered into technical collaboration agreement with JMS Singapore Pte. Ltd. for manufacturing Intravenous infusion set which are sold under the brand name "JMS" in India.

3) Appointed as sole agent of SWS Hemodialysis Care Co. Ltd. China to sell and do maintenance of SWS-4000A hemodialysis machines in West India on exclusive basis.

4) Signed exclusive distribution agreement with Hemant Phillipines Inc./ Mediply Inc. for supply of renal care equipment, medical devices and consumables for marketing the same in entire Philippines

5) Entered into an agreement with Zoncare Bio-medical Electronics Co., Ltd for catering to the needs of radiology where company have initiated import and assembly of critical care products like: Ultrasound Machine imported from China. Further company have been awarded as "Best Performing Partner" in the year 2022 by Zoncare Bio-medical Electronics Co., Ltd.

Production And Installed Capacity

Product	Installed Capacity	Units	2020-21		2021-22		2022-23	
			Actual Production	%	Actual Production	%	Actual Production	%
Meditapes	17,06,000	Boxes	8,25,001	48.36	11,50,173	67.42	13,50,000	79.13
Hemodialysis Solution (liquid)	21,60,000	Litres	8,21,400	38.03	10,59,390	49.05	11,70,000	54.17
Hemodialysis Solution (Powder)	29,32,000	KGs	8,59,970	29.33	2,55,540	8.72	3,18,495	10.86
Cold Disinfectant	23,000	Litres	19,080	82.96	13,685	59.50	10,975	47.72
Hot Disinfectant	23,000	Litres	8900	38.70	8,395	36.50	10,635	46.24
ECG Electrodes	86,40,000	Pieces	12,86,850	14.89	24,65,100	28.53	247,23,800	31.53
Nebuliser	36,000	Pieces	22,790	63.31	21,362	59.34	9529	26.47
Digital Thermomete	3,12,000	Pieces	1,92,235	61.61	2,92,001	93.59	16,789	5.38
3 Ply Mask	1,15,20,000	Pieces	2,95,120	2.56	13,42,980	11.66	--	--
Intravenous Infusion Set	1,38,24,000	Pieces	--	N.A	4,23,643	3.06	23,95,654	17.33


Requirement of Funds and Utilization of Net Proceeds

S.No	Particulars	Amt. (Rs. In Lakhs)
1.	Funding Capital Expenditure towards installation of additional plant and machinery	751.26
2.	Funding to meet working capital requirements	1000.00
3.	General Corporate Purpose	[.]

Details of the Net Proceeds
1. Funding Capital Expenditure towards installation of additional plant and machinery.

Company intends to make capital expenditure towards installation of additional plant & machinery at company's Assembly Unit II situated at Atgaon Mumbai. Company proposes to use part of net proceeds to the extent to Rs. 751.26 Lakhs to meet capital expenditure in relation to installation of JMTB-1500 Surgical Tape Coating Machine.

2. Funding to meet working capital requirements

With the expansion of the business company will be in the need of additional working capital requirements. Company fund a majority of its working capital requirements in the ordinary course of business from banks facilities and internal accruals. Company requires additional working capital for funding its incremental working capital requirements and releasing the internal accruals deployed in working capital. The funding of the incremental working capital requirements will lead to a consequent increase in company's profitability, ability to utilize internal accruals for growth opportunities and achieving the proposed targets as per company's business plan. Company proposes to utilize ₹ 1000 lakhs of the Net Proceeds in Fiscal 2024 towards its working capital requirements. The balance portion of company working capital requirement shall be met from the working capital facilities availed and internal accruals. The incremental and proposed working capital requirements and key assumptions with respect to the determination of the same are mentioned below:

Details of Estimation of Working Capital requirement are as follows:

