



**SMIFS
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INITIATING COVERAGE REPORT

**Yatharth Hospital & Trauma Care
Services Ltd**



Dhara Patwa

Sector Lead – Pharma & Healthcare

9766492546/022 42005511

dhara.patwa@smifs.com

Awanish Chandra

Executive Director

8693822293/022-4200 5508

awanish.chandra@smifs.com

Yatharth Hospital & Trauma Care Services Ltd

Quality Healthcare At Affordable Price

Yatharth hospital is a large private multi-specialty tertiary care hospital operating in the regions of North India. The group have a network of four hospitals currently in operation (Noida, Noida Extension, Greater Noida and Jhansi-Orchha) with a total bed capacity of 1405 beds as of Dec 2023, and in Feb 2024, it acquired a hospital in Faridabad which will be operationalised in Q1FY25. The company plans to double its bed capacity to 2800 beds in next five years. We like Yatharth due to 1) Good healthcare at affordable pricing 2) expanding its presence in under-penetrated markets such as Noida 3) focusing to improve its therapy offerings (Addition of radiation and oncology block) which will result in superior case mix thus improving the ARPOB and 4) Lean cost structure due to limited dependence on star doctors which will result in improvement in EBITDA margins. Also, the company has single large hospital model wherein they build a large 400-500 bed hospital in a single unit leading to operating leverage benefits. Going ahead, as the occupancy improves, the operating leverage would play out resulting in higher margin. We forecast EBITDA CAGR of 21% over FY24E-FY26E. We assign 20x EV/EBITDA on FY26E EBITDA and arrive at a target price of Rs 658 per share, translating into an upside of 42% and hence, we assign Buy rating on the stock.

One of the largest players in Delhi NCR-

Yatharth is one of the largest hospital chain in the corporate healthcare sector in Delhi NCR with 1100 beds, first being Max Healthcare with 3400 beds. The area's substantial per capita income of Rs. 243,100 and a low bed density of 2.7 per 1000 people underscore a significant shortage of hospital beds. Yatharth capitalizes on this scenario, leveraging its operational bed share and competitive pricing to secure and maintain its leadership in the competitive healthcare landscape.

Headroom to grow in home market

Yatharth holds a strong brand positioning in Noida. By leveraging its brand, it can achieve higher sales merely by improving its occupancy and expanding in current market only. Low bed density (2.7 per 1000 people) in its core Delhi-NCR market allows it to remain focused in this market. **Unlike, other peers such as KIMS and Medanta, which are exploring into other market, Yatharth plans to expand in its home market only which reduces the execution risks.**

Affordable Pricing Model

Yatharth have successfully implemented its affordable pricing model in the hospitals in Tier 1-2 markets, even though hospitals in different markets face different competitive landscapes and pricing pressures. Yatharth serve patients from different economic backgrounds and offer a different mix of specialty offerings. **In Tier 1 cities, the prices across medical procedures are on average 10% to 20% lower than other private hospitals in Delhi NCR. This helps to attract high inpatient volume.**

Focusing on improving the case mix

Company's 33% of revenues comes from Internal medicine (lifestyle diseases like diabetes, cough, cold, fever, and dengue) which has a low ARPP. To improve the ARPOB, the company is adding radiation therapy and organ transplant in two of its hospital which would lead to higher ARPOB and ARPP for the company. Currently, the company has ARPOB of Rs. 26,538 in FY23, going forward we expect it to grow at a CAGR of 4.5% from FY23-FY26E on the back of improved case mix and price hike.

Robust return ratios

Yatharth has one of the best return ratios amongst its peers in the range of 20%-22%. Going ahead, these return ratios will be maintained as major capex is through brownfield only which means growth will be achieved without diluting the ROE.

Valuation is in comfort zone

Currently, the stock is trading at comforting valuation on FY26E EV/EBITDA of 13.8x. Yatharth's story aligns with KIMS, as both employ a cluster-based approach, prioritize affordable healthcare, and sustain strong EBITDA margins. Yet, a notable difference arises – Yatharth's stock is presently trading at a 35-40% discount compared to KIMS. **Given Yatharth's significant growth opportunities in its local market and its pledge to increase revenue without sacrificing return ratios, there's a clear sign that the gap in valuation is likely to wane in the coming times.** We value the stock at 20x and arrive at target price of Rs. 658 per share which offers upside of 42% from current valuations. Therefore, we assign BUY rating on the stock.



Rating: Buy Upside: 42%
Current Price: 464 Target Price: 658

| Market data

Bloomberg:	YATHARTH:IN
52-week H/L (Rs):	495/304
Mcap (Rs bn/USD bn):	39.7/0.5
Shares outstanding (mn):	86.0
Free float:	27%
Daily vol. (3M Avg.):	0.7 Mn
Face Value (Rs):	10.0

Source: Bloomberg, SMIFS Research

| Shareholding pattern (%)

	Dec-23	Sep-23	Jun-23	Mar-23
Promoter	66.4	66.3	-	-
FIIs	2.6	5.4	-	-
DII's	8.8	9.1	-	-
Public/others	22.1	19.2	-	-

| Pro. Pledging

Pledging	0.2	0.0	-	-
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Source: BSE

| Price performance (%)*

	1M	3M	12M	Since IPO*
NIFTY 50	2.1	11.2	25.5	12.5
NIFTY 500	2.7	14.2	36.9	18.7
Yatharth	20.9	15.1	NA	41.6

*as on 21st Feb 2024; Source: AceEquity, SMIFS Research

*Company came out with IPO in Aug 23, from IPO listing price the stock is up by 42%.

Dhara Patwa

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Y/E Mar (Rs mn)	Revenue	YoY (%)	EBITDA	EBITDA (%)	Adj PAT	YoY (%)	Adj EPS	RoE (%)	RoCE (%)	Adj P/E (x)	EV/EBITDA (x)
FY22	4,009	75.3	1,108	27.6	442	143.2	5.1	44.7	18.1	NA	NA
FY23	5,203	29.8	1,338	25.7	658	48.9	7.7	43.9	19.7	NA	NA
FY24E	6,797	30.6	1,849	27.2	1,005	52.8	11.7	20.4	17.0	39.6	20.9
FY25E	8,165	20.1	2,177	26.7	1,287	28.1	15.0	14.9	14.8	30.9	17.8
FY26E	9,955	21.9	2,703	27.2	1,557	21.0	18.1	15.5	15.5	25.5	13.8

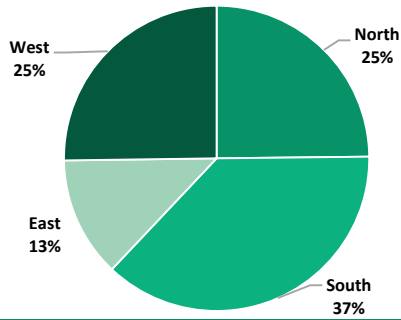
Source: Company, SMIFS Research Estimates

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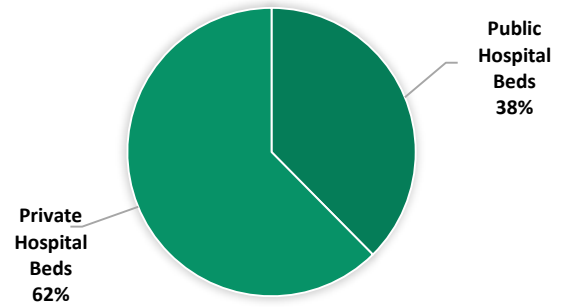
Mapping India's Hospital Bed Capacity

Fig 1: India Total Beds : 19 Lacs (Pvt + Public)



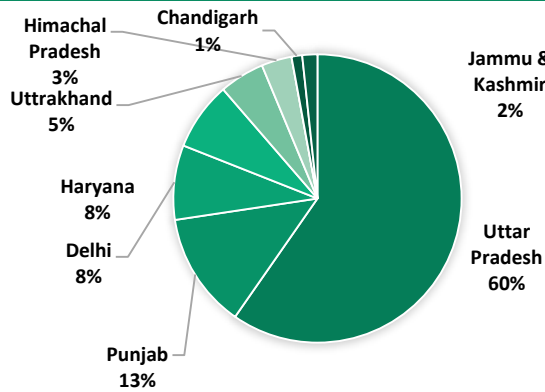
Source :GOI

Fig 2: Private and Public Beds In India



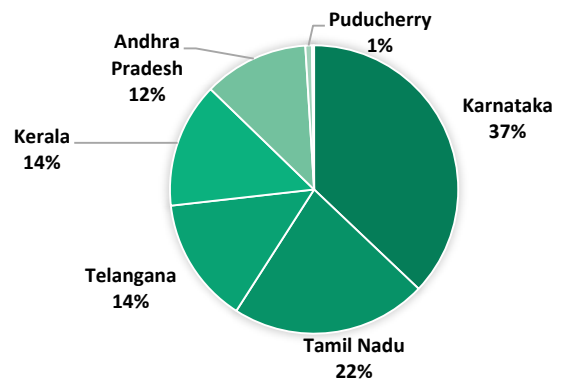
Source :GOI

Fig 3: North India total beds : 4.7 Lacs



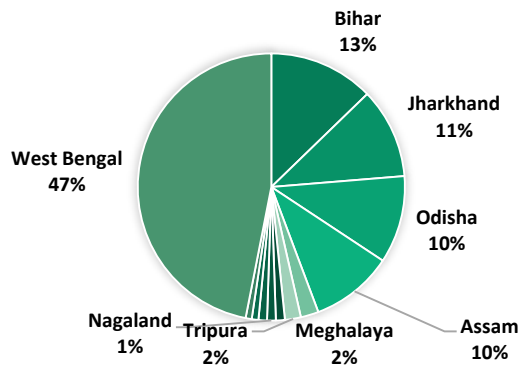
Source :GOI

Fig 4: South India total beds: 7.0 Lacs



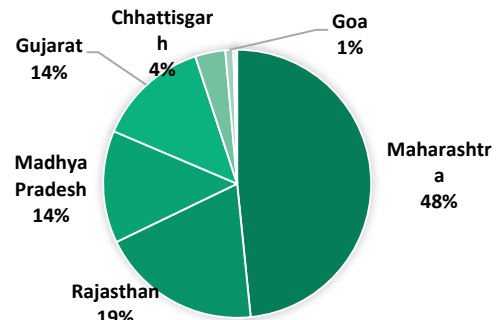
Source :GOI

Fig 5: East India total beds : 2.4 Lacs



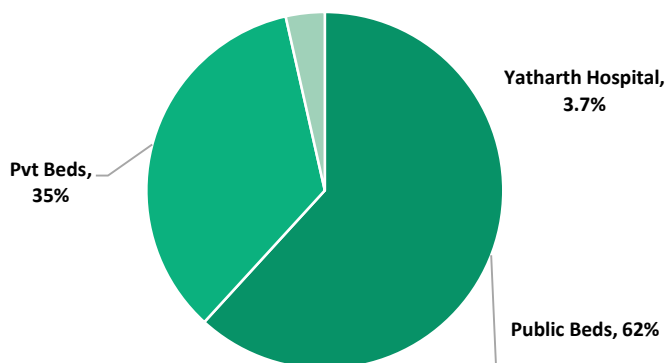
Source :GOI

Fig 6: West India total beds: 4.7 Lacs



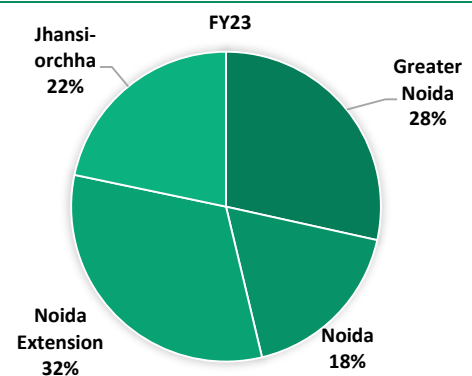
Source :GOI

Fig 7: Delhi NCR Total beds 39.4K



Source :GOI

Fig 8: Yatharth Hospital Bed distribution (1405 beds)



