



SMC Ranking

★ ★ ★ ☆ ☆ (2.5/5)

Issue Highlights

Industry	Healthcare
Offer for sale (Shares)	2,60,82,786
Fresh Issue (Shares)	21,50,537
Net Offer to the Public	2,82,33,323
Issue Size (Rs. Cr.)	499-526
Price Band (Rs.)	177-186
Offer Date	22-Feb-24
Close Date	26-Feb-24
Face Value	10
Lot Size	80

Issue Composition

	In shares
Total Issue for Sale	2,82,33,323
QIB	50%
NIB	15%
Retail	35%

Shareholding Pattern (%)

Particulars	Pre-issue	Post-issue
Promoters & promoters group	67.34%	65.57%
QIB	32.66%	17.22%
NIB	0.00%	5.16%
Retail	0.00%	12.04%
Total	100.00%	100.00%

*calculated on the upper price band

Objects of the Issue

The company proposes to utilize the Net Proceeds towards funding the following objects:

Repayment or prepayment, in full or in part, of all or a portion of certain outstanding borrowings availed by the company from banks and financial institutions; and

General corporate purposes.

Book Running Lead Manager

- JM Financial Limited

Name of the registrar

- Link Intime India Private Limited

About the company

Incorporated in 1989, GPT Healthcare operates a network of multi-specialty hospitals known as ILS Hospitals. Spanning West Bengal and Tripura, these hospitals provide accessible and integrated healthcare services across over 35 specialties, including critical areas like internal medicine, surgery, intensive care, and pediatrics. As of September 2023, GPT Healthcare boasts four hospitals with a total bed capacity of 561. Each facility offers a comprehensive range of medical services, along with in-house diagnostic labs and pharmacies, ensuring convenient care for patients. The company has seen steady growth, with its revenue increasing at a 21.95% CAGR between 2021 and 2023. This demonstrates GPT Healthcare's commitment to expanding its reach and delivering quality healthcare to Eastern India.

Strength

Key regional corporate healthcare company with a strong foothold in under-penetrated and densely populated healthcare delivery markets:

GPT Healthcare stands out as a leading regional healthcare provider in Eastern India, thanks to its extensive network of hospitals and bed capacity. As of September 2023, the company operated four full-service hospitals under the ILS Hospitals brand, offering 561 beds to serve the community. Its strategic focus lies in densely populated areas of West Bengal, where access to private healthcare is limited. By strategically placing its hospitals in Salt Lake, Dum Dum, Howrah (all in West Bengal), and Agartala (Tripura), it addresses this under-served need. This targeted approach has resulted in consistently high bed occupancy rates, demonstrating the strong demand for its services. In the past five years (including the first half of 2023), its beds were occupied for an average of 58%, with peaks exceeding 60%.

Right-sized', full service and strategically located hospitals leading to high return on capital:

GPT Healthcare takes a unique approach to hospital investment, right-sizing them to match the specific needs of each region. This focus on "mid-sized" hospitals allows for lower costs per bed compared to other Indian secondary care facilities. The company is putting this approach into action with its new hospital in Ranchi, Jharkhand. Secured through a 30-year lease (extendable by 20 years), this project represents an estimated investment of Rs. 50 crore. The land and building will be financed by the owner/developer, minimizing its upfront costs. Furthering its growth, it has also signed an MoU for a hospital in Raipur, Chhattisgarh. This 20-year (extendable) project carries an estimated Rs. 55 crore investment and follows the same asset-light model as Ranchi.

Well diversified specialty mix and location mix: GPT Healthcare is a well-known provider of healthcare across Eastern India, catering to diverse economic groups through different verticals. It offers a complete spectrum of

services, ranging from primary to tertiary care, functioning as a one-stop shop for patient needs in specific local markets. With over 35 specialties and super specialties, GPT Healthcare delivers a comprehensive range of medical care including internal medicine, diabetology, nephrology (including transplants), surgery, gynecology & obstetrics, critical care, gastroenterology, orthopedics & joint replacements, interventional cardiology, neurology, neurosurgery, pediatrics & neonatology. Furthermore, over the past four fiscal years and the recent six-month periods, their top 10 services consistently generated a significant portion of revenue, ranging from 82.79% to 90.44%.