		(Rs in Lacs)			
	Particulars	Actual (Restated)			Estimated
		March 31,2021	March 31,2022	March 31,2023	March 31,2024
I	Current Assets				
	Inventories	1483.69	1284.30	1480.66	1669.95
	Cash and Bank Deposits	151.65	582.58	845.65	888.81
	Trade Receivables	427.24	1565.53	1719.80	2196.31
	Short Term loan & Advances	216.93	229.74	501.35	551.35
	Other Current Assets	277.95	100.13	123.93	173.93
	Total (A)	2557.46	3762.28	4671.39	5480.35
II	Current Liabilities				
	Trade Payables	1269.89	2069.39	2418.75	1865.04
	Other Current Liabilities	397.61	781.07	616.07	536.07
	Short Term provisions	188.13	280.26	352.53	341.70
	Total (B)	1855.63	3130.72	3387.35	2742.82
III	Total Working Capital Gap (A-B)	701.83	631.56	1284.04	2737.53
IV	Funding Pattern				
	Short Term borrowings & Internal Accruals	701.83	631.56	1284.04	1737.53
	IPO Proceeds				1000.00

3. General Corporate Purpose

Company intends to deploy the balance Net Proceeds towards general corporate purposes, subject to such utilization not exceeding 25% of the Gross Proceeds, in accordance with Regulation 7(2) of the SEBI ICDR Regulations, to drive company's business growth, including, amongst other things, (i) funding growth opportunities, including strategic initiatives; (ii) meeting any expenses incurred in the ordinary course of business by the Company; (iii) servicing of borrowings including payment of interest; (iv) brand building and other marketing expenses; (v) meeting of exigencies which company may face in the course of any business; and (vi) any other purpose as permitted by applicable laws and as approved by company's Board or a duly appointed committee thereof.



Business Strengths

Offer a diversified range of products

Company have a diversified product portfolio of medical equipments and disposables catering to renal care solution, cardiovascular disease, respiratory disease, Critical Care and Radiology and surgical disposables. Company deal in a wide range of products, which enables it to cater to a widespread customer base across India and also expand its reach in international locations like Philippines, Bangladesh, Kenya, Bhutan, Burundi, Camaroon, Congo, Nepal, Nigeria, Ivory Coast, France, Seychelles, etc. The collaboration, agreements or authorizations awarded to company for equipments or disposables has endowed company with greater exposure and opportunity to benefit from large consumer market in India. Company provide advanced medical equipments with latest technology. Further, company have necessary resources, experience, and network that can be customized and leveraged to cater to wider range of medical devices as per requirements of the customers. With an operating history of more than three decades, company is primarily known for its wide range of quality products at a competitive price.

Existing well established reputation and customer relationships

Company focus on maintaining long term cordial business relationship with most of its customers. Company's key customers majorly include (i) hospitals and diagnostic centres; (ii) Distributors and dealers and (iii) independent doctors. Company sell some of its products under its registered brand name "JMS", "Aero Plus" and "Safecath". With company expanding business scope, company's brand alongwith other brands, over these years has built a reputation by marketing and distributing wide range of medical equipments and disposables with strong customer base. Company constantly try to address customer needs with a variety of products. Company's existing client relationships help it to get repeat business from its customers. This has helped company maintain a long term working relationship with its customers and improve its customer retention strategy. Company have an extensive sales network and access to comprehensive market across India. The scale and reach of company's sales network across its key markets enables company to effectively market and distribute its products. Company's sales teams and network are set up keeping in mind the requirements of the local market and its target customers in each location.

Quality Assurance

Company's quality is a pre-requisite for a positive consumer experience and long-term brand loyalty. This philosophy has formed the foundation of the expansion and diversification of company's product portfolio since its inception. Company have obtained ISO 9001:2015 and ISO 13485:2016 certification for Quality management System from AQC Middle East FZE and BSCIC Certifications Pvt. Ltd. respectively

Experienced management team with industry expertise and successful track record

Company have an experienced and qualified management team led by its Promoter and Managing Director, Hanskumar Shamji Shah with overall work experience of around 35 years, its Promoter and Whole Time Director, Kaushik Hanskumar Shah with overall work experience of around 15 years and its Whole Time Director Hemant Praful Shah with overall work experience of around 25 years.

Stable financial performance with improved margins

Over the last three years, company have focused its attention towards expanding its product portfolio which has resulted in an increase in company's revenue from operations and profits. Company's revenue from operations has grown at a CAGR of 35.14% from ₹ 5976.46 lakhs in Fiscal 2021 to ₹ 10914.82 lakhs in Fiscal 2023. Company's profit for this period has also grown from ₹ 114.53 lakhs in the Fiscal 2021 to ₹ 765.11 in Fiscal 2023. Company's profit after tax margin was 7.01%, 4.45% and 1.92% for the period ended Fiscal 2023, 2022 and 2021.