Source :GOI

Investment Rationale

One of the largest player in Noida Region

- Yatharth Hospital has 3 hospitals in Delhi NCR region (Noida), one hospital in Jhansi-Orchha region (Madhya Pradesh) and it acquired one hospital in Faridabad. As on Dec 2023, the total capacity of Yatharth Hospitals is 1405 beds spread across 4 locations (Noida, Noida Extension, Greater Noida and Jhansi- Orchha). It offers healthcare services across 30 specialities which includes cardiology, cardiovascular and thoracic surgery, neurology, neurosurgery, urology, nephrology, oncology, gastroenterology etc.
- Delhi NCR has demand and supply mismatch with demand surpassing the available supply. The region has high per capita income and low bed density and is a preferred location for international patients (40% of total foreign tourist come in Delhi) which helps Yatharth hospital to enjoy its favourable position in the region mainly due to (a) higher share of operational beds, and (b) affordable pricing. Delhi NCR region has total of 39.4K beds, out of which 3.7% share is captured by Yatharth Hospital.**

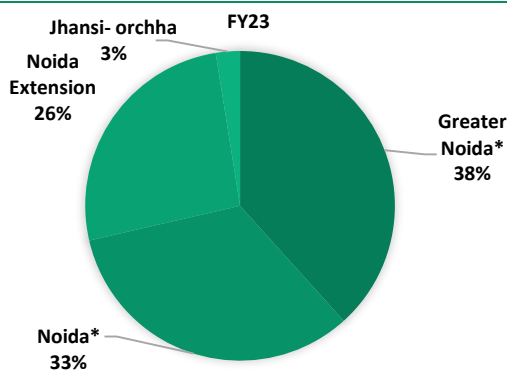
How Yatharth hospital is different from its peers?

- Yatharth Hospital, while like conventional healthcare facilities, distinguishes itself by prioritizing affordability. With a commitment to providing cost-effective healthcare, Yatharth boasts an ARPP that is 30-35% lower than the industry average. **In FY23, The ARPP stood at Rs 1,15,000 a noteworthy contrast to the industry average of Rs 1,71,000.** The onset of Covid-19 served as a pivotal moment, offering both visibility and goodwill to the company's hospital in the Noida region. Remarkably, the positive effects endured even in the aftermath of the pandemic.

Fig 9: Yatharth Hospital– Greater Noida



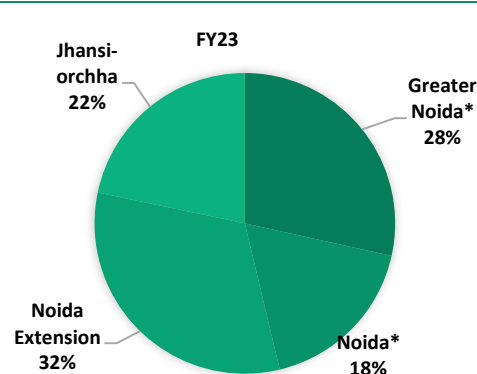
Fig 10: Mature hospitals have the dominant revenue share



Source: Company, SMIFS Research

Note: * Mature hospitals started before 2015

Fig 11: And the highest beds contribution as well



Source: Company, SMIFS Research

Fig 12: Yatharth Hospitals Network

FY23	Greater Noida	Noida	Noida Extension	Jhansi- Orchha
Year of Commissioning	2010	2013	2019	2022
Bed capacity (licensed)	400	250	450	305
Operational beds	288	215	390	250
Revenues (In Rs mn)	1994	1721	1357	131
EBITDA (In Rs mn)	538	465	339	-11
EBITDA Margin (%)	27%	27%	25%	-8%
Occupancy (%)	62%	88%	31%	8%
ARPOB (Rs/ day)	26,539	24,949	30,475	17,692
Revenue/Operational Bed (Rs Mn)	6.9	8.0	3.5	0.6
EBITDA/Operational Bed (Rs Mn)	1.9	2.2	1.0	0.0

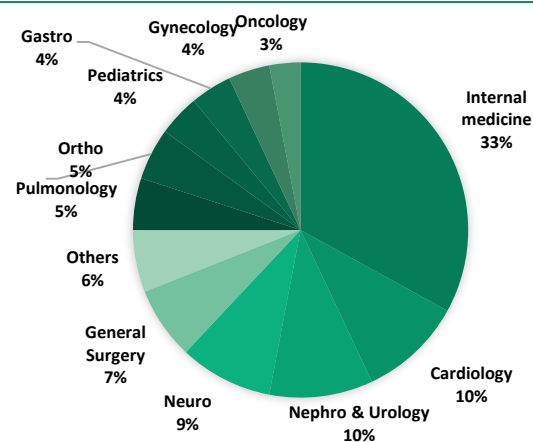
Source: Company, SMIFS Research

Case Mix Improvement: Fuelling the Next Phase of Growth

The company currently faces a case mix disparity compared to its peers. However, with recent capital infusion from an IPO and internal accruals, strategic investments in advanced medical equipment and technologies are underway. **These endeavours aim to enhance the case mix, with plans to introduce radiation oncology and organ transplant services to the Greater Noida and Noida Extension hospitals.**

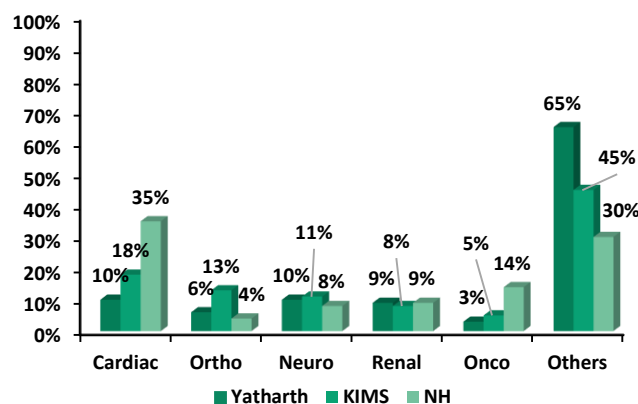
It's noteworthy that a significant portion, 33% of the company's revenue is derived from internal medicine services addressing conditions like dengue, malaria, fever and diabetes. ARPP in this segment is currently lower than that of cardiac or oncology patients. Going forward, as the company prepares to offer a comprehensive range of oncology services encompassing chemotherapy, medical, surgical, and radiation oncology, there's a strategic expectation for an increase in ARPOB.

Fig 13: Internal medicines contribute 33% to the revenues



Source: Company, SMIFS Research Estimates

Fig 14: Which is way higher than the peers



Source: Company, SMIFS Research Estimates

Affordable Pricing Model

Yatharth have successfully implemented its affordable pricing model in the hospitals in Tier 1-2 markets, even though hospitals in different markets face different competitive landscapes and pricing pressures. Yatharth serve patients from different economic backgrounds and offer a different mix of specialty offerings. In Tier 1 cities, the prices across medical procedures are on average 10% to 20% lower than other private hospitals in Delhi NCR. **This helps to increase the inpatient volume as it offers good healthcare at an affordable price.**

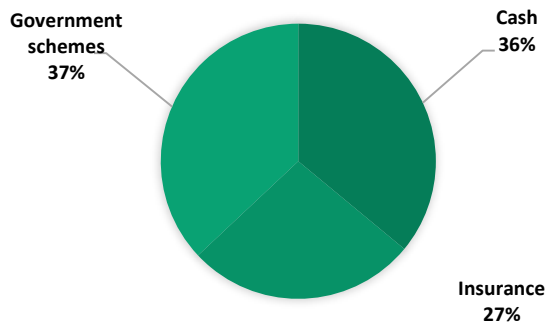
Payor mix to improve, leading to improved ARPOB

Yatharth relies heavily on government patients (37%), including those under schemes like ESIC, CGHS, and ECHS. Due to government-set rates, especially in CGHS, which are 30-40% lower than cash patients, Yatharth experiences a lower ARPOB.

Yet, the company aims to enhance its payor mix by emphasizing insurance and cash patients, particularly in hospitals with high occupancy rates (70-80%) such as those in Noida and Greater Noida.

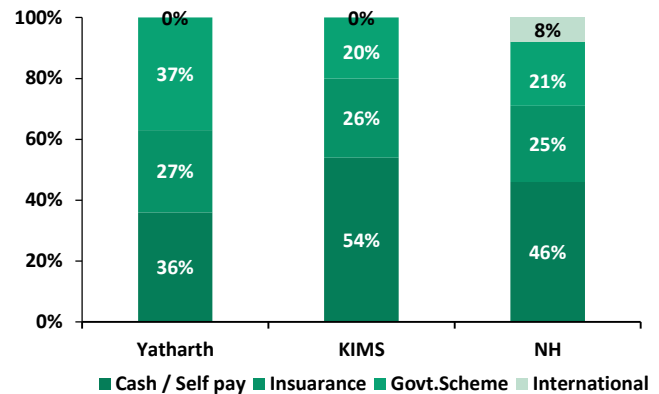
Notably, certain high-end specialties like Cardiac, Oncology, and knee replacement receive favourable pricing from the government. Yatharth intends to intensify its efforts in these areas, anticipating increased realizations in the future.

Fig 15: Govt patients contributes the most in revenue...



Source: Company, SMIFS Research

Fig 16: Which is not the case with the peers



Source: Company, SMIFS Research

The composition of payers is expected to improve as the network of the hospital expands, and there are continuous investments in enhancing clinical capabilities. The company is actively working to attract international patients, and the commencement of operations at the planned Noida international airport in October 2024 could potentially provide a significant boost to its revenues. **Typically, in private sector hospitals, the proportion of revenue generated from government-scheme patients is higher during the initial stages and decreases as the hospital's occupancy increases.** The same thing will happen at Yatharth as well.

Employee Expenses in check – Thanks! to a reduced reliance on star doctors

To keep healthcare affordable, Yatharth has hired doctors who have been trained under experienced senior specialists, avoiding the use of high-profile doctors. The strategy of not relying on celebrity doctors has helped it cut down on expenses. Additionally, it directly hires support staff like housekeeping, security, and administrative personnel instead of using agencies, which further saves costs.