Ability to attract, train and retain quality medical professionals: GPT Healthcare prioritizes top-notch care by carefully selecting and engaging a diverse group of skilled doctors, nurses, and paramedical professionals. This multi-disciplinary approach, combined with a high-volume tertiary care model and emphasis on teaching and research, positions them as a magnet for talented medical professionals. As of September 30, 2023, the company proudly boasts 91 full-time consultants, 481 visiting consultants, and 740 nurses. Its established brand, longstanding presence in Eastern India, cutting-edge medical technology, regional expansion, and positive reputation attract well-known doctors and diverse healthcare professionals to its facilities, consequently drawing even more patients. Additionally, conveniently located hostels in Agartala and Howrah provide comfortable accommodation for nurses, streamlining operations. Committed to minimizing doctor turnover, GPT Healthcare actively implements various engagement models and fosters an environment that encourages continuous skill development.

Track record of operating and financial performance and growth: GPT Healthcare boasts a relentless growth trajectory, expanding from an 8-bed facility in July 2000 to a 561-bed powerhouse as of September 2023. During this timeframe, the company has consistently grown revenue, reporting Rs. 361.04 crore in FY23 and demonstrating a clear upward trend. Its expansion strategy prioritizes efficient operations, profitability, and swift return on investment before pursuing new hospitals. Densely populated regions are prime targets, ensuring a robust patient base. Striking a balance between in-patient and out-patient care, GPT Healthcare sees out-patient services contribute a steady 14-18% of its revenue annually. Its commitment to clinical excellence, cutting-edge equipment, and positive patient outcomes has solidified its position as a leading regional healthcare player in Eastern India. This is further confirmed by the overwhelming majority of its patients (92-95%) being private insurance holders or walk-in cash patients, showcasing their strong individual appeal beyond corporate tie-ups.

Strategy

Strengthen its existing hospitals and their offerings and add new capabilities and specialties: GPT Healthcare is set to upgrade its existing hospitals by refining its mix of specialties, deepening expertise in specific areas, and introducing new services and specialties. This expansion is driven by the high occupancy rates at its current facilities, ensuring a ready patient base for the new or expanded ones. This approach leads to faster operational growth, increased business volume, and minimized operational risks. The company plans to focus on developing capabilities in

new, advanced specialties with high demand in its target markets. These specialties, like urology, neurology, interventional cardiology, and oncology, are expected to generate higher Average Revenue Per Occupied Bed (ARPOB). Additionally, GPT Healthcare aims to build new capabilities by introducing super-specialties that haven't been a focus area or haven't been available at specific hospitals.

Strategically grow its presence in adjacent markets: GPT Healthcare is setting its sights on Eastern India's densely populated and underserved markets, starting with Raipur (Chhattisgarh) and Ranchi (Jharkhand).

Raipur:

- A 152-bed hospital is planned for Raipur, with an estimated cost of Rs. 550 million.
- The company will follow an asset-light model, meaning the owner builds and maintains the facility, while GPT equips it and pays rent.
- This capital-efficient approach is expected to launch in 2025.

Ranchi:

- A 140-bed hospital is planned for Ranchi, with an estimated cost of Rs. 500 million.
- Similar to Raipur, the asset-light model will be used, with GPT focusing on equipping and operating the hospital.
- The launch is targeted for 2026 and aims to significantly boost GPT's healthcare capacity in Eastern India and revenue generation.

Focus on flexible and asset-light expansion for quick break-even: GPT Healthcare is using both Greenfield (new) and brownfield (existing) projects to expand its Eastern Indian reach. The company believes its established brand recognition will speed up patient adoption in new hospitals, established or acquired. The company leverages its experience to identify, execute, and integrate future opportunities, including asset-light models where they don't own the facilities.

Implementation of initiatives to improve existing operational efficiencies: Boosting efficiency and profitability is at the heart of GPT Healthcare's growth strategy. This includes seamlessly integrating acquisitions and organically grown facilities. Here's how they plan to achieve it:

1. Cost Reduction and Economies of Scale:

- **Standardization:** Streamlining medical and other consumables across the network.
 - **Procurement optimization:** Negotiating better deals through consolidated supplier base.
 - **Resource optimization:** Establishing guidelines for medical procedures to minimize waste.
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2. Revenue Growth:

- **Focus on high-growth areas:** Prioritizing facilities, technologies, and specialties with strong demand.
- **Improving case mix:** Attracting patients with higher-value procedures.
- **Increasing revenue per occupied bed:** Maximizing patient care efficiency.

3. Leveraging Technology:

- **Integrated IT system:** A centralized platform for various functions like patient management, billing, inventory, and reporting.
- **SAP integration:** Streamlining financial accounting processes.
- **HR management system:** Simplifying staff scheduling and self-service.