Business Strategies

1. Capitalise on industry tailwinds

India's medical devices market is projected to reach US\$ 50 billion by 2025. Between 2020-25, diagnostic imaging is likely to expand at a CAGR of 13.5%. (Source: <https://www.ibef.org/industry/medical-devices>). In this rapidly-growing industry space, company will continue to strategically and aggressively expand its operations across India and grow its customer base. Company continue to grow and strengthen its relationship with (i) hospital and diagnostic centres; (ii) Distributors and dealers and (iii) with independent doctors. Company also focus on operating as Service provider – for running dialysis centre that shall create further value addition. Company will thrive to focus on more such assignments that may contribute to generating recurring income for the company. Company intend to enhance its portfolio of medical equipment by introducing new-age medical equipment for patients under critical home care.

2. Focus on consistently meeting quality standards

Company intends to focus on adhering to the quality standards of the products. Quality of the product is very important for the company from both customer point of view and regulatory point of view. Continuous quality review of products and timely corrective measures in case of quality diversion are keys for maintaining quality standards of the products. Providing the desired and good quality products help in enhancing customer trust and maintaining long term relationships with customers. However the manufacturer does not assume liability for possible consequences related to use of the medical device, but the focus to meet quality standard is essential to obtain repeat orders.

3. Deepen and expand geographical presence

Company intend to cater to the increasing demand of its existing customers and also to increase its existing customer base by enhancing the reach of its products in different parts of the country. Company operates from Mumbai in India. Furthermore, company have deployed various dealers, marketing representatives for increasing its sales. Company propose to enter into new geographies and increase its marketing and sales team which can focus on different regions and also maintain and establish relationship with customers. Company aim to achieve this by adding value to its customers through quality assurance, timely delivery and reliability.

4. Strengthening up business through effective branding, promotional and digital activities

Company caters to the Healthcare industry as a solution provider and therefore reputation and trust play a vital role for customer building. Company seek to increase its brand awareness through outdoor media; marketing initiatives, new product lines and brand extensions, effective online marketing strategies. Brand reputation is considered the top criteria in decision-making, with word of mouth, feedback from customers and recommendation from pharmacists playing a crucial role. Company's marketing and advertising initiatives are directed to increase brand awareness to cater to new customers. Company plan to effectively utilize its website, social networking sites and other online platforms of communication to build consumer knowledge of its brands..

5. Focus on backward integration

Company intends to install Surgical Tape Coating Machine for setting up a coating plant of Meditapes in India. Currently company is involved in Rewinding of the jumbo roll into Log Rolls (Small Rolls), Slitting of the rolls into tapes of different measurements as per Requirements such as 0.5 inch, 1 inch, 2 inch & 3 inch and after slitting, tapes are packed and dispatched as per the sales orders. Installation of adhesive coating machine will enable company to manufacture the complete product in India. This approach towards backward integration will reduce cost, improve availability and consistency of the product. Further company also intends to install Injection Moulding Machine, for moulding plastic parts of medical disposables like: Intravenous infusion set etc.

Shareholding Pattern of Promoters & Promoter Group

Shareholders	No. of Shares Pre Issue	Pre-Issue Shareholding (%)	No. of Shares Post Issue	Post-Issue Shareholding (%)
Promoter				
Hanskumar Shamji Shah	3526400	45.92	3526400	33.78
Kaushik Hanskumar Shah	2103120	27.38	2103120	20.14
Hemant Praful Shah	1734080	22.58	1734080	16.61
Sub Total (A)	73,63,600	95.88	73,63,600	70.53
Promoter Group				
Naman Hemant Shah	95200	1.24	95200	0.91
Leena Hanskumar Shah	87920	1.14	87920	0.84
Neha Hanskumar Shah	77,760	1.02	77,760	0.74
Neha Hemant Shah	55,520	0.72	55,520	0.53
Sub Total (B)	3,16,400	4.12	3,16,400	3.03
Total (A+B)	76,80,000	100.00	76,80,000	73.56