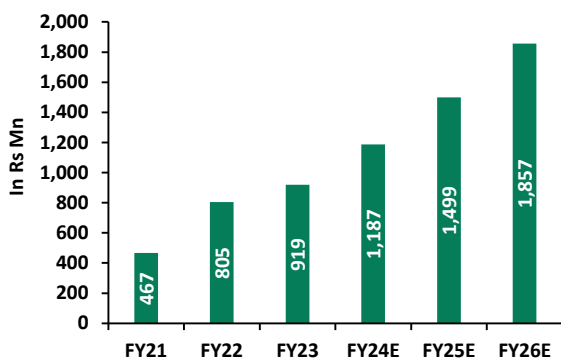
To retain its doctors, the company currently does not have any plan in place but is planning on allotting ESOP to retain its doctors.

Fig 17: List of Yatharth’s doctors who have worked at renowned hospital

Doctors	Specialization	Yrs of Exp.	Previously Working
Dr. Jai Bharat Panwar	Pediatric Surgeon	17	Previously was working at Yashoda Hospital as a consultant
Dr. Pankaj Ranjan	Cardiologist	23	Previously worked at Metro Heart Institute and Paras Hospital
Dr. Akhil Kumar Rustagi	Cardiac Surgeon	28	Previously worked with Fortis Hospital and Venkateshwara Hospital
Dr. Neeraj Chaudhary	Laparoscopic Surgeon	14	Previously worked with Jaypee Hospital
Dr. Amit Nath Mishra	Orthopedic Surgeon	24	Previously worked with Narayana hrudayalaya Dharamshila

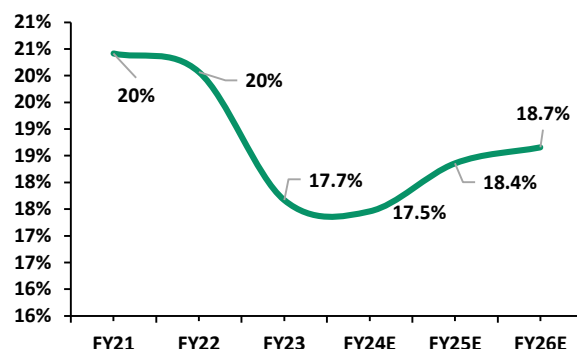
Source: Company, SMIFS Research

Fig 18: Yatharth continues to invest on employees by hiring doctors



Source: Company, SMIFS Research Estimates

Fig 19: Due to which the cost will grow over the years



Source: Company, SMIFS Research Estimates

Brownfield capacity expansion to drive growth

In Feb 2024, it acquired a 175 beds hospital (Asian Fidelis Hospital) in Faridabad in all cash deal for a consideration of Rs. 1.1 Bn. The bed capacity can be increased to accommodate up to 200 beds. The hospital is anticipated to become operational in April 2024, and it is projected to generate revenue right from the outset.

Over the next three years (FY24-27), Yatharth plans to expand its capacity by acquiring adjacent land parcels at Greater Noida and Noida Extension. Looking forward, the company plans to add ~450 beds (32% of its bed capacity) through brownfield expansions at these two hospitals of Noida. It plans to add 200 beds in Greater Noida and 250 beds in Noida Extension. Both these expansions are expected to be completed in FY27 with a capex spend of around Rs. 2.55 bn (Rs. 6 Mn per bed).

Usually in a brownfield expansion the EBITDA break-even is achieved in 3-6 months (such as it happened with Max and Fortis) which means growth could be achieved without margin and ROCE dilution.

Fig 20: Planned bed capacity

	FY21	FY22	FY23	FY24E	FY25E	FY26E	FY27E
Noida	400	400	250	250	250	250	250
Greater Noida	250	250	400	400	400	400	600
Noida Extension	450	450	450	450	450	450	700
Jhansi Orchaa	0	305	305	305	305	305	305
Faridabad	0	0	0	0	175	175	175
Total Beds	1100	1405	1405	1405	1580	1580	2030

Source: Company, SMIFS research

The company is also looking for O&M Models and small bolt on acquisitions to expand the capacity in North India. Around Rs. 650 Mn from the recent IPO proceeds has been allocated for this purpose. The company aims to concentrate on key markets such as Faridabad, Delhi, Ghaziabad, Punjab among others.

Expanding Horizons: Headroom to grow in home market

Yatharth holds a strong brand positioning in Noida. By leveraging its brand, it can achieve higher sales merely by improving its occupancy and expanding in current market only. Low bed density in its core Delhi-NCR market allows it to remain focused in this market. Unlike, other peers such as KIMS and Medanta, which are exploring into other market, Yatharth plans to expand in its home market only, which reduces the execution risks.

Fig 21: Bed Density in key markets

	Delhi-NCR	Mumbai	Chennai	Bengaluru	Hyderabad	Others
Bed density (per '000 people)	2.7	3.3	4	4	3.6	NA
Share of beds						
Yatharth	79%	0%	0%	0%	0%	21%
Max	75%	9%	0%	0%	0%	16%
KIMS	0%	6%	0%	0%	92%	8%
Apollo	8%	6%	27%	10%	17%	33%
Fortis	20%	15%	5%	7%	0%	53%
NH	9%	4%	5%	28%	0%	59%
Medanta	52%	0%	0%	0%	0%	48%
Rainbow	9%	0%	11%	20%	46%	14%

Delhi NCR is like a big example showing that there is not enough healthcare compared to what people need. Even though there are 58 million people here, there aren't enough hospital beds—only 27 for every 10,000 people, which is less than in many other places around the world. Right now, there are about 1,56,060 hospital beds in 2,150 hospitals, and just 1% of these are private super specialty and multispecialty hospitals. This means there's a lot of space to add more beds and enough headroom to grow further.

Delhi NCR is the main place for healthcare in Northern India. This is important because it allows hospitals here to help people not just from Delhi but also from other states in the north and east of India. **And, almost half of all the international patients who come to India for treatment come to Delhi NCR—around 40%.**

Yatharth already has a strong brand equity in Noida region which will help to cater to large patient pool.

Delhi-NCR Region Receives High Influx of Domestic Patients from Northern States

Noida, Greater Noida, and Noida Extension boast elevated bed density thanks to their proximity to the capital and the presence of major hospital chains. These areas draw patients not only from the NCR region but also from other states and even internationally. The hospitals in this region consistently demonstrate substantial occupancy rates, suggesting ample room for future growth and expansion.

Noida, Ghaziabad, Agra, Hathras, Jhansi Have Been Key to Economic Growth in the Region

The assessment of economic growth near Yatharth Hospitals involved an examination of the past performance of eight districts, namely Gautambuddh Nagar, Ghaziabad, Bulandshahr, Aligarh, Hathras, Mathura, and Jhansi. Among these eight districts, Gautambuddh Nagar was found to be the largest district in terms of GDP growth, followed by Agra and Ghaziabad.

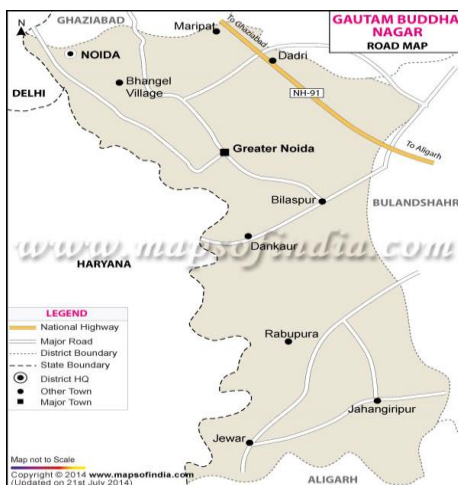
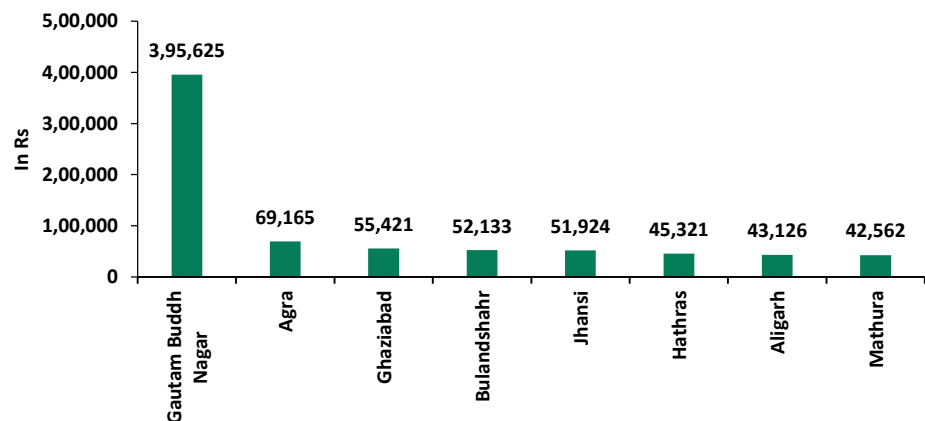


Fig 22: Per Capita income of key districts



Source: Company

Breaking the Mold: Not all CGHS treatment prices are loss making.....!

After conducting a comprehensive assessment of CGHS treatment prices in the Delhi NCR region, we observed that the government is offering competitive pricing to hospitals for specific therapies. Therefore, Yatharth's higher revenue from government business is more favourable than perceived. The company not only secures a significant volume of business but also realizes substantial realizations, particularly for certain therapies.

Fig 23: Govt offers a competitive price for Cardiac procedures

Procedure Type	CGHS Treatment Procedure	NABH/NABL Rate in Rs.	NON-NABH Rate in Rs.	~Insurance prices In Rs.	% Diff
Linear accelerator (Chemo & radiation)	IGRT(Image guided radiotherapy)	169,068	147,016	270,000	60%
Strapping (Orthopedics)	Total Knee Joint Replacement	126,500	110,000	144,000	14%
Strapping (Orthopedics)	Total Wrist Joint Replacement	115,000	100,000	180,000	57%
Cardiovascular and cardiac surgery & investigations	CABG +I valve.	194,350	169,000	198,000	2%
Strapping (Orthopedics)	Total Hip Replacement	90,850	79,000	135,000	49%
Cardiovascular and cardiac surgery & investigations	CABG without bypass.	161,000	140,000	179,550	12%

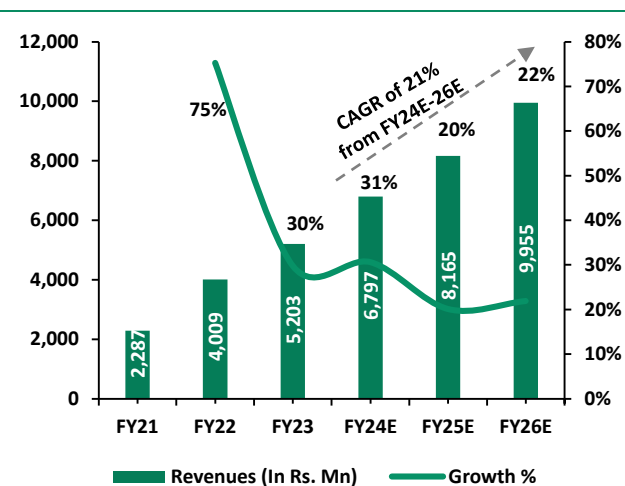
Source: CGHS, SMIFS Research

Revenue will increase due to case mix improvement

Over the 3-year period (FY20- FY23), the company has significantly improved its revenue mix by expanding its operations in adjoining areas of Noida (Noida Extension), which resulted in increased revenue mix for the company. Going ahead, it plans to add high end specialities such as organ transplant, radiation, and robotic surgeries as well.