The hospital aims to boost revenue by shortening patient stays and increasing turnover. Since most inpatient income comes from early days in a stay, the company will focus on improving patient management and discharge processes, expanding home care, using efficient medical technologies, and performing more minimally invasive surgeries. To cut costs, it will centralize and optimize procurement. It will also keep training staff in best practices and offer performance incentives. The company hopes this will get doctors, consultants, and the care team more involved in administrative tasks like scheduling surgeries and managing hospitals, which it believes will improve clinical outcomes and service standards.

Leverage technology to enhance patient and attendant experience through digitalisation, and to grow its operations: GPT Healthcare aims to employ the latest medical technologies, machines, and treatments by analyzing complementariness of cutting-edge medical developments and technologies to provide better treatment for its patients. Further, GPT Healthcare intends to expand within Agartala Hospital by opening a new cancer care department, for which it has available floor space index. It aims to continuously explore potential medical technologies and advanced medical equipment to improve the quality of care and success rate of surgeries for patients. Further, its aim is to leverage technology in its operations with the goal of improving the quality of patient experience and cost efficiency. To achieve this, it is developing a healthcare mobile application, the ILS-MyHealth, which is expected to launch in the last quarter of Fiscal Year 2024.

Risk factor

- Increased competition from established players in the healthcare industry could erode GPT Healthcare's market share and squeeze its profit margins.
- Shifting regulations and compliance demands in the healthcare landscape could disrupt GPT Healthcare's operations and present financial challenges.
- GPT Healthcare's dependence on borrowed capital exposes it to the potential dangers of fluctuating interest rates and increased financial strain

Peer Comparison

Co_Name	Total Income	PAT	EPS	P/E	P/BV	BV	FV	Price	Mcap
Kovai Medical	1164.17	158.12	144.53	27.57	5.58	713.98	10	3985.30	4359.92
Global Health	3153.00	451.88	16.83	82.88	14.11	98.88	2	1394.95	37444.28
Krishna Institu.	2440.28	337.95	42.23	52.86	9.85	226.57	10	2232.20	17863.80
Shalby	888.50	81.38	7.53	40.17	3.39	89.30	10	302.50	3267.30
Jupiter Life Lin	1021.31	147.10	22.85	62.60	8.68	164.88	10	1430.45	9378.89
Yatharth Hospit.	636.37	93.45	10.88	44.29	5.13	93.94	10	481.85	4136.69
GPT Healthcare Limited**	393.25	45.51	5.55	33.54	7.18	25.92	10.00	186.00	1526.22

*Peer comparisons are based on TTM
 **GPT Healthcare financials are based on TTM.

Valuation

Considering the P/E valuation, on the upper end of the price band of Rs.186, the stock is priced at pre issue P/E of 32.66x on TTM EPS of Rs.5.70. Post issue, the stock is priced at a P/E of 33.54x on its EPS of Rs.5.55.. Looking at the P/B ratio at Rs.186, pre issue, book value of Rs. 21.61 of P/Bvx 8.61x. Post issue, book value of Rs. 25.92 of P/Bvx 7.18x.

Considering the P/E valuation, on the lower end of the price band of Rs.177, the stock is priced at pre issue P/E of 31.08x on TTM EPS of Rs.5.70. Post issue, the stock is priced at a P/E of 31.91x on its EPS of Rs.5.55.. Looking at the P/B ratio at Rs.177, pre issue, book value of Rs. 21.61 of P/Bvx 8.19x. Post issue, book value of Rs. 25.92 of P/Bvx 6.83x.

Industry Overview

The healthcare delivery market in India is expected to grow at a CAGR of 9%-11% between Fiscal Years 2024 and 2028 and reach Rs. 9.2-9.3 trillion in Fiscal Year 2028. The share of treatments (in value terms) by private players is expected to increase from 64% in Fiscal Year 2018 to nearly 70% in Fiscal Year 2028. The East and North-East region of India also contributed ~ 15.3% to India's GDP in Fiscal Year 2022 and has witnessed GSDP growth at a CAGR of 5.1% from Fiscal Year 2012 to Fiscal Year 2022. North-eastern states have ranked lower on Niti Ayog health index indicating under penetration of healthcare facilities. CRISIL Research expects healthcare in North-East to witness higher growth potential. Healthcare delivery industry in India faces many challenges, mainly: inadequate health infrastructure and unequal quality of services provided based on affordability and healthcare financing.