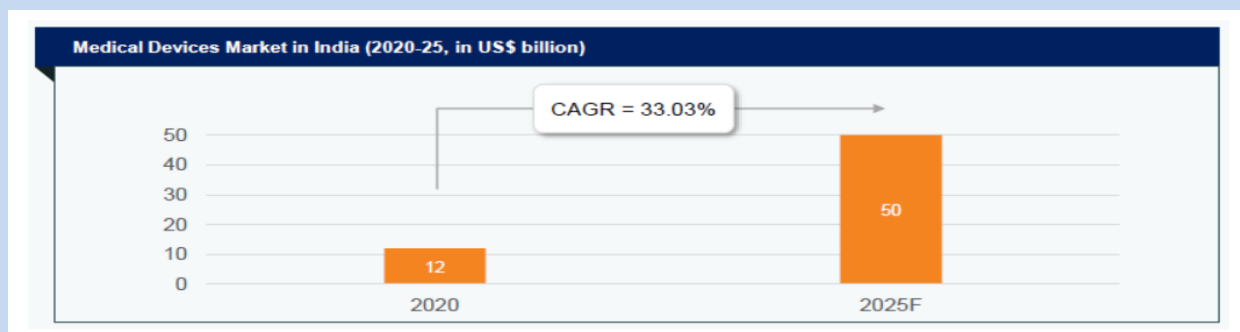
Industry Overview

Medical Devices Industry

The Indian market for medical equipment is predicted to increase to US\$ 50 billion by 2025. As of 2020, the medical devices market is estimated to be at US\$ 12 billion in India. India is the 4th largest Asian medical devices market after Japan, China, and South Korea, and among the top 20 medical devices markets globally. India has an overall 75-80% import dependency on medical devices. Export of medical devices from India stood at US\$ 2.53 billion in FY21. The US, Germany, China, Brazil, Iran, etc. are a few key countries that import Indian medical devices. Gujarat, Maharashtra, Karnataka, Haryana, Andhra Pradesh, Telangana and Tamil Nadu are the manufacturing hubs for medical devices in India. In BioAsia 2021, key stakeholders in the panel discussion on medical technologies stated that India would become self-sufficient in domestic medical devices manufacturing by 2025-26. The panel observed that the government is taking supportive measures such as promoting indigenous manufacturing of high-tech medical devices, production-linked incentive schemes (PLIs) on medical devices, boosting new medical devices park, etc. to boost overall growth of the domestic medical devices market in India.

Growth in Medical Devices

As of 2020, the medical devices market is estimated to be at US\$ 12 billion in India. India is the 4th largest Asian medical devices market after Japan, China, and South Korea, and among the top 20 medical devices markets globally. However, it has the potential to surpass its peers in terms of size and scale; this is based on the government's support the sector has received over the past several years. India's medical devices market is projected to reach US\$ 50 billion by 2025. Between 2020-25, diagnostic imaging is likely to expand at a CAGR of 13.5%. The medical devices sector in India comprises large multinationals, and small and mid-sized companies. This sector, which is growing faster amid the pandemic, offers great opportunities for domestic players, particularly engineering MSMEs, to further penetrate the global markets. The Government of India (GOI) has commenced various initiatives to strengthen the medical devices sector, with emphasis on research and development (R&D) and 100% FDI for medical devices to boost the market. India added significant production capacity for various critical care items such as PPE kits, surgical gloves, sanitisers and N95 masks, and emerged as a significant destination for manufacturing of healthcare products and services.



Government Initiatives to Boost Demand

1. 100% FDI

100% FDI is allowed in the medical devices sector in India. Categories such as equipment and instruments, consumables and implants attract the most FDI. The Indian medical devices industry was granted the status of an 'independent industry' in 2014, and given the title of 'sunrise' sector under the Make in India scheme in 2014. In October 2021, the government announced a plan to draft a new drugs, cosmetics and medical devices bill to increase the acceptability of Indian medical devices in the global market. 100% FDI under the automatic route for both brownfield and greenfield setups in the sector is expected to boost the industry. Strong FDI inflows also reflect confidence among global players on the Indian medical devices market.

Over the last five years (2015-20), India received US\$ 600 million, with key investments from countries such as Singapore, the US, Europe and Japan. Categories such as equipment and instruments, consumables and implants have attracted the most FDIs. FDI inflow in the medical and surgical appliances sector stood at US\$ 2.41 billion between April 2000-March 2022. In the Union Budget 2022-23, Rs. 86,200 crore (US\$ 11.3 billion) was allocated as a budget for the pharmaceutical and healthcare sector.