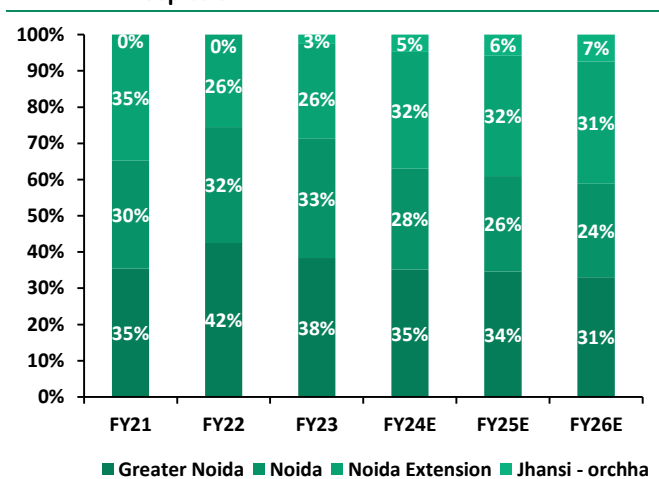
High inpatient growth and favourable case mix were the major contributor to the growth. Going ahead, we expect revenue to deliver CAGR growth of 21% from FY24E to FY26E on the back of more revenues from new hospitals, and improvement in APROB led by addition of high-end specialities.

Fig 24: Revenue to grow at CAGR of 21% from FY24E- FY26E



Source: Company, SMIFS Research

Fig 25: Due to increased contribution from newer hospitals

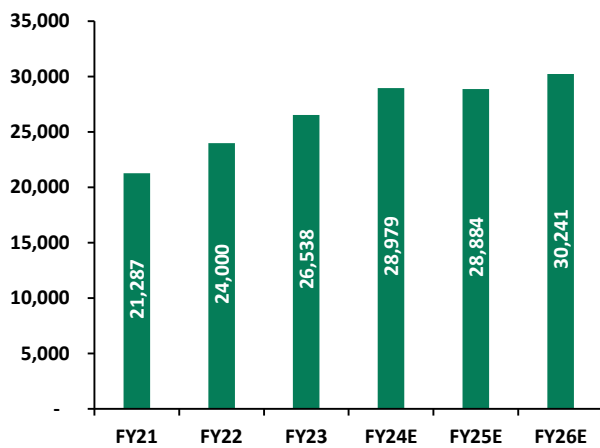


Source: Company, SMIFS Research

Occupancy Levels to improve going forward

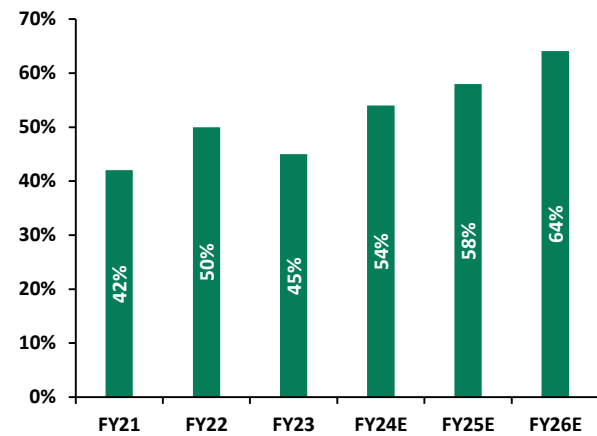
Yatharth is well-established in its home market of Noida. The newer hospitals in Noida Extension became more significant during the COVID-19 pandemic, leading to increased occupancies for the company, however the same got normalized in FY23. Going forward, the occupancies are expected to improve from 45% in FY23 to 64% in FY26E mainly by international volume picking up after operationalization of Noida airport in Oct 2024, increased patient inflow and increased coverage of insurance partners in the newly set up hospital of Jhansi.

Fig 26: ARPOB to increase going forward



Source: Company, SMIFS Research

Fig 27: Inpatient vol. growth will lead to higher occupancy



Source: Company, SMIFS Research

ARPOB growth will be driven by case and payor mix improvement

33% of the company's revenue is derived from internal medicine services addressing conditions like dengue, malaria, fever, and diabetes. ARPP in this segment is currently lower than that of cardiac or oncology patients. Going forward, as the company prepares to offer a comprehensive range of oncology services encompassing chemotherapy, medical, surgical, and radiation oncology, there's a strategic expectation for an increase in ARPOB.

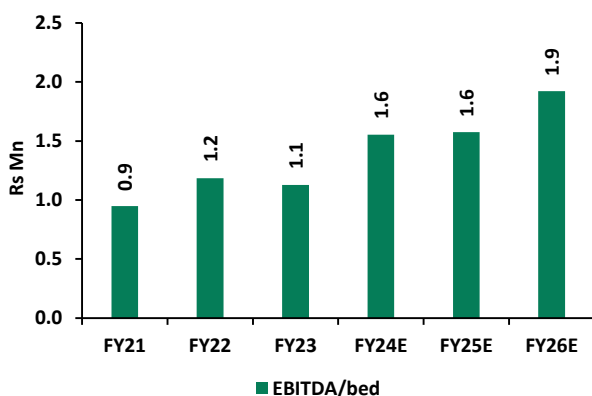
We expect ARPOB to grow at CAGR of 4.5% from FY23-FY26E driven by case mix improvement

The company relies significantly on government business, constituting 37% of its overall business, which tends to have lower realizations compared to cash and insurance patients. Despite the lower revenue per patient, government business contributes to higher occupancy, which helps in reducing the time needed to break even. To enhance revenue streams, the company intends to focus on increasing the proportion of cash and insurance patients in its Noida and Greater Noida hospitals, where current occupancies stand at ~ 88% and 62%, respectively.

EBITDA to grow at CAGR of 21% from FY24E-26E

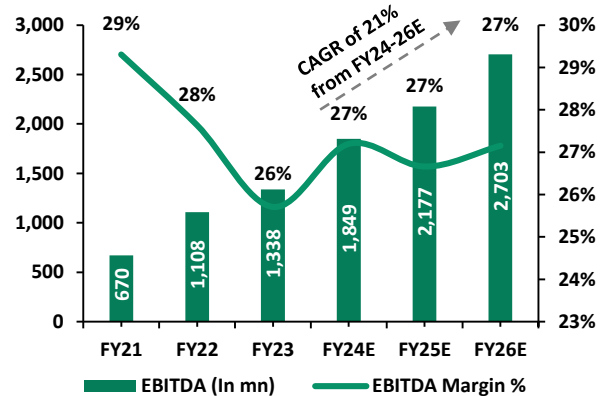
- EBITDA/bed has grown nearly 22% from Rs 0.9 Mn per bed in FY21 to Rs ~1.1 Mn per bed in FY23. This was majorly led by growth in all three hospitals which has witnessed almost 2x growth in their EBITDA in the past three years.
- Moving forward with the increased contribution from Jhansi Hospital and the inclusion of transplant and oncology services in Noida Extension, both lucrative segments is expected to result in a higher EBITDA/bed of ~Rs 1.9 Mn by FY26E.

Fig 28: EBITDA/operating bed to increase going forward



Source: Company, SMIFS Research Estimates

Fig 29: EBITDA to grow at CAGR of 21% from FY24-26E



Source: Company, SMIFS Research Estimates

- The Noida Extension and Jhansi Orchha are new hospitals which will contribute ~38% and 2% to consolidated EBITDA in FY26E respectively. The EBITDA margins for Noida Extension is expected to be 30% in FY24E which is higher than that of company's overall margin. As company increases its proportion to new hospitals, the EBITDA margin will improve.

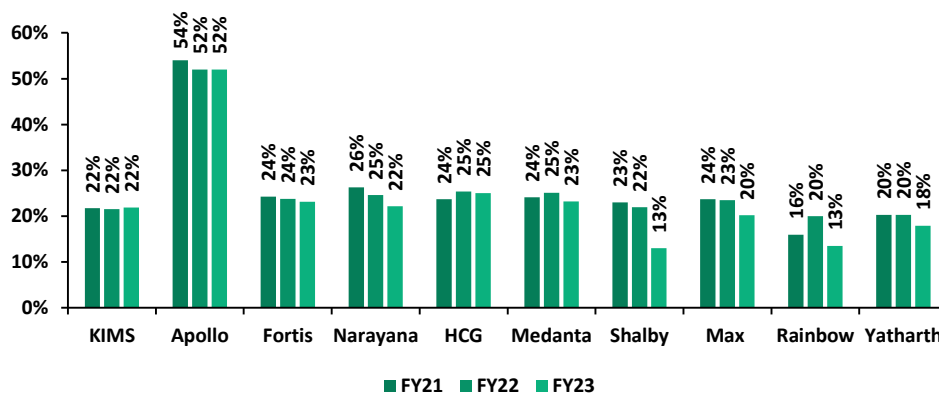
Low ARPOB but high margins? Why so?

Despite lower ARPOB of Rs. ~27K in FY23, Yatharth's EBITDA Margins are at par with its affordable care peers such as KIMS but higher than its Northern states peers such as Medanta and Fortis. **But going ahead the EBITDA margins will remain stagnant due to addition of new talent (such as radiation oncologist and transplant surgeon) and increase in consultant costs (sitting in other exp) leading to flattish EBITDA margins for next three years.**

Material cost and employee cost are two of the largest cost components for all the players. For most players compared hereby, material cost is in the range of 13-25%. These cost of Yatharth are low, that's why despite lower ARPOB, the EBITDA margins is more than its Northeast peers.

Yatharth has higher share (33%) of revenue from internal medicine i.e dengue, diabetes and malaria where there is no surgery, or high-end medical equipment (such as stents, heart valve, implants) or costly drugs are required unlike in cases of cardiac or oncology. That's why the cost of consumables are lower for Yatharth. Even after adding radiation therapy the cost of consumables will be in check as radiation as a therapy does not require implants or related equipment.

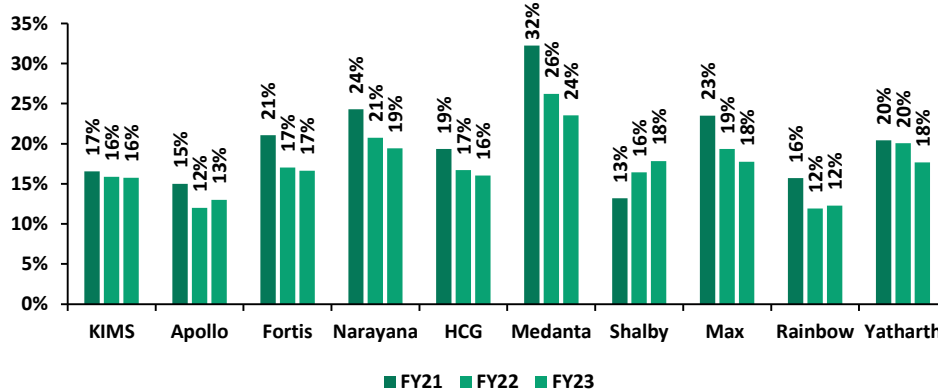
Fig 30: The consumable cost of Yatharth is lower than its peers due to high internal meds. share



Source: Company, SMIFS Research Estimates

*For Apollo hospitals, Consol. Numbers are taken and not just for hospital only.

