



SMC Ranking

★ ★ ☆ ☆ ☆ (2/5)

Issue Highlights

Industry	Home Healthcare
Fresh Issue (Shares)	2,500,000
Employee reservation	25,000
Net Offer to the Public	2,475,000
Issue Size (Rs. Cr.)	99-100
Price Band (Rs.)	396-400
Offer Date	15-Feb-21
Close Date	17-Feb-21
Face Value	10
Lot Size	35

Issue Composition

	In shares
Total Issue for Sale	2,475,000
QIB	1,856,250
NIB	371,250
Retail	247,500

About the Company

Incorporated in 2016, Nureca Limited is a healthcare and wellness products distributor. The company aims to offer the best quality, durable, and innovative tools to customers to monitor chronic diseases to improve their lifestyle. The firm 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 the first digital company to sell such products through its website drtust.in and other online partners i.e. e-commerce players, retailers, and distributors.

Strength

Strong portfolio of its products and consistent focus on quality and innovation: The company focuses on creating innovative products with an emphasis of quality and efficiency. Further, it focuses that its products are adhered to the most stringent CE and FDA guidelines. Its efforts to maintain the quality of its products have been well recognized in the industry. Based on its experience it has focused on investing in experience based product innovation that are most relevant in creating the consumer experience. The company believes that it has been able to bring product innovation into the Indian market through its several innovative products.

Asset light business model and competitive products: Its business model relies on its ability to design products that are of good quality, innovative and functional, through optimal sizing from a suitable manufacturer or vendor and its long standing relationship with its vendors. It operates on an asset light business model which does not require it to invest heavily on physical assets such as plant and machinery, land and property and therefore it believes this business model allows it to be capital efficient. It also believes that its asset light model allows it to leverage its strong product portfolio, coupled with a strong distribution network and long standing relationships with vendors to contribute to the profitable growth and development of its business. Further, this also helps it in better cash flow management and lower risk.

Combination of technical expertise and understanding of Indian consumer preference: It believes that its brands i.e Dr. Trust, Dr. Physio and Trumom have built a reputation of introducing innovative products that appeal to Indian customers. It combines its technical expertise with an understanding of the Indian home healthcare market developed through market feedback and extensive interaction with its vendors. Through these efforts, it seeks to be the first to introduce innovative products in the market with unique functionalities that create new demand.

Shareholding Pattern (%)

Particulars	Pre-issue	Post-issue
Promoters & promoters group	93.33%	70.00%
QIB	6.67%	23.56%
NIB	0.00%	3.71%
Employee reservation	0.00%	0.25%
Retail	0.00%	2.48%
Total	100.00%	100.00%

*calculated on the upper price band

Objects of the Issue

1. To meet the working capital requirements of the business.
2. To meet general corporate purposes.

Book Running Lead Manager

- ITI Capital Ltd

Name of the registrar

- Link Intime India Private Limited

Strategies

Diversifying and strengthening its market by enabling it to cater to a wide range of geographies and customer Segments: As per the company, its overall strategy is commensurate for it to take advantage of the expected growth in the unorganised home healthcare sector in India. Increasing its penetration in new geographies will enable it to penetrate into new catchment areas with new geographies. Enhancing its reach to cover additional cities or states will enable it to reach out to more customers. It intends to strengthen its market in new geographies through following distribution network with a focus on efficiency. It emphasis is on expanding the scale of operations as well as growing its supply chain network, which it believes will provide attractive opportunities to grow its

customer bases and revenues.

Strengthening its business through product innovation and new product launches: The company intends to continue to leverage on its in-depth market research to enable it to introduce a wider range of products under its existing brands based on consumer preferences and demand and to distinguish itself from its competitors.

Strengthening up its business through effective branding, promotional and digital activities: The company seeks to increase its brand awareness and build differential brand equity through above-the-line investments in television and outdoor media; marketing initiatives, new product lines and brand extensions. It plans to effectively utilize its website, social networking sites and other online forms of communication to build consumer knowledge of its brands. It believes increasing brand awareness will lead to greater foot traffic and enable us to continuously increase its loyal consumer base and ultimately contribute to enhanced growth and profitability.

Risk factor

- Significant challenges or delays in Company's innovation and development of new products, technologies and indications could have an adverse impact on the Company's long-term success.
- Its inability to obtain, renew or maintain its statutory and regulatory permits and approvals required to operate its business may have a material adverse effect on its business, financial condition and results of operations.
- The company relies extensively on its operational support systems, including on its information technology systems in managing its supply chain, procurement process, logistics and other integral parts of its business, failure of which could adversely affect its business, financial conditions and results of operations.

Peer comparison

As per the RHP, there are no listed entities in India that are engaged in similar line of business and whose business is comparable with that of its business.

Valuation

Considering the P/E valuation, on the upper end of the price band of Rs. 400, the stock is priced at pre issue P/E of 46.91x on its FY20 EPS of Rs. 8.53. Post issue, the stock is priced at a P/E of 62.55x on its EPS of Rs. 6.40. Looking at the P/B ratio at Rs. 400 the stock is priced at P/B ratio of 5.81x on the pre issue book value of Rs.68.86 and on the post issue book value of Rs. 187.83 the P/B comes out to 2.13x.

On the lower end of the price band of Rs.396 the stock is priced at pre issue P/E of 46.44x on its FY20 EPS of Rs. 8.53. Post issue, the stock is priced at a P/E of 61.92x on its EPS of Rs. 6.40. Looking at the P/B ratio at Rs.396, the stock is priced at P/B ratio of 5.75x on the pre issue book value of Rs.68.86 and on the post issue book value of Rs. 187.83, the P/B comes out to 2.11x.

Industry overview

The Home Healthcare Market in India is highly fragmented, with proliferation of local companies, constituting large unorganized sector. Lax regulations and poor compliance in the unorganized sector has led to flooding of poor quality of products in the market. Additionally, the high number of players leads to high competition and pricing pressures, which in turn, results in reduced margins and scalability issues. The Home Health Market in India and neighboring countries is estimated at ₹ 20,757.0 Cr in 2019 and is expected to grow to ₹ 38,920.7 Cr by 2025 at a CAGR 11.0%. Nutritional Supplements Segment forms ~86% of the total Home. Health Market, followed by Chronic Disease

Products segment at 6.5%. Highest growth is expected in Lifestyle products, especially Fitness trackers, at CAGR 14.5%, but the other product segments are also growing at robust, similar growth rates between 2019 and 2025.

Outlook

Nureca is a B2C company engaged in the business of home healthcare and wellness products which offers quality, durability, functionality, usability and innovative designs. According to WHO, markets for such devices is expected to grow at a CAGR of 10% + and India is the major market with around 84%+ market share. Going forward, the company is expected to see good growth on the back of its diversified portfolio range, growth in the home healthcare segment and higher online channel mix. On the flip sides, significant challenges or delays in Company's innovation and development of new products, technologies and indications could have an adverse impact on the Company's long-term success.

An Indicative timetable in respect of the Issue is set out below:

EVENT	INDICATIVE DATE (On or about)
Bid/Offer Opens Date	February 15, 2021
Bid/Offer Closing Date	February 17, 2021
Finalisation of Basis of Allotment with the Designated Stock Exchange	On or about February 23, 2021
Initiation of refunds (if any, for Anchor Investors)/unblocking of funds from ASBA Account	On or about February 24, 2021
Credit of Equity Shares to depository accounts of Allottees	On or about February 25, 2021
Commencement of trading of the Equity Shares on the Stock Exchanges	On or about February 26, 2021

Consolidated Financials

Profit & Loss

Rs. in Cr.

Particulars	Period ended 30-Sep-20 (9 Months)	Period ended 31-Mar-20 (12 Months)	Period ended 31-Mar-19 (12 Months)
Revenue from operations	122.15	99.43	61.90
Total expenditure	72.97	89.73	52.84
Operating Profit	49.18	9.69	9.06
OPM%	56.77	65.87	48.53
Other Income	0.83	0.06	0.09
PBDIT	50.01	9.76	9.14
Depreciation	0.18	0.37	0.057
PBIT	49.83	9.38	9.09
Interest	1.18	0.77	0.244
PBT	48.65	8.61	8.84
Tax	12.47	2.21	2.62
Profit After Tax	36.18	6.40	6.23

Balance sheet is on next page

Balance Sheet

Rs. in Cr.

Particulars	As on 30-Sep-20	As on 31-Mar-20	As on 31-Mar-19
Asset			
Non-current assets			
Property, plant and equipment	0.47	0.46	0.12
Right-of-use assets	1.74	0.61	0.42
Financial assets			
Investments	0.00	0.00	0.00
Loans	0.04	0.03	0.00
Deferred tax assets (net)	1.37	0.04	0.01
Total non-current assets	3.61	1.13	0.56
Current assets			
Inventories	30.34	16.43	13.55
Financial assets			
Trade receivables	4.01	12.90	8.86
Cash and cash equivalents	10.86	0.07	0.11
Other bank balances	44.38	0.00	0.00
Other financial assets	0.27	1.99	0.01
Other current assets	9.02	1.37	0.45
Total current assets	98.88	32.75	22.97
Total Assets	102.49	33.88	23.53
Non-current liabilities			
Borrowings	4.90	9.35	0.26
Provisions	0.37	0.10	0.03
Total Non-Current Liabilities	5.27	9.45	0.29
Current liabilities			
Borrowings	4.42	0.08	0.00
Trade Payables – MSME	0.00	0.00	0.00
Trade Payables – Other than MSME	18.29	5.83	9.76
Other Financial Liabilities	0.69	0.42	5.41
Other Current Liabilities	11.81	0.81	0.10
Provisions	0.01	0.01	0.00
Current tax liabilities (net)	10.36	2.36	0.01
Total current liabilities	45.58	9.50	15.28
Total	50.84	18.95	15.57
NET Worth	51.65	14.93	7.96
Net worth represented by:			
Share capital	7.00	0.01	0.01
Other equity	44.65	14.92	7.94
Total Net Worth	51.65	14.93	7.95

RANKING METHODOLOGY

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

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