2. Incentive Schemes

In July 2022, the government tabled a draft for the new Drugs, Medical Devices and Cosmetics Bill 2022, to assure and offer thorough legal protections to ensure that the medical items sold in India are reliable, efficient, and up to required standards. To boost domestic manufacturing of medical devices and attract huge investments in India, the Department Of Pharmaceuticals launched a PLI scheme for domestic manufacturing of medical devices, with a total outlay of funds worth Rs. 3,420 crore (US\$ 468.78 million) for the period FY21-28.



Industry Overview

The government also approved applications for nine eligible projects that are expected to lead to a total committed investment of ~Rs. 729.63 crore (US\$ 100.01 million) by the companies Siemens Healthcare Private Limited, Allengers Medical Systems Limited (AMSL), Allengers OEM Private Limited (AOPL), Wipro GE Healthcare Private Limited, Nipro India Corporation Private Limited, Sahajanand Medical Technologies Private Limited, Innvolution Healthcare Private Limited, and Integris Health Private Limited, and generate ~2,304 jobs.

3. Introduction of Medical Parks

The medical device parks are expected to reduce manufacturing costs as these will be equipped with the necessary infrastructure where companies can plug and play. A vast medical device park is planned to open in Noida, bringing in a total investment of Rs. 5,250 crores (US\$ 705.38 million) by the government, and employ 20,000 people.

In September 2021, the government sanctioned a proposal worth Rs. 5,000 crore (US\$ 674.36 million) to build a medical devices park in Himachal Pradesh's industrial township Nalagarh in the Solan district. The government approved the construction of a medical devices park near the Noida International Airport at Jewar in Sector 28. The government announced a scheme worth Rs. 400 crore (US\$ 53.95 million) to promote medical device parks until FY25. The scheme is expected to reduce the cost of manufacturing medical equipment, making it more affordable in the domestic market.

In July 2021, the government announced that they would build a medical park in Uttar Pradesh, which is expected to generate an estimated Rs. 500 crore (US\$ 67.13 million) worth of business in the state.

4. Commercialisation in the medical devices and diagnostics space

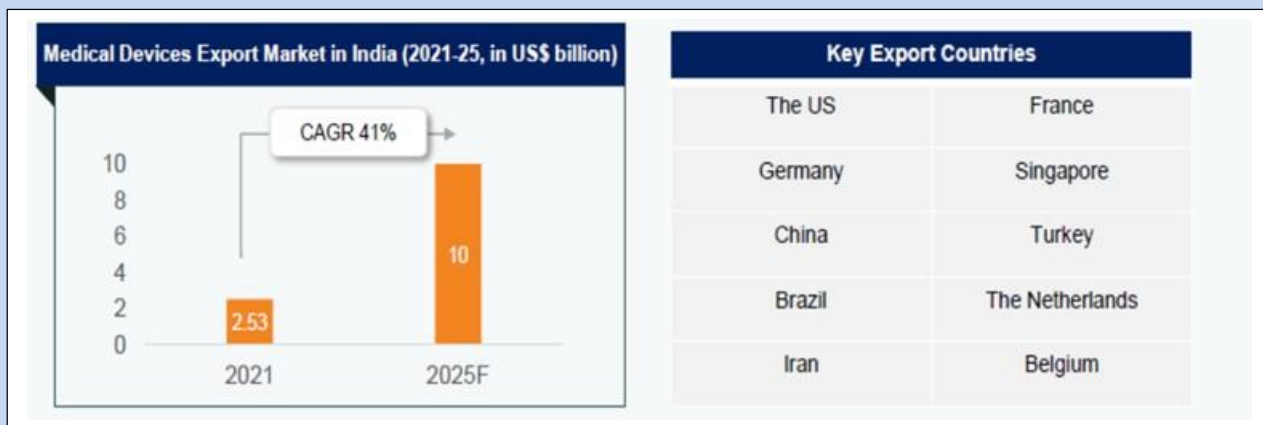
In November 2021, the Indian Council of Medical Research (ICMR) collaborated with Indian Institutes of Technology (IITs) to establish 'ICMR at IITs' by setting up Centres of Excellence (CoE) for Make-in-India product development and commercialization in the medical devices and diagnostics space. The ICMR-DHR CoEs at IITs will create a pipeline of innovative medical devices and start-ups that will incentivise and motivate local manufacturing in India and provide holistic support to the technologies/products nearing commercialisation.