Fig 31: Employee cost for Yatharth is in-line with its peers but higher than KIMS (affordable care player)



Source: Company, SMIFS Research Estimates

Fig 32: Other Expenses for Yatharth are higher than most its peers driven by higher (18%) consultancy charges

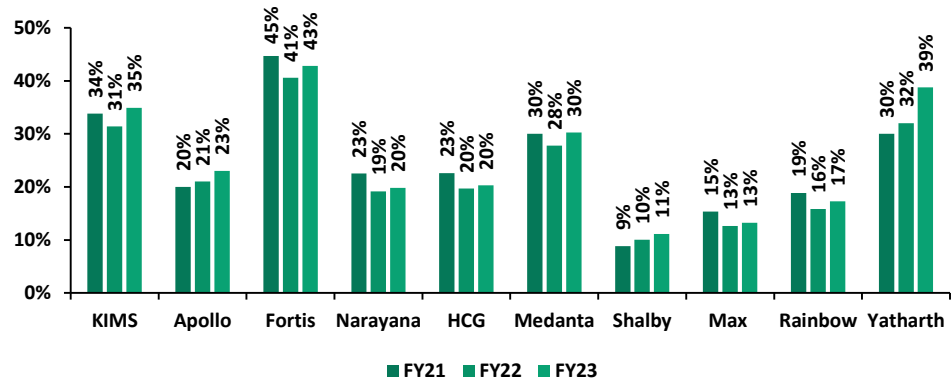
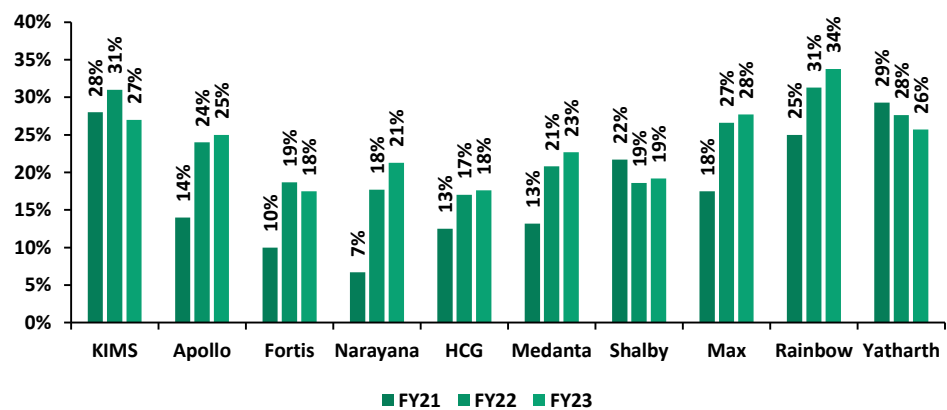


Fig 33: EBITDA Margin of Yatharth is in-line with its peers such as KIMS

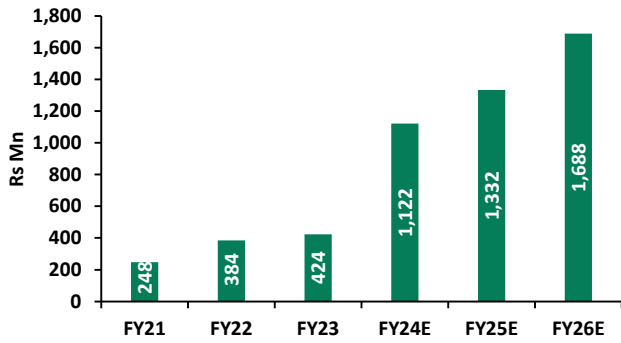


Source: Company, SMIFS Research Estimates

Strong cash generation going ahead

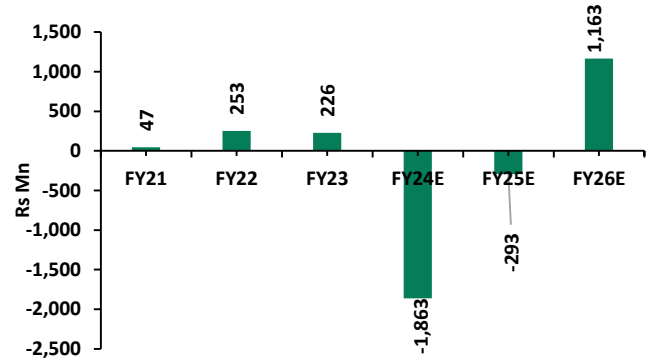
- The company is generating strong operating cash flows. The cumulative OCF generated from FY21-23 stood at Rs 1.6bn and PAT cumulatively stood at Rs 1.3bn during the same period indicating company has generated higher operating cash from operations and successfully converted profits into OCF. Going ahead, we expect OCF to remain robust.
- FCF generation has been decent over the last few years. The cumulative FCF from FY21-23 stood at ~Rs0.5 bn.
- Going forward, due to investments in new technology, equipment of oncology and transplant the company will be generating lower FCF. The business has a low working capital requirement and low maintenance capex, which will further aid FCF generation. **Also, the major capex (90%) will be brownfield capex only. Headroom to grow in existing hospitals, brownfield capex will lead to improved FCF.** Going ahead higher EBITDA from new and matured hospitals start to kick in, it will drive profits & consequently OCF and FCF of the company.

Fig 34: OCF to remain robust from FY22-26E



Source: Company, SMIFS Research Estimates

Fig 35: Lower FCF generation due to high capex

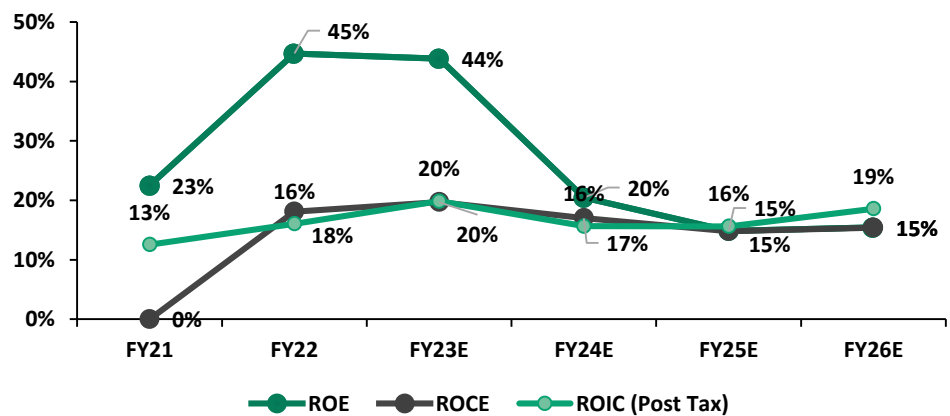


Source: Company, SMIFS Research Estimates

Yatharth has highest return ratios amongst its peers

Return ratios started picking up post FY21 and thereafter have been almost in an upward phase due to benefits of Covid. The return ratios from FY21 to FY23 were highest at 44% due to improved profitability in all three Noida hospitals. Investment over the next three years is likely to be in existing hospitals, to add brownfield bed capacity as well as roll-out of oncology and organ transplant initiatives. These high-end specialties would lead to a gradual improvement in ARPOB too. After the recent IPO, cash on books is likely to be in the range of Rs. 2.7- 4 bn over FY24-26E even after paying down debt. This would weigh on RoCE till the company is able to deploy this in the business, potentially via M&A initiatives. We forecast post-tax ROE to dip from 44% in FY23 to 15% in FY26E.

Fig 36: ROCE to dip due to high cash on books (Due to unutilized money from IPO)



Source: Company, SMIFS Research Estimates

Debt free company: Strengthening the Balance Sheet

After securing Rs. 6,860 Mn through its IPO in August 2023, Yatharth promptly eliminated its entire debt of Rs. 2,500 Mn. This strategic move transformed the company into a debt-free entity. By channelling the proceeds from the recent IPO towards debt repayment, Yatharth not only cleared its financial obligations but also bolstered its balance sheet. The company has now achieved a net-cash position, enhancing its operational flexibility. This newfound financial strength positions Yatharth to pursue growth initiatives without the immediate need for additional external capital in the medium term. Going ahead, net debt/equity will remain negative for few years.

Demographics of key cities

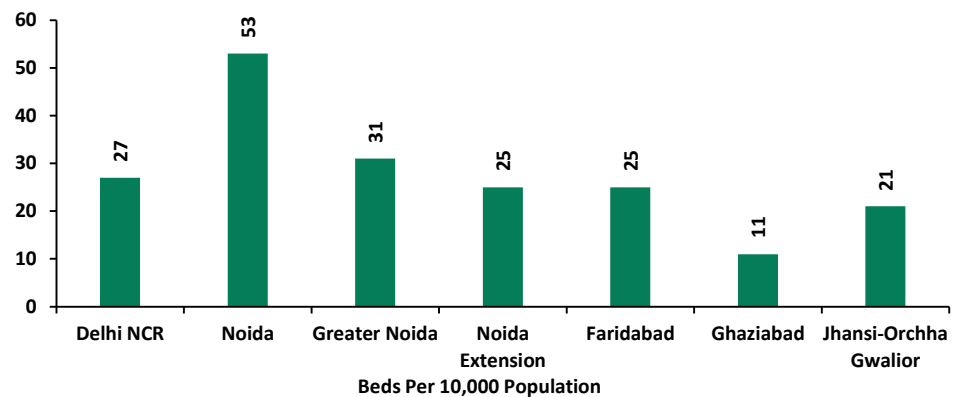
Dynamics of Noida

Population in FY21: 8.1 Lacs

Noida city has a population of approximately 0.8mn. Noida has a bed density of 53 per 10,000 population, which indicates a well-developed healthcare infrastructure. It attracts patients from nearby districts and states, which do not have specialty hospitals. Estimated number of hospital beds are approximately 4,300 with 175 hospitals and nursing homes.

Apollo hospital Noida, Fortis Noida, Jaypee hospital, Kailash hospital and Metro Hospital are some of the large private hospitals present in the city.

Fig 37: Estimated Beds Per 10,000 Population



Source: Population Census

Dynamics of Greater Noida

Population in FY21: 8 Lacs

Greater Noida has a population of ~0.8mn. The region has a bed density of 31 per 10,000, which indicates a well-developed healthcare infrastructure. Estimated number of hospital beds are approximately 2,500 with 30 hospitals and nursing homes. An estimated 10% hospitals in Greater Noida belong to a large chain, while the rest are standalone hospitals.

Government institute of medical sciences, Sharda Hospital are some large private hospitals present in the city.

