

Retail Research	IPO Note
Sector: Healthcare	Price Band (Rs): 177 - 186
21st February 2024	Recommendation: Subscribe

GPT Healthcare Limited

Company Overview:

GPT Healthcare Ltd (GPTHL) is a key regional corporate healthcare company in Eastern India in terms of hospitals and number of beds. The company operates a chain of mid-sized full-service hospitals and provides integrated healthcare services with a focus on secondary and tertiary care. As of Sep'23, the company operates 4 hospitals in Dum Dum, Salt Lake, Howrah in West Bengal and Agartala in Tripura with a total capacity of 561 beds. GPTHL offers a comprehensive range of healthcare services across +35 specialties and super-specialties including internal medicine, diabetology, nephrology, laparoscopic & general surgery etc.

Key Highlights:

1. Strong foothold in under-penetrated markets: The company identified the lack of quality healthcare in under-penetrated and highly populated markets of eastern India and capitalized on the opportunity through the ILS brand operating 4 hospitals with a total bed capacity of 561 beds. The company's strategic focus on healthcare market in Eastern India helped it to grasp an understanding of regional nuances, patient culture and mindset of medical professional, helping the company create a reputation of delivering quality healthcare at affordable prices among patients.

2. Diversified healthcare offerings: GPTHL's operations encompasses various levels of healthcare from primary to tertiary services. The company has associated with various consultant doctors in specialty areas to ensure patients have access to a diversified pool of resources and holistic expertise. The company's specialized ecosystem of doctors and healthcare professionals has enabled GPTHL to expand its reach and leverage market opportunities and gain access to larger number of patients and achieve synergies across verticals, while avoiding dependencies on a limited pool of doctors.

3. Expert doctors and medical professionals: The company's multi-disciplinary approach coupled with high-volume tertiary care model, focus on teaching and research has helped attract and retain a diverse pool of talented doctors, nurses and paramedical professionals. Many of GPTHL's doctors, physicians and surgeons have received various awards and accolades through the years. The company's long-standing presence, investment in medical technology and equipment have helped retain well-known doctors and other professionals, which in turn have helped to draw a higher number of patients.

4. Investment in infrastructure and clinical excellence: The company provides core, medical, surgical, emergency services as well as complex and advanced healthcare services to specialties such as nephrology, diabetology etc. In the Salt Lake Hospital, GPTHL installed a cutting-edge robotic surgical technology and 3D imaging and new renal transplant unit in the Dum Dum Hospital.

Valuation: The company is valued at annualized FY24 P/E and EV/EBITDA multiple of 32.5x/18.1x respectively based on the upper price band on the post-issue capital. It is a mid-sized hospital chain with strategic presence in East-India and a strong brand reputation for providing quality healthcare at affordable prices. The company recorded a strong PAT CAGR of 24.7% between FY21 to FY23. We recommend investors to SUBSCRIBE to the issue.

Issue Details	
Date of Opening	22 nd February 2024
Date of Closing	26 th February 2024
Price Band (Rs)	177-186
OFS	2,60,82,786 equity shares
Issue Size (Rs cr)	525 (Fresh Issue: 40; OFS: 485)
No. of shares	2,83,42,673-2,82,33,323
Face Value (Rs)	10
Post Issue Market Cap (Rs cr)	1,454-1,526
BRLMs	JM Financial
Registrar	Link Intime India Pvt Ltd
Bid Lot	80 shares and in multiple thereof
QIB shares	50%
Retail shares	35%
NIB shares	15%

Objects of Issue	
	Estimated utilization from net proceeds (Rs cr)
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	30.0
General corporate purposes [^]	-
Total proceeds from fresh issue	40.0

[^] To be finalized upon determination of the Offer Price and updated in the Prospectus prior to filing with the RoC. The amount utilized for general corporate purposes shall not exceed 25% of the Gross Proceeds.