Source: <https://www.ibef.org/industry/medical-devices>

5. Production Linked Incentive (PLI) Scheme

The Indian Government has identified medical devices as a priority sector for the flagship 'Make in India' program and is committed to strengthening the manufacturing ecosystem. The Production Linked Incentive Scheme (PLI) Promoting Domestic Manufacturing of Medical Devices and Production Linked Incentive Scheme for Pharmaceuticals (PLI 2.0) have been introduced to provide an impetus to India's vision of becoming a global manufacturing hub for medical devices.

Export scenario of medical devices in India



India has a 75-80% import dependency on medical devices, with exports of US\$ 2.53 billion in FY21, which is expected to increase at a CAGR of 41% to reach US\$ 10 billion by 2025. India and Russia have set the bilateral trade target at US\$ 30 billion by 2025. Trade is expected to increase by an additional US\$ 5 billion per annum, with opportunities in pharmaceuticals & medical devices, minerals, steel, and chemicals. Medical devices are a highly attractive export area for US firms. To increase the export of medical devices in the country, the Ministry of Health and Family Welfare (MOHFW) and Central Drugs Standard Control Organisation (CDSCO) implemented the following initiatives: o The entities are re-visiting and implementing the Schedule MIII, which is a draft guidance on good manufacturing practices and facility requirements. o System for export labelling. o Clinical evaluation and adverse reporting clarification. o State licencing authority to extend free sales certificate validity from 2 years to 5 years to allow exports. o Create a list of manufacturers with export licencing and make this list easily accessible to different regulatory authorities worldwide. The Medical Devices Virtual Expo 2021 showcased Indian products and enabled direct interaction between Indian suppliers and buyers/importers from participating countries. Also, 300 foreign buyers from the healthcare sector participated in this event. Source: <https://www.ibef.org/industry/medical-devices>



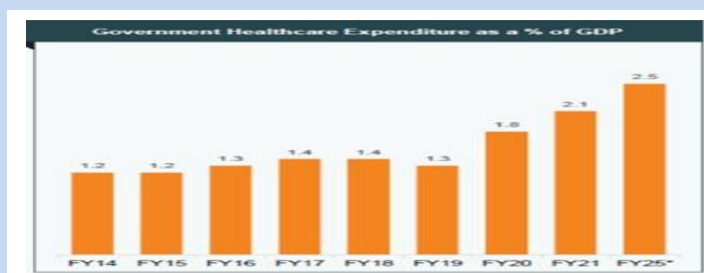
Industry Overview

Healthcare Industry

India climbed to the 63rd rank among 190 countries in the World Bank's 'Ease of Doing Business' rankings in 2020. As of 2021, the Indian healthcare sector is one of India's largest employers as it employs a total of 4.7 million people. The sector has generated 2.7 million additional jobs in India between 2017-22 --over 500,000 new jobs per year. The Asian Research and Training Institute for Skill Transfer (ARTIST) announced plans to create around one million skilled healthcare providers by 2022. The Indian healthcare sector is expected to record a three-fold rise, growing at a CAGR of 22% between 2016- 22 to reach US\$ 372 billion in 2022 from US\$ 110 billion in 2016. As of August 23, 2022, more than 210.31 crore COVID-19 vaccine doses have been administered across the country. By FY22, Indian healthcare infrastructure is expected to reach US\$ 349.1 billion. The e-health market size is estimated to reach US\$ 10.6 billion by 2025. The Government of India aims to increase healthcare spending to 3% of the Gross Domestic Product (GDP) by 2022. Two vaccines (Bharat Biotech's Covaxin and Oxford-AstraZeneca's Covishield manufactured by the Serum Institute of India) were instrumental in medically safeguarding the Indian population and those of 100+ countries against COVID-19. In November 2021, the Government of India, the Government of Meghalaya and the World Bank signed a US\$ 40 million health project for the state of Meghalaya. This project will improve the quality of health services and strengthen the state's capacity to handle future health emergencies, including the COVID-19 pandemic