Dynamics of Noida Extension

Population in FY21: 4 Lacs

Noida Extension city has a population of ~0.4mn. The region has a bed density of 25 per 10,000 population. Estimated number of hospital beds are approximately 1,000 with 15-20 hospitals and nursing homes. Yatharth Super Specialty Hospital with 450 beds is one of the largest hospitals in the region in terms of number of beds. The reason for such a high bed density is the fact that it attracts patients from Noida, Delhi, the whole NCR region, and even some nearby states and international medical tourists.

Dynamics of Jhansi Orchha Gwalior

Population in FY21: 3.7 Lacs

Jhansi Orchha city has a total population of ~3.7mn. Estimated number of hospital beds in this market are approximately 7,900 with 215 hospitals and nursing homes.

Ramraja Multispecialty Hospital, a 305 bedded hospital in Orchha town near Jhansi, is one of the largest hospitals in the region and has been acquired by Yatharth Hospital & Trauma Care Services Limited as of February 18, 2022.

Maharani Laxmibai, Birla Institute of medical research and district hospital Jhansi are some of the large private hospitals present in the city.

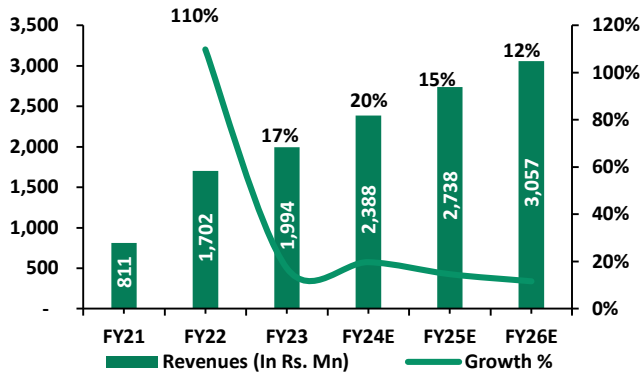
Hospital Wise Business

Yatharth's business is divided among 4 clusters namely (Greater Noida, Noida, Noida Extension, And Jhansi Orchha).

Greater Noida contributes 38% to the company's revenue in FY23

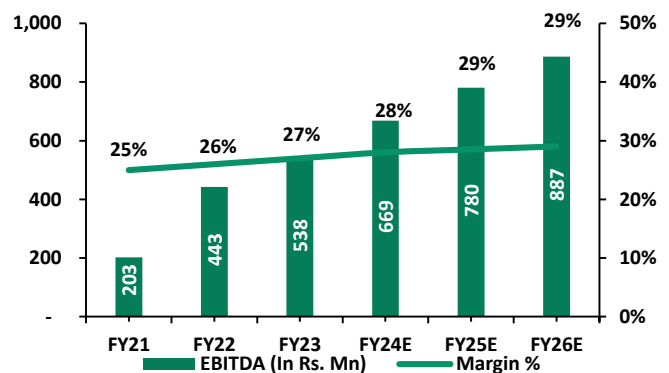
Greater Noida hospital has total bed capacity of 400 beds with 288 operational beds. The Greater Noida was the first facility which was started in 2010 and have EBITDA Margins of 27%. It has ARPOB of ~27K and occupancy levels of 62% as of FY23. The company plans to add 200 beds beyond FY26. The major growth will be driven by case mix improvement (led by organ transplant and radiation oncology). Yatharth intends to position this hospital as a centre of organ transplant, and it has recently acquired a 1,885 square meter land plot next to the current hospital building that allows it to add another 200 beds by FY27E. We expect revenue and EBITDA CAGR growth of 13% and 11% respectively from FY24E-FY26E for Greater Noida facility due to increase in ARPOB growth (led by price hike and case mix) and improvement in occupancy level to the tune of 76%.

Fig 38: Greater Noida revenue



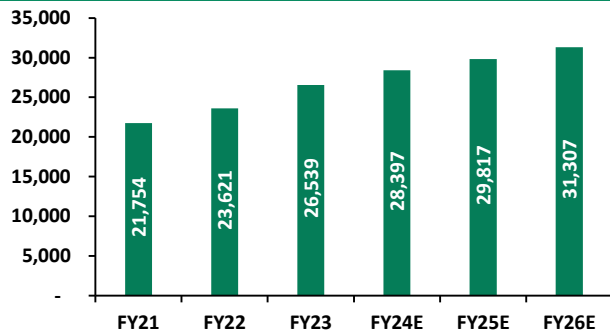
Source: Company, SMIFS Research

Fig 39: Greater Noida Margins (In %)



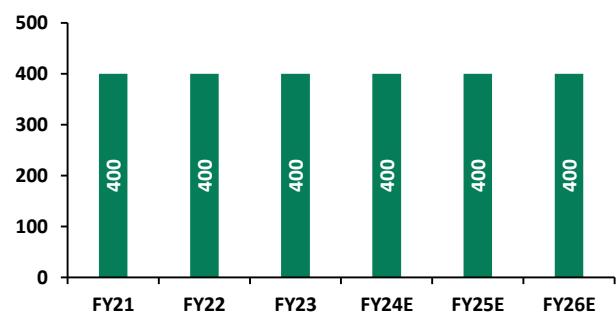
Source: Company, SMIFS Research

Fig 40: Greater Noida ARPOB (In Rs)



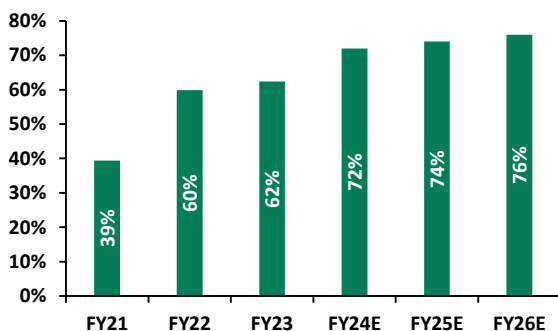
Source: Company, SMIFS Research

Fig 41: Greater Noida Bed Capacity



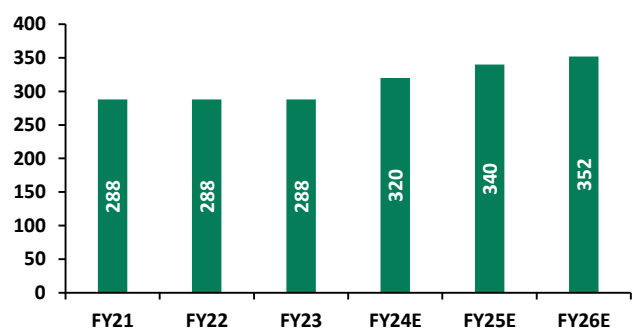
Source: Company, SMIFS Research

Fig 42: Greater Noida Occupancy Level (In %)



Source: Company, SMIFS Research

Fig 43: Greater Noida Operational Beds



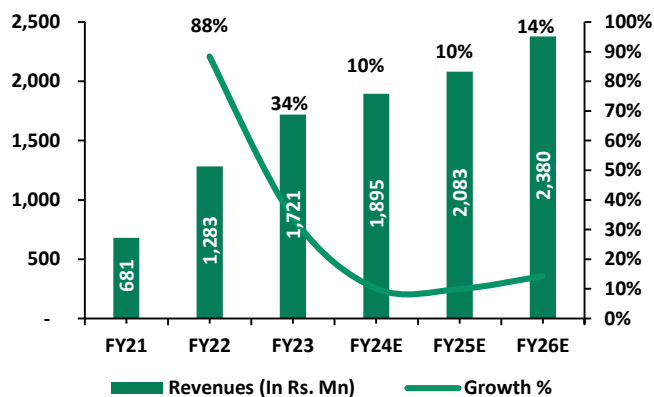
Source: Company, SMIFS Research

Noida hospital contributes 33% to the company's revenue

Yatharth opened its second hospital i.e Noida hospital in 2013 and it has highest occupancy of 88% and total bed capacity of 250 as of FY23. It is a mature hospital, and the Noida facility has ARPOB of ~25K. The EBITDA margins of this facility is 27% in FY23 which is in-line with the consolidated margins of the group.

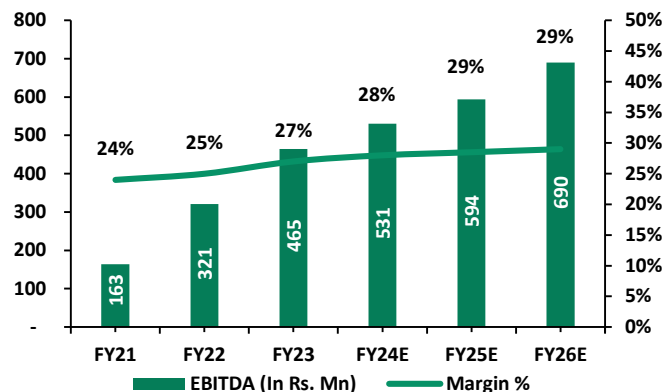
Higher occupancy of 88% is mainly due to higher share from govt business which resulted in higher ALOS. Going forward as the ALOS would decrease from 6 days currently to industry avg of 2-3 days it could lead to improvement in ARPOB.

Fig 44: Noida revenue



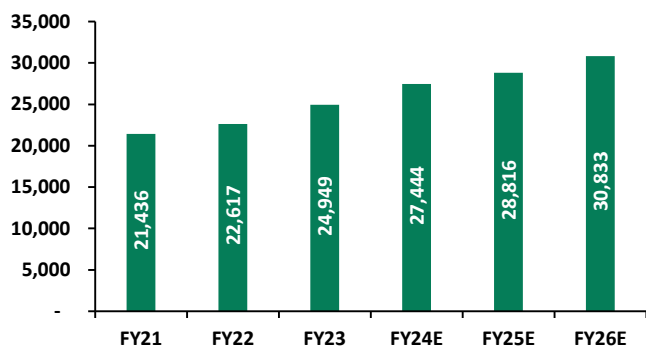
Source: Company, SMIFS Research

Fig 45: Noida EBITDA Margins (In %)



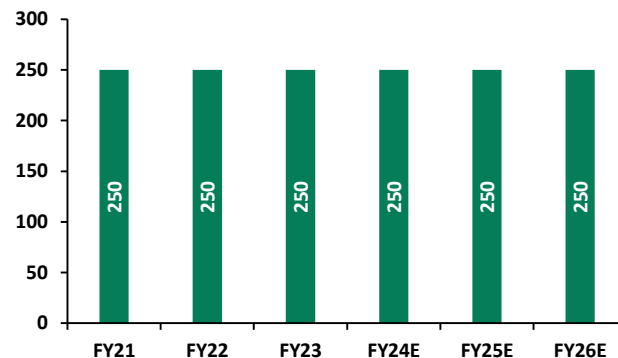
Source: Company, SMIFS Research

Fig 46: Noida ARPOB (In Rs)