Shareholding Pattern		
Pre-Issue	No. of Shares	%
Promoter & Promoter Group	5,38,06,500	67.3
Public & Others	2,60,97,786	32.7
Total	7,99,04,286	100.0

Post Issue @Lower Price Band	No. of Shares	%
Promoter & Promoter Group	5,38,06,500	65.5
Public & Others	2,83,57,673	34.5
Total	8,21,64,173	100.0

Post Issue @Upper Price Band	No. of Shares	%
Promoter & Promoter Group	5,38,06,500	65.6
Public & Others	2,82,48,324	34.4
Total	8,20,54,824	100.0

Source: RHP, SSL Research

Key Financials

	FY21	FY22	FY23	1HFY24
Revenue from operation (Rs cr)	243	337	361	204
EBITDA (Rs cr)	49	74	74	44
PAT (Rs cr)	21	42	39	23
EBITDA Margin (%)	20.2	21.9	20.6	21.4
PAT Margin (%)	8.7	12.3	10.8	11.5
EPS (Rs)	2.6	5.2	4.9	2.9*
ROE (%)	15.8	26.3	23.6	13.6*
ROCE (%)	16.6	25.7	28.3	16.4*
Total Debt / Equity (x)	0.9	0.6	0.4	0.3

* Not Annualized

Source: RHP, SSL Research

Risk Factors

- Geographic concentration risk:** The company derives a significant portion of its revenue accounting for 67.7%/67.7%/70.7%/70.2% of its FY21/FY22/FY23/1HFY24 respectively from hospitals in West Bengal. Any loss or reduction of revenues from operations of hospitals or any political/regulatory changes in West Bengal could have a material adverse effect on its business, financial conditions, results of operations and cashflows.
- Occupancy risk:** GPTHL derives a substantial portion of its revenue from service to inpatients. In FY21/FY22/FY23/1HFY24 the company derived 85.0%/80.7%/82.3%/83.2% respectively from inpatients revenue. The company invests a significant amount to establish and add bed capacity, modernize infrastructure at existing hospitals. Failure to maintain or improve occupancy rates while GPTHL continues to incur significant capital expenditure, may materially and adversely affect its business, financial condition and results of operations.
- Employee attrition risk:** The company is highly dependent on skilled and trained healthcare professionals, including doctors engaged on a consultancy basis to maintain its strategic direction, manage operations and meet future business challenges. The loss of, or inability to attract or retain, such persons could materially and adversely affect business and financial results
- Competition:** The company operates in a competitive environment, competing with hospitals, clinics, diagnostic chains, and dispensaries of varying sizes and specialties. The competitors also include healthcare facilities owned or managed by government agencies and trusts, which are able to obtain financing and make expenditure on favorable terms compared to the company. Lack in the company's ability to compete effectively with its competitors could have a material adverse effect on its business, financial conditions, results of operations and cashflows.

Growth Strategy

- Strengthening existing capabilities:** Strengthen existing hospitals by further balancing specialty mix, deepening expertise in select specialties and adding new specialties and services.
- Strategically grow presence in adjacent markets:** Plan to expand hospital network into Eastern Indian markets and adjacent regions that are densely populated and under-penetrated. The company plans to expand into Raipur and Ranchi, expected to be operational by CY26.
- Focus on flexible and asset-light expansion:** Pursue greenfield and brownfield projects to expand operations with a flexible and asset-light approach for quick break-even of hospitals.
- Leverage technology to enhance patient experience:** Employ latest medical technologies, machines, and treatments by analyzing complementariness of cutting-edge medical developments and technologies to provide better treatment to patients.