Per capita healthcare expenditure has risen at a fast pace

This is due to rising income, easier access to high-quality healthcare facilities and greater awareness of personal health and hygiene. Greater penetration of health insurance aided the rise in healthcare spending, a trend likely to intensify in the coming decade. Economic prosperity is driving the improvement in affordability for generic drugs in the market. In the Economic Survey of 2022, India's public expenditure on healthcare stood at 2.1% of GDP in 2021-22 against 1.8% in 2020-21 and 1.3% in 2019-20. The Government is planning to increase public health spending to 2.5% of the country's GDP by 2025.



Peer Comparison

Name of Company	CMP(Rs.)	Face Value(Rs.)	EPS Basic*(Rs.)	PE	RoNW (%)*	Book Value(Rs.)	Total Income(Rs.lakhs)
Hemant Surgical Industries Limited	[.]	10	10.26	[.]	32.42	31.70	10914.82
Peer Group							
Poly Medicure Ltd	965.40	5	18.69	51.65	14.44	129.41	115141.58

Notes:

- (i) Source – All the financial information for listed industry peer mentioned above is sourced from the Audited Financials of the aforesaid companies for the year ended March 31, 2023 and stock exchange data dated May 10, 2023 to compute the corresponding financial ratios. For company, Current Market Price is taken as the issue price of equity share.
- (ii) Further, P/E Ratio is based on the current market price of the respective scrips.
- (iii) The EPS, NAV, RoNW and Total Income of Company is taken as per Restated Financial Statement for the Financial Year 2022-23 as adjusted with the effect of Bonus Issue.


(RESTATED STATEMENT OF ASSETS & LIABILITIES)

(Rs. In Lakhs)

Particulars	As at March 31, 2023	As at March 31, 2022	As at March 31, 2021
1)EQUITYANDLIABILITIES			
1)Shareholders' Funds			
a) Share Capital	768.00	200.00	200.00
b) Reserves & Surplus	1591.90	1114.78	653.38
2)Share Application money pending allotment	--	--	124.88
3)Non-Current Liabilities			
a) Long Term Borrowings	305.90	408.00	1032.13
b) Deferred Tax Liability (Net)		-10.07	-14.67
b) Long Term Provisions	31.62	28.37	24.27
d) Other long-term liabilities	--	--	--
4)Current Liabilities			
a) Short Term Borrowings	406.03	565.79	414.21
b) Trade Payables	2418.75	2069.39	1269.89
c) Other Current Liabilities	616.07	781.07	397.61
d) Short Term Provisions	352.53	280.26	188.13
Total	6490.79	5437.59	4289.84
B)ASSETS			
1)Non-Current Assets			
(a) Property, Plant & Equipment and Intangible Assets			
(i) Tangible Assets	1315.23	1157.33	1189.93
(ii) Intangible Assets	--	--	--
b) Non-Current Investment	36.154	81.85	118.20
(c) Deferred Tax Assets (Net)	21.49	--	--
(d) Long Term Loans & Advances	446.53	436.14	424.24
e) Other non-current assets	--	--	--
2)Current Assets			
a) Inventories	1480.66	1284.30	1483.69
b) Trade Receivables	1719.80	1565.53	427.24
c) Cash and Cash equivalents	845.65	582.58	151.65
(d) Short-Term Loans and Advances	501.35	229.74	216.93
(e) Other Current Assets	123.93	100.13	277.95
Total	6490.79	5437.59	4289.84


(RESTATED STATEMENT OF PROFIT & LOSS)

(Rs. In Lakhs)