Source: Company, SMIFS Research

Fig 47: Noida Bed capacity



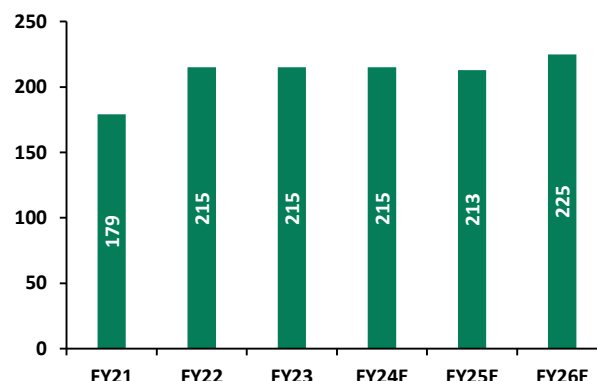
Source: Company, SMIFS Research

Fig 48: Noida Occupancy Level (%)



Source: Company, SMIFS Research

Fig 49: Noida Operational Beds



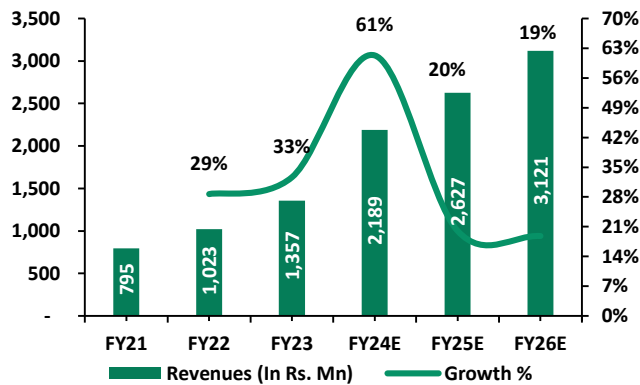
Source: Company, SMIFS Research

Noida Extension hospital contributes 26% to the revenue

The Noida Extension hospital started recently in 2019 and has bed capacity of 450 beds as of FY23. The Noida Extension hospital has seen an increase in ARPP due to the addition of high-end specialties and new treatments. Yatharth Intends to develop it as a COE (Centre of excellence) for oncology, robotic surgeries, and organ transplant.

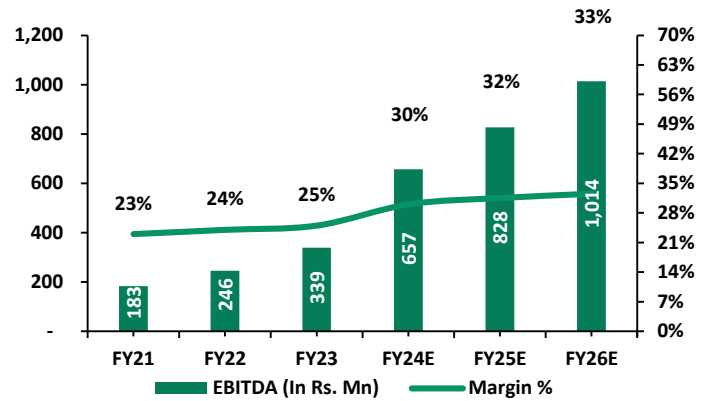
Noida Extension hospital is having ARPOB of 30K with the EBITDA margins of 25% as of FY23 and it is going to expand this facility from 450 beds to 700 beds starting from FY27E. We expect revenue and EBITDA CAGR of 19.4% and 19.8% respectively over FY24E-FY26E with CAGR ARPOB growth of 8% (driven by price increase and case mix improvement).

Fig 50: Noida Extension revenue



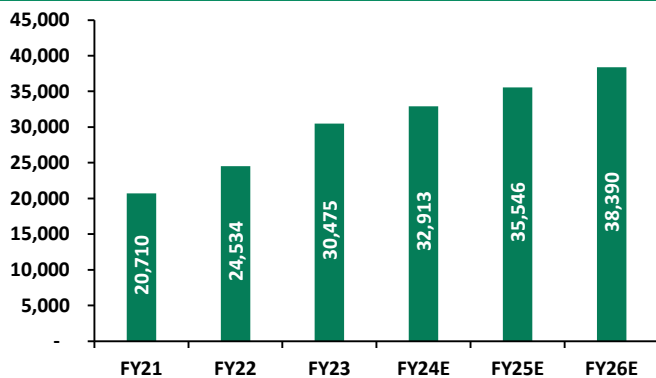
Source: Company, SMIFS Research

Fig 51: Noida Extension EBITDA



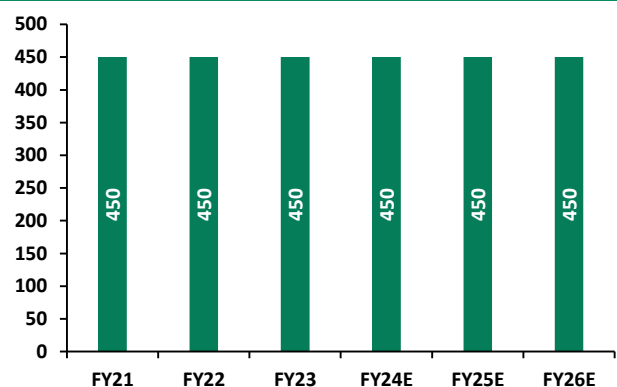
Source: Company, SMIFS Research

Fig 52: Noida Extension ARPOB (In Rs)



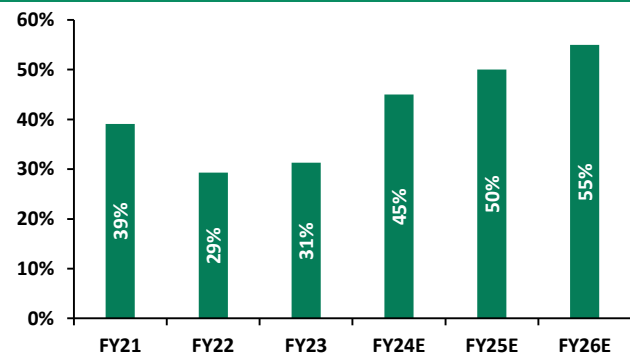
Source: Company, SMIFS Research

Fig 53: Noida Extension Bed capacity



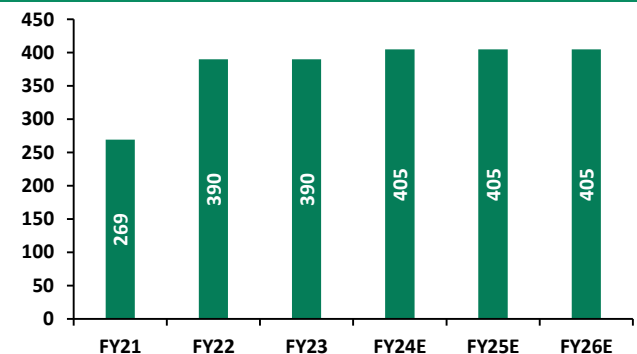
Source: Company, SMIFS Research

Fig 54: Noida Extension Occupancy Level (%)



Source: Company, SMIFS Research

Fig 55: Noida Extension Operational Beds

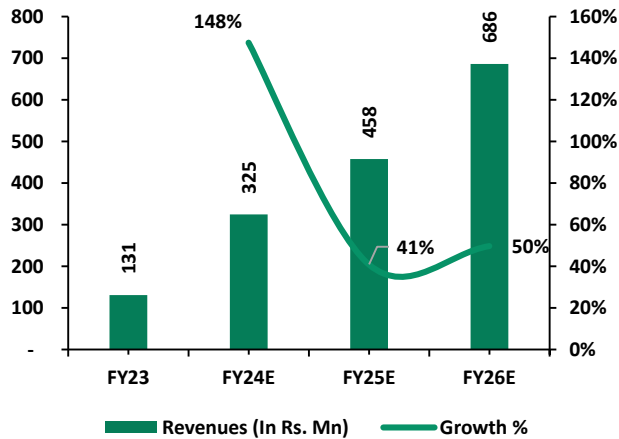


Source: Company, SMIFS Research

Jhansi Orchha hospital contributes 3% to the company's revenue

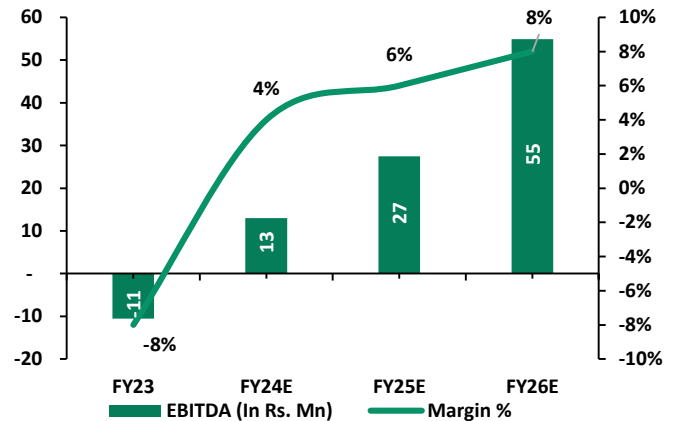
Yatharth hospital entered the central India region in 2022 by acquiring a 305 bed multi-speciality hospital in Jhansi Orchha. This is one of the largest hospitals in Jhansi Orchha Gwalior region in terms of beds. Currently it has ARPOB of ~18k and facility accounted 21% of operational beds in FY23. Yatharth intends to introduce a fully functional oncology unit at this facility by FY25E and do greenfield projects in the region later.

Fig 56: Jhansi Orchha revenue



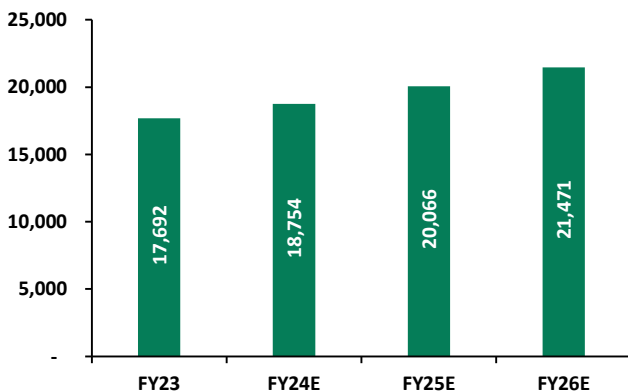
Source: Company, SMIFS Research

Fig 57: Jhansi Orchha EBITDA



Source: Company, SMIFS Research

Fig 58: Jhansi Orchha ARPOB (In Rs)



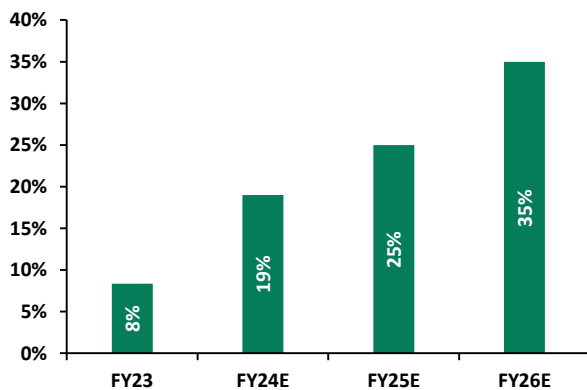
Source: Company, SMIFS Research

Fig 59: Jhansi Orchha Bed capacity



Source: Company, SMIFS Research

Fig 60: Jhansi Orchha Occupancy Level (%)