Revenue from Hospitals

Particulars	FY21	FY22	FY23	1HFY24
Salt Lake Hospital				
Operational bed capacity	85.0	85.0	85.0	85.0
Average occupancy rate (%)	51.8	65.3	73.4	62.0
APROB (Rs) ⁽¹⁾	24,730.0	28,436.0	27,956.0	33,856.0
ALOS (days) ⁽²⁾	4.0	3.9	3.7	3.2
Inpatient volume	4,024.0	5,175.0	6,239.0	3,016.0
Average revenue per inpatient (Rs)	80,467.0	87,227.0	86,088.0	92,377.0
Outpatient volume	17,014.0	26,289.0	32,855.0	16,685.0
Average revenue per outpatient (Rs)	4,319.0	4,652.0	3,031.0	2,855.0
Revenue from operations (Rs cr) ⁽³⁾	39.7	57.7	63.7	32.6
As a percentage of Revenue from operations (%)	16.5	17.2	17.8	16.1
Dum Dum Hospital				
Operational bed capacity	150.0	150.0	155.0	155.0
Average occupancy rate (%)	51.8	75.6	84.2	79.1
APROB (Rs) ⁽¹⁾	31,673.0	31,018.0	32,136.0	37,783.0
ALOS (days) ⁽²⁾	6.7	5.6	5.1	5.2
Inpatient volume	4,244.0	7,387.0	9,382.0	4,300.0
Average revenue per inpatient (Rs)	1,87,779.0	1,44,436.0	1,39,954.0	1,71,181.0
Outpatient volume	17,152.0	36,887.0	52,565.0	26,732.0
Average revenue per outpatient (Rs)	5,932.0	5,859.0	4,156.0	4,181.0
Revenue from operations (Rs cr) ⁽³⁾	89.9	1,28.3	1,53.1	84.8
As a percentage of Revenue from operations (%)	37.4	38.3	42.8	41.8
Howrah Hospital				
Operational bed capacity	116.0	116.0	116.0	116.0
Average occupancy rate (%)	51.5	37.4	39.1	45.7
APROB (Rs) ⁽¹⁾	15,917.0	26,887.0	23,279.0	26,237.0
ALOS (days) ⁽²⁾	8.7	5.6	4.1	3.9
Inpatient volume	2,515.0	2,838.0	4,022.0	2,507.0
Average revenue per inpatient (Rs)	1,35,125.0	1,24,837.0	82,715.0	89,011.0
Outpatient volume	1,500.0	8,410.0	14,094.0	9,550.0
Average revenue per outpatient (Rs)	4,922.0	8,463.0	3,769.0	3,684.0
Revenue from operations (Rs cr) ⁽³⁾	34.7	42.6	38.6	25.8
As a percentage of Revenue from operations (%)	14.4	12.7	10.8	12.7
Agartala Hospital				
Operational bed capacity	205.0	205.0	205.0	205.0
Average occupancy rate (%)	41.6	49.3	45.0	52.6
APROB (Rs) ⁽¹⁾	24,425.0	28,379.0	30,488.0	30,206.0
ALOS (days) ⁽²⁾	4.6	4.4	3.8	3.5
Inpatient volume	6,724.0	8,420.0	8,969.0	5,647.0
Average revenue per inpatient (Rs)	86,826.0	98,208.0	85,231.0	79,764.0
Outpatient volume	28,923.0	40,650.0	52,061.0	30,636.0
Average revenue per outpatient (Rs)	6,125.0	5,761.0	4,968.0	4,764.0
Revenue from operations (Rs cr) ⁽³⁾	76.1	1,06.1	1,02.6	59.6
As a percentage of Revenue from operations (%)	31.7	31.7	28.7	29.4

(1) APROB – Average revenue per occupied bed, which is hospital revenue divided by the total length of stay days.

(2) ALOS – Average length of stay, which is the total length of stay days for a year divided by inpatients volume for such year. Length of stay day is based on daily midnight bed count.

(3) Revenue from operations for hospitals excludes income from academic courses.