Particulars	As at March 31, 2023	As at March 31, 2022	As at March 31, 2021
Revenue			
Revenue From Operations	10914.82	10357.00	5976.46
Other Income	234.85	220.02	88.73
Total Revenue	11149.68	10577.02	6065.19
Expenses			
Cost of Material Consumed	8197.24	8149.31	4926.61
Changes in inventories of finished goods	-150.72	20.27	-179.57
Employee Benefit Expenses	666.43	576.06	378.28
Finance Cost	191.26	163.91	180.71
Depreciation and Amortisation Expenses	84.97	74.86	63.43
Other Expenses	1154.76	981.42	543.69
Total Expenses	10143.95	9965.82	5913.15
Profit Before Exceptional & extraordinary items & Tax	1005.72	611.19	152.04
Less: Exceptional item	--	--	---
Profit Before extraordinary items & Tax (A-B)	1005.72	611.19	152.04
Prior Period Items	--	--	--
Extraordinary Items	--	--	--
Profit before Tax	1005.72	611.19	152.04
Tax Expense:			
Current Tax	252.04	145.19	26.88
Deferred Tax	-11.42	4.60	10.63
Profit/(Loss) for the period after tax -PAT	765.11	461.40	114.53

Key Performance Indicators of company

(Rs. In Lakhs)

Key Financial Performance	FY 2022-23	FY 2022-21	FY 2020-21
Revenue from operations	10914.82	10357.00	5976.46
EBITDA	1016.89	626.82	306.86
EBITDA Margin	9.32%	6.05%	5.13%
PAT	765.11	461.40	114.53
PAT Margin	7.01%	4.45%	1.92%

Notes:

- (1) Revenue from operation means revenue from sales, service and other operating revenues
- (2) EBITDA is calculated as Profit before tax + Depreciation + Interest Expenses - Other Income
- (3) 'EBITDA Margin' is calculated as EBITDA divided by Revenue from Operations
- (4) 'PAT Margin' is calculated as PAT for the year divided by revenue from operations.


(RESTATED STATEMENT OF CASH FLOW)

(Rs. In Lakhs)

Cash Flow Statement	As at March 31, 2023	As at March 31, 2022	As at March 31, 2021
(A) Cash Flow from operating Activities:			
Net profit before tax as per profit & Loss A/c	1005.72	611.19	152.04
Adjustment for:			
Depreciation & Amortization Expense	84.97	74.86	63.43
Interest Income	-50.35	-12.39	-15.84
Finance cost	191.26	163.91	180.71
Loss on Sale of Fixed Assets	2.30	--	--
Previous years Adjustments	--	--	--
Operating profit before working capital changes	1233.91	837.57	380.34
Adjusted for (Increase)/ Decrease in:			
Short term provision	17.49	17.49	17.80
Trade Receivables	-154.27	-1138.29	114.04
Inventories	-196.36	199.39	-3.77
Other current assets	-23.80	142.11	-31.85
Trade Payables	349.36	799.50	-427.21
Other Current Liabilities	-165.00	383.45	-40.43
Cash Generated from operations	-172.58	403.65	-371.41
Appropriation of Profit	--	-	--
Net Income taxes paid/ refunded	197.26	34.84	36.02
Net Cash Flow from /(used in) operating activities (A)	864.07	1206.38	-27.08
B) Cash Flow From Investing activities:			
Net (Purchases)/Sales of Fixed Assets (including capital work in progress)	-245.17	-42.26	-238.85
Interest Income	50.35	12.39	15.84
Net Increase/(Decrease) in long term loans and Advances	-10.39	-11.90	-9.85
Net Increase/(Decrease) in Current Investment	45.70	36.36	--
Net Cash Flow from/(used in) investing activities(B)	-159.51	-5.41	-232.86
C) Cash Flow From Financing Activities:			
Net Increase/(Decrease) in Long Term Borrowings	-102.10	-624.13	282.03
Net Increase/(Decrease) in Long Term Provisions	3.26	4.10	4.65
Net Increase/(Decrease) in Other Long-Term Liabilities	--	--	--
Net Increase/(Decrease) in Short Term Borrowing	-159.77	151.58	-219
Net (Increase)/Decrease in Short Term Advance	-271.61	-12.81	39.85
Net (Increase)/Decrease in Other non-current assets	--	--	--
Application Money Received / Refunded	--	-124.88	124.88
Proceeds from Issue of Shares	280.00	--	--
Interest on borrowings	-191.26	-163.91	-180.71
Net Cash flow from /(used in) Financing activities (C)	-441.49	-770.05	51.71
Net increase/(Decrease) in cash & cash equivalents(A+B+C)	263.07	430.93	-208.24
Cash & Cash equivalents at the beginning of the year	582.58	151.65	359.89
Cash & Cash equivalents at the end of the year	845.65	582.58	151.65



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