Source: Company, SMIFS Research

Fig 61: Jhansi Orchha Operational Beds



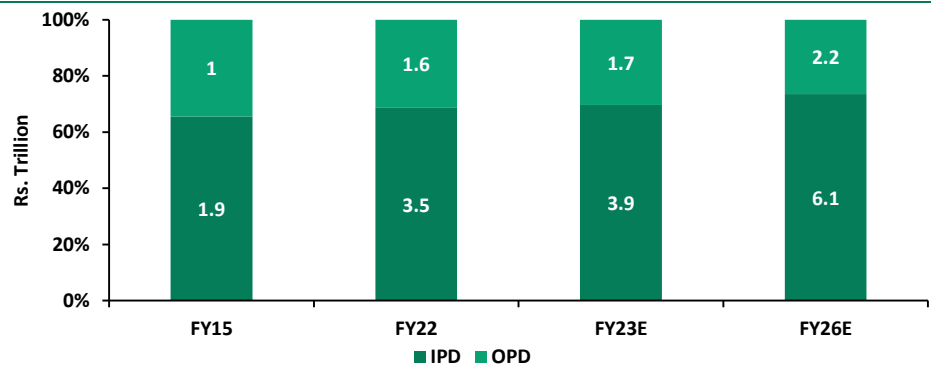
Source: Company, SMIFS Research

Industry Overview

Healthcare Delivery Market: A snapshot

- The Indian healthcare delivery market to reach INR 5.5-5.7 trln in value terms by end of FY23, with growth being contributed by stabilisation of regular treatments, surgeries and OPD amid minimisation of disruption due to the pandemic and expansion of Average revenue per occupied bed (“ARPOB”) for the sector. A potential upside is also expected from picking up of high realisation medical tourism as international travel restrictions are relaxed. Within the overall healthcare delivery market, the IPD is expected to account for nearly 70% (in value terms), while the balance is to be catered by the OPD. Though in terms of volumes, OPD volumes outweigh IPD volumes, with the latter contributing the bulk of the revenues to healthcare facilities. The healthcare delivery market is expected to reach a market size of approximately INR 6.4 - 6.6trln in FY24 on the back of the fundamental strengths of the sector and inherent structural strengths of the sector in India.
- As per CRISIL Research estimates, the Indian healthcare delivery industry to post a healthy 13-15% CAGR between FY23 and FY26, driven by long-term structural factors, strong fundamentals, and increasing affordability and potential of the Ayushman Bharat scheme (the national health insurance scheme launched in 2018 to provide access to healthcare for low income earners in India).

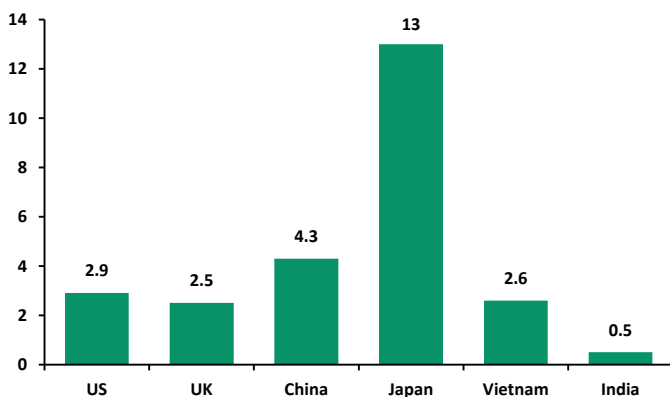
Fig 62: Healthcare delivery market poised to grow 13-15% over FY22-26



Source: Crisil Report, SMIFS Research Estimates

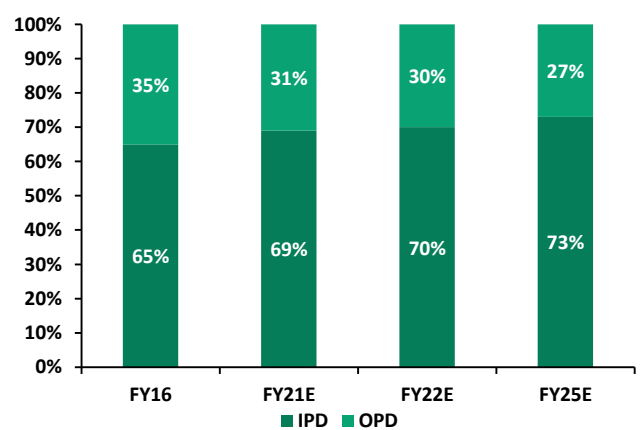
- The Indian healthcare industry for FY22 is estimated at USD 372 billion of which hospitals carve out the majority share, i.e., about 35%, contributing about USD 132 billion. This is followed by domestic pharmaceuticals contributing about 15% i.e. USD 54 billion and the remaining is shared by diagnostics, medical equipment and insurance.

Fig 63: Number of Beds per 1000's people



Source: Company, SMIFS Research

Fig 64: Healthcare industry demand breakup

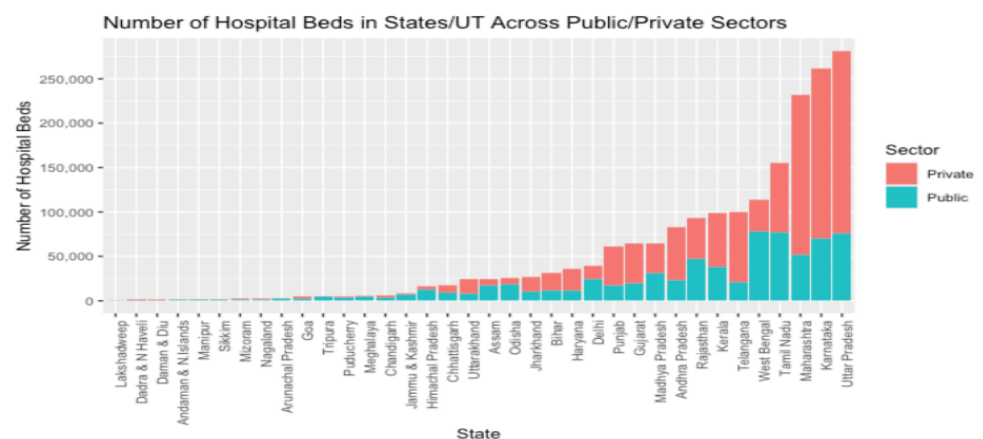


Source: Company, SMIFS Research

The demand supply mismatch is huge which will benefit the players....

- Number of Beds per 1000's people – India has one of the lowest beds to population ratio of 0.5 public hospital bed and mere 1.4 beds, including public and private hospital beds per 1,000 persons as compared to peers such as China which is at 4.3.
- As per research conducted by Princeton University, India has approximately 1.9 million hospital beds in its public and private sector facilities.
- By 2030, India would require 2.9 million (29 Lacs) additional hospital beds to reach the current global average of 3.2 beds per 1,000 persons.

Fig 65: State wise beds distribution



Source: Industry, SMIFS Research Estimates

Fig 66: Total bed capacity in India

Public hospitals	Private hospitals	Total Hospitals	Public Hosp. Beds	Private Hosp. Beds (Estimated)	Total Hosp. Beds (Estimated)
25,778	43,487	69,265	713,986	1,185,242	1,899,228

Source: SMIFS Research, Crisil Report

Fly to India for medical treatment– Medical tourism Industry!

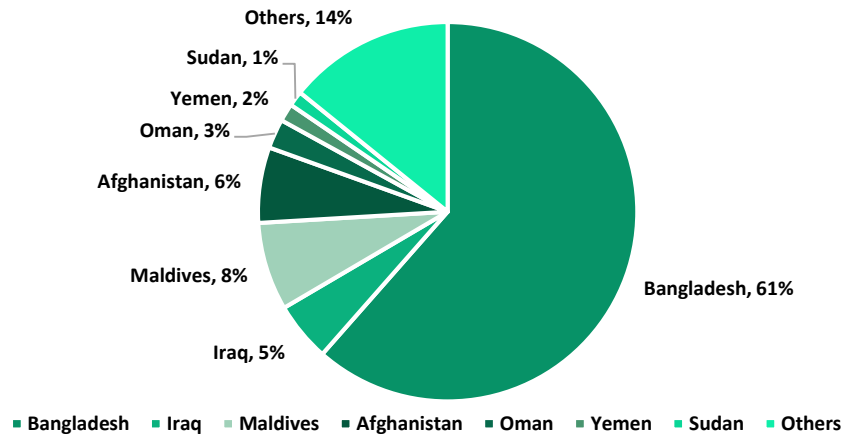
- The healthcare costs in developed countries is relatively higher than in India. India is also an attractive destination due to the presence of technologically advanced hospitals with specialised doctors and facilities, such as e-medical visa. Treatments mostly sought after in India are for heart surgery, knee implant, cosmetic surgery and dental care, due to the low costs of these treatments in India. Medical tourism in India is driven by the private sector.
- Of the total foreign tourist arrivals in India, the proportion of medical tourists grew from 2.2% (0.11mn tourists) in 2009 to 6.4% (0.6mn tourists) in 2019. The government has constituted a National Medical and Wellness Tourism Board along with providing financial assistance of INR 6 lakh to medical tourism service providers under market development assistance (MDA) to develop medical tourism in India. More than 94% of medical tourists are from countries in Africa, west and south Asia.
- Medical tourists from countries like United Kingdom and Canada are also seeing an increase, given long waiting periods for availing of treatments in these regions.

Fig 67: Cost of Ailments

Ailments	US	Korea	Singapore	Thailand	India
Hip replacement	50,000	14,120	12,000	7,879	7,000
Knee replacement	50,000	19,800	13,000	12,297	6,200
Heart bypass	144,000	28,900	18,500	15,121	5,200
Angioplasty	57,000	15,200	13,000	3,788	3,300
Heart valve replacement	170,000	43,500	12,500	21,212	5,500
Dental implant	2,800	4,200	1,500	3,636	1,000

Source: Industry, SMIFS Research Estimates

Fig 68: Bangladeshi are the major tourists visiting India for medical reasons



Source: Niti.gov

The number of Foreign Tourist Arrivals (FTAs) in India on medical visa grew to an estimated 697,000 in 2019 from 495,056 in 2017.³³ India’s medical visitors have historically come primarily from Afghanistan, Pakistan, Oman, Bangladesh, Maldives, Nigeria, Kenya and Iraq. Popular specialities for MVT in India include cardiac care, orthopaedics, organ transplantation, neurosciences, oncology and bariatrics.

Increasingly, the focus on strong branding of alternative medicine and rejuvenation therapies, along with an emphasis on wellness and prevention, is drawing patients to India from across the globe. Wellness tourism that builds on India’s strengths in Ayurveda and Yoga, in particular, is a fast-emerging and growing segment within India’s MVT sector.

Several major players like Apollo and the Manipal Group are setting up wellness centres, with traditional healthcare remedies as a key focus of their offerings. Many hotels/resorts in the country, especially in the southern States, are establishing Ayurveda Centres. Leading tour operators have also included Ayurveda in their brochures.

Key Risks

Court case of Ramraja Hospital, Jhansi

Yatharth Hospital was issued a directive by the Madhya Pradesh government to assume control of Ramraja Hospital's premises. Nevertheless