

Nureca Ltd.

Healthcare | India

IPO | 11 February 2021

Attractively Priced

About the Company

Nureca Ltd. (NURECA), incorporated in 2016, is a B2C company engaged in the business of Home Healthcare (HH) and wellness products. The company aims to offer the best quality, durable, and innovative tools to customers to monitor chronic diseases to improve their lifestyle. It has a well-diversified product portfolio including Chronic Device Products, Orthopedic products, Mother and Child products, Nutrition Supplements, and Lifestyle products to meet the Indian healthcare market requirements. It is considered as the first digital company to sell such products through its website (drtrust.in) and other online partners i.e. e-commerce players, retailers, and distributors. Its most of the product lines support home health market in India, making it a one-stop solution provider. Dr. Trust is a known for its innovative products in the market, and, with the segment showing significant potential for growth. The company's distribution network ensures that its products are easily available in almost any part of India. NURECA has received 66 trademarks, 6 copyrights and 92 designs registration and has applied for more 12 trademark registration.

Financials in Brief

NURECA's financials are quite encouraging. While its revenue recorded 122% CAGR over FY18-FY20, its net profit grew by 44% CAGR during the same period. More importantly, NURECA's EBITDA and PAT became almost 5.7x in 1HFY21 compared to FY20 performance. This is mostly led by operating leverage. Further, robust margins and comfortable leverage position (gearing ratio at ~25%) led to robust return ratio for the company. Debtor cycle also improved from 47days in FY20 to merely 6 days in 1HFY21.

Our View: SUBSCRIBE

NURECA operates in a highly fragmented market. Given the huge opportunity in HH segment, growth momentum is expected to sustain in subsequent years. Notably, HH Market in India and neighbouring countries, which was pegged at Rs208bn in 2019, is expected to grow to Rs389bn by 2025 (at a CAGR ~11%). Further, IPO is valued at 5.6x annualized earnings report in 1HFY21, which looks to be attractively valued given high asset turnover and return ratio of the company. As there is no listed peer available, benchmark valuation is difficult to ascertain. However, thin history, frequent policy changes by the government and substantial improvement in earnings before fund raising could raise some apprehensions. However, considering attractive valuations and sizeable opportunity, **we recommend SUBSCRIBE to this issue.**

IPO Details

Pice Band	Rs396-400
Face Value (Rs)	10
Issue Open/Closing Date	15th / 17th Feb'21
Fresh Issues (mn)	2.5
OFS (mn)	0.0
Total Issue (mn)	2.5
Minimum Bid Qty. (Nos)	35
Issue Size (Rs bn)	1.0
QIB / HNI / Retail	75% / 15% / 10%
Implied Market Cap (Rs bn)	4.0

Object of the Issue

- ▶ To meet the working capital requirements of the business.
- ▶ To meet general corporate purposes

Key Risks

- ▶ Rising competition and adverse change in government policies
- ▶ Low capacity utilisation of owned assembly plant

Shareholding (%)	Pre-issue	Post-Issue
Promoters	93.3	70.0
Public	6.7	30.0

Key Financials

Rs bn	FY18	FY19	FY20	1HFY21
Revenue	0.20	0.62	0.99	1.22
EBITDA	0.04	0.09	0.08	0.48
EBITDA Margin (%)	21.9	14.8	8.4	39.2
PAT	0.03	0.06	0.06	0.36
Diluted EPS (Rs)	3.10	6.20	6.39	36.10
P/E (x)	129.0	64.5	62.6	11.1
Net Worth	0.02	0.08	0.15	0.52
RoE (%)	182.4	78.5	42.9	70.0
Gross Debt	39.3	69.5	69.5	69.8
OCF	0.00	0.00	-0.08	0.56
OCF Yield (%)	0.02	0.08	-1.98	14.06
Gross Block (Rs mn)	0.26	1.46	5.57	6.24
Asset Turnover (x)	769	425	178	196

Source: RHP

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