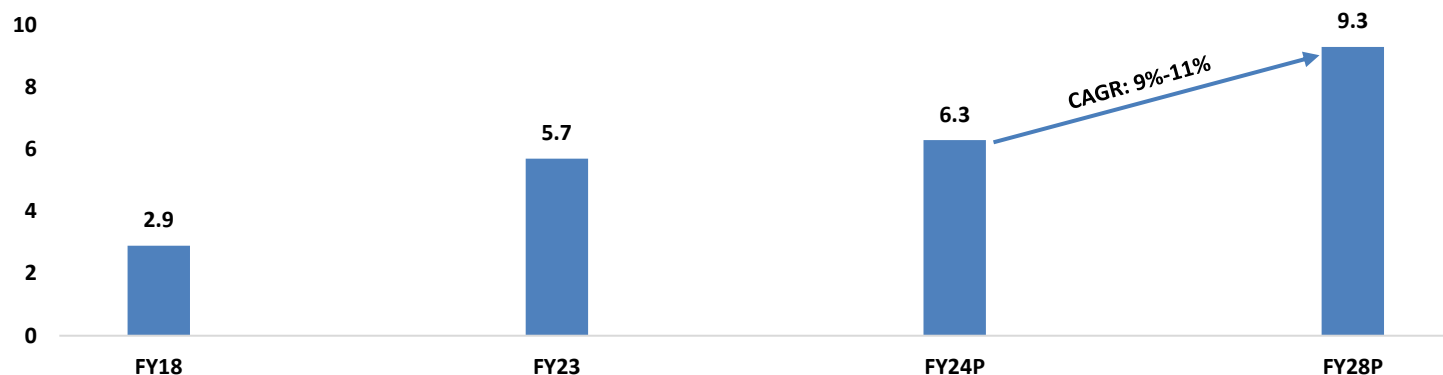
Source: RHP, SSL Research

Industry Overview

Healthcare delivery market in India

Indian healthcare market was valued at Rs 5.7 tn in FY23, growing at CAGR of 10%-12% between FY18 and FY23. The overall healthcare delivery market is further expected to grow at a CAGR of 9%-11% between FY24 and FY28 to reach Rs 9.3 tn by FY28, driven by long term structural factors, strong fundamentals, increasing affordability and potential of the Ayushman Bharat scheme.

Healthcare delivery market in India (Rs tn)

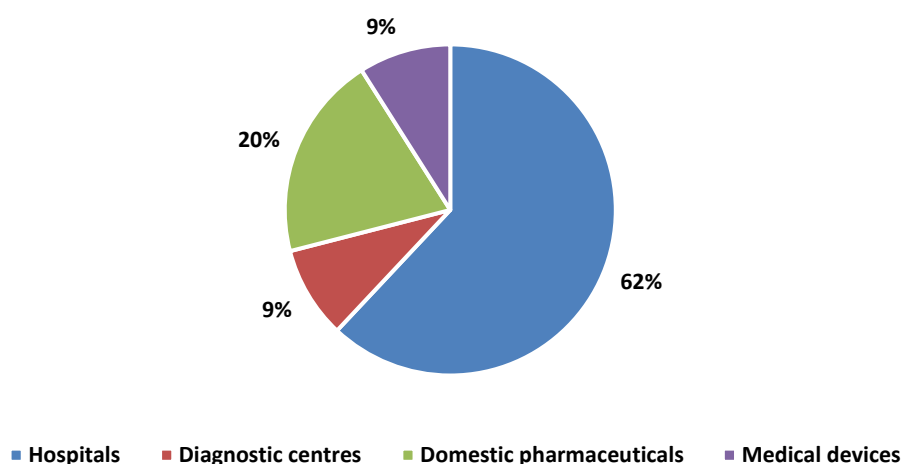


Source: RHP, SSL Research

Structure of healthcare delivery industry in India

The Indian healthcare market comprises of hospitals, diagnostic centers, domestic pharmaceuticals and medical devices. As of FY23, hospitals held the highest market share in the industry of 62.0%, followed by domestic pharmaceuticals (20% market share), diagnostic centers and medical devices with 9% market share each.