Outlook

While the GPT Healthcare IPO provides an opportunity to enter the expanding Indian healthcare market, it's crucial to be aware of the potential risks involved. Financially, GPT Healthcare experienced a moderate 7.11% increase in revenue between March 2022 and March 2023. However, there was a slight dip of -6.37% in profit after tax (PAT) during the same period. It's important to note that a significant portion of their income comes from their West Bengal hospital, which creates a concentration risk. Before making any investment decisions, carefully assess your risk tolerance. A long term investor may opt the issue.

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Krishna Institu.	2440.28	337.95	42.23	52.86	9.85	226.57	10	2232.20	17863.80
Shalby	888.50	81.38	7.53	40.17	3.39	89.30	10	302.50	3267.30
Jupiter Life Lin	1021.31	147.10	22.85	62.60	8.68	164.88	10	1430.45	9378.89
Yatharth Hospit.	636.37	93.45	10.88	44.29	5.13	93.94	10	481.85	4136.69
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**GPT Healthcare financials are based on TTM.

Annexure

Consolidated Financials

Profit & Loss

Rs. in Cr.

Particulars	Period ended 30-Sep-23 (6 Months)	Period ended 31-Mar-23 (12 Months)	Period ended 31-Mar-22 (12 Months)	Period ended 31-Mar-22	TTM
Revenue from operations	204.18	361.04	337.42	171.97	393.25
Total expenditure	160.51	286.69	263.58	141.55	
Operating Profit	43.66	74.35	73.84	30.42	
OPM%	21.39	20.59	21.88	17.69	
Other Income	2.52	5.69	4.99	2.51	
PBDIT	46.19	80.05	78.82	32.92	
Depreciation	8.72	14.91	13.59	6.93	
PBIT	37.46	65.13	65.23	26.00	
Interest	3.82	9.16	11.15	4.36	
Profit before tax	33.64	55.97	54.08	21.64	
Tax	10.16	16.96	12.42	4.66	
PAT	23.49	39.01	41.66	16.99	45.51

Balance sheet is on next page

Balance Sheet

Rs. in Cr.

Particulars	As on 30-Sep-23	As on 31-Mar-23	As on 31-Mar-22
Non-current assets			
Property, plant and equipment	201.88	203.70	206.56
Capital work-in-progress	4.25	2.61	0.72
Intangibles Assets	0.82	0.39	0.05
Right-of-use assets	24.27	23.76	13.59
Financial Assets			
Investments	12.17	5.17	5.00
Loans	0.10	0.08	0.06
Other Financial Assets	7.88	6.80	6.13
Non Current Tax (Net)	1.88	2.16	1.64
Deferred Tax Asset (Net)	0.00	0.00	3.71
Other Non Current Assets	1.15	0.82	0.09
Total non-current assets	254.40	245.49	237.54
Current assets			
Inventories	9.59	8.92	7.29
Financial Assets			
Investments	4.28	8.28	5.39
Trade receivables	28.00	20.68	13.43
Cash and cash equivalents	4.27	6.60	8.27
Other balances with Banks	3.48	2.25	0.44
Loans	16.24	23.32	38.66
Other Financial Assets	9.76	9.61	10.55
Other current assets	2.10	1.62	1.66
Total current assets	77.70	81.27	85.69
Total Assets	332.09	326.76	323.22
Non-current liabilities			
Financial liabilities			
Borrowings	29.93	40.27	72.44
Lease liabilities	16.78	16.49	4.98
Deferred Tax Liabilities (Net)	7.77	3.57	0.00
Provisions	8.53	7.24	6.51
Other non-current liabilities	11.66	11.99	12.63
Total non-current liabilities	74.67	79.55	96.57
Current liabilities			
Financial Liabilities			
Borrowings	25.65	24.41	23.08
Lease liabilities	2.68	1.20	1.06
Trade Payables			
Trades Payable - MSME	0.75	0.62	0.76
Trade Payables - other than MSME	40.00	32.78	28.17
Other financial liabilities	6.15	10.23	6.50
Provision	4.09	4.40	3.97
Other current liabilities	5.45	8.22	4.94
Total current liabilities	84.77	81.84	68.48
Total	159.44	161.39	165.04
Net worth represented by:			
Equity Share Capital	79.90	79.90	79.90
Other equity	92.75	85.46	78.28
Net Worth	172.65	165.36	158.18

RANKING METHODOLOGY

WEAK	★
NEUTRAL	★★
FAIR	★★★
GOOD	★★★★
EXCELLENT	★★★★★

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