Structure of the healthcare delivery industry in India

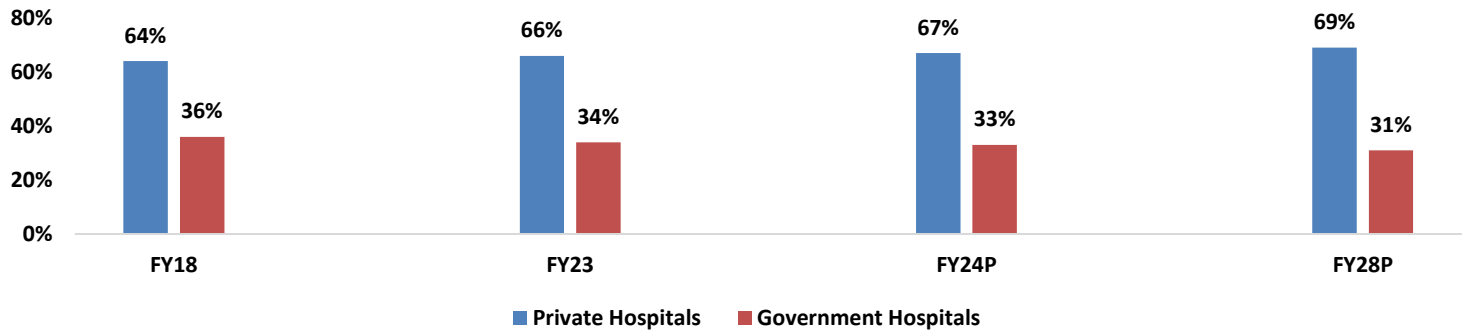


Source: RHP, SSL Research

Share of treatments in value terms (Government hospitals vs Private hospitals/clinics)

In India, healthcare services are provided by the government and private players, and these entities provide both IPD and OPD services. However, the provision of healthcare services in India is skewed towards the private players (both for IPD and OPD). This is mainly due to the lack of healthcare spending by the government and high burden on the existing state health infrastructure. The share of treatments (in value terms) by the private players is expected to increase from 64% in FY18 to nearly 69% in FY28. The skew is more towards the private players owing to the expansion plans of private players being centered on it, further buttressed by increasing reliance on private facilities till government infrastructure is properly put in place.

Share of treatments in value terms (Government hospitals vs Private hospitals/clinics)

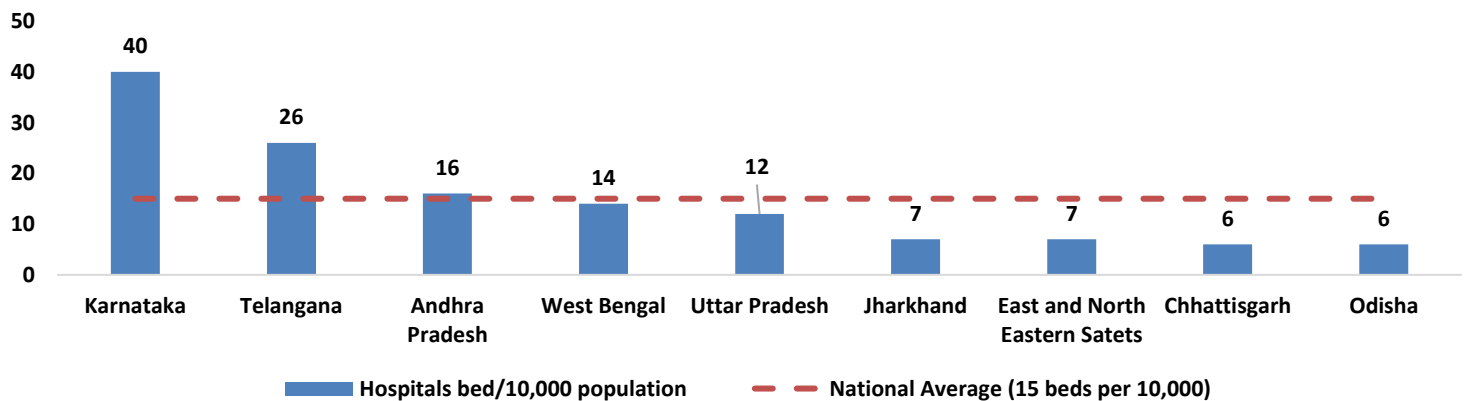


Source: RHP, SSL Research

Hospital Bed Density per 10,000 people in various states.

In India, the national average density of beds per 10,000 people in FY22 was 15 beds. States in Eastern and North-Eastern parts of the country have hospital bed density lower than the natural average. A strong demand potential for hospital beds and healthcare services is expected in Eastern and North-Eastern India.

Hospitals bed density (Beds per 10,000 population of the state)



Source: RHP, SSL Research

Financial Snapshot

INCOME STATEMENT			
(Rs cr)	FY21	FY22	FY23
Revenue from Operations	243	337	361
YoY growth (%)	-	39.0%	7.0%
Cost Of Revenues (incl Stock Adj)	57	87	76
Gross Profit	185	250	285
Gross margins (%)	76.4	74.1	79.0
Employee Cost	42	54	62
Other Operating Expenses	95	122	149
EBITDA	49	74	74
EBITDA margins (%)	20.2	21.9	20.6
Other Income	6	5	6
Net Interest Exp.	14	11	9
Depreciation	12	14	15
Exceptional Items	-	-	-
PBT	29	54	56
Tax	8	12	17
PAT	21	42	39
PAT margin (%)	8.7	12.3	10.8
EPS	2.6	5.2	4.9

BALANCE SHEET			
(Rs cr)	FY21	FY22	FY23
Assets			
Net Block	212	207	204
Right of Use Assets	8	14	24
Capital WIP	-	1	3
Intangible Assets under development	-	-	-
Other Non-current Assets	11	17	15
Current Assets			
Current Investment	0	5	8
Inventories	6	7	9
Trade receivables	17	13	21
Cash and Bank Balances	5	9	9
Short-term loans and advances	49	39	23
Other Current Assets	9	12	11
Total Current Assets	86	86	81
Current Liabilities & Provisions			
Trade payables	26	29	33
Other current liabilities	10	11	18
Short-term provisions	2	4	4
Total Current Liabilities	39	44	56
Net Current Assets	48	41	25
Total Assets	278	279	271
Liabilities			
Share Capital	58	80	80
Reserves and Surplus	76	78	85
Total Shareholders' Funds	134	158	165
Minority Interest	-	-	-
Total Debt	123	96	65
Lease Liabilities	3	6	18
Long Term Provisions	6	7	7
Other Long-Term Liabilities	13	13	12
Net Deferred Tax Liability	-	-	4
Total Liabilities	278	279	271

Cash Flow (Rs cr)	FY21	FY22	FY23
Cash flow from Operating Activities	44	66	66
Cash flow from Investing Activities	-17	-5	5
Cash flow from Financing Activities	-22	-57	-73
Free Cash Flow	37	59	57

RATIOS			
	FY21	FY22	FY23
Profitability			
Return on Assets (%)	6.6	12.9	11.9
Return on Capital (%)	16.6	25.7	28.3
Return on Equity (%)	15.8	26.3	23.6
Margin Analysis			
Gross Margin (%)	76.4	74.1	79.0
EBITDA Margin (%)	20.2	21.9	20.6
Net Income Margin (%)	8.7	12.3	10.8
Short-Term Liquidity			
Current Ratio (x)	1.4	1.3	1.0
Quick Ratio (x)	1.3	1.1	0.9
Avg. Days Sales Outstanding	26	15	21
Avg. Days Inventory Outstanding	10	8	9
Avg. Days Payables	39	31	34
Fixed asset turnover (x)	1.1	1.6	1.8
Debt-service coverage (x)	0.4	0.7	1.0
Long-Term Solvency			
Total Debt / Equity (x)	0.9	0.6	0.4
Interest Coverage Ratio (x)	3.1	5.8	7.1
Valuation Ratios			
EV/EBITDA (x)	32.7	21.3	20.7
P/E (x)	70.5	35.7	38.1
P/B (x)	11.1	9.4	9.0

Source: RHP, SSL Research

Peer Comparison

	GPT Healthcare Ltd	Global Health Ltd	Krishna Institute of Medical Sciences Ltd	Jupiter Life Line Hospitals Ltd	Yatharth Hospitals & Trauma Care Services Ltd	Kovai Medical Centre & Hospital Ltd	Shalby Ltd
CMP (Rs)	186.0	1,401.0	2,247.0	1,430.0	480.0	3,990.0	299.0
Sales (Rs cr)	361.0	2,694.0	2,198.0	787.0	478.0	1,020.0	805.0
EBITDA (Rs cr)	74.4	621.0	599.0	204.0	135.0	274.0	138.0
Net Profit (Rs cr)	39.0	326.0	366.0	107.0	66.0	116.0	68.0
M.Cap (Rs Cr)	1,526.2	37,601.0	17,982.0	9,376.0	4,121.0	4,365.0	3,235.0
Enterprise Value (Rs cr)	1,582.0	37,422.0	18,900.0	9,055.0	3,810.0	4,576.0	3,386.0
EBITDA Margin (%)	20.6	23.1	27.3	25.9	28.2	26.9	17.1
Net Margin (%)	10.8	12.1	16.7	13.6	13.8	11.4	8.4
PE(x)	39.1	115.3	49.1	87.6	62.4	37.6	47.6
EV/EBITDA (x)	21.3	60.3	31.6	44.4	28.2	16.7	24.5
RoE (%)	23.6	16.2	21.3	27.4	43.9	17.7	7.4
RoCE (%)	28.3	17.1	23.7	26.7	26.6	16.8	10.6

The data is based on FY23 financial data.

For GPT Healthcare Limited the Market cap, PE(x), and EV/EBITDA (x) are calculated on post-issue equity share capital based on the upper price band.

CMP as on 20th February'24.

Source: RHP, SSL Research

SEBI Registration No.: Stock Broker: INZ000200032 | CDSL: IN-DP-314-2017 | NSDL: IN-DP-NSDL-369-2014 | Research Analyst: INH000000602
 Portfolio Manager: INP000004912 | IRDA/RW/IR2/2015/081 | IRDA/RW/IR1/2016/041 | IRDA: CA0103
 Registered & Corporate Office: Marathon Futurex, A Wing, 12th Floor, N. M. Joshi Marg, Lower Parel, Mumbai-400013.

For any information contact us:

022-6854 5555

E-mail: helpdesk@sbicapsec.com | Web: www.sbisecurities.in

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Name	Qualification	Designation
Sudeep Shah	MMS-Finance	DVP- Technical & Derivative Research
Sunny Agrawal	B.E, MBA (Finance)	DVP - Fundamental Research
Rajesh Gupta	PGDBM (Finance), MA (Bus. Eco)	AVP - Fundamental Research
Monica Chauhan	C.A.	Research Analyst - Equity Fundamentals
Harsh Vasa	CA	Research Analyst - Equity Fundamentals
Sumeet Shah	B.E., CFA	Research Analyst - Equity Fundamentals
Sweta Padhi	MBA (Finance)	Research Analyst - Equity Fundamentals
Uday Chandgothia	B-Tech, MBA (Finance)	Research Associate - Equity Fundamentals
Gautam Updhyaya	MBA (Finance)	Research Analyst - Equity Derivatives
Vinayak Gangule	BE (IT)	Research Analyst - Equity Technicals
Pratik Patni	BSc (Biotech Entire)	Research Analyst- Equity Derivatives
Ghanshyam Gupta	MBA (Finance)	Research Analyst- Currency Derivative
Sagar Peswani	B.Tech (ECE)	Research Associate - Equity Technicals
Kalpesh Mangade	B.Com	MIS Analyst - Retail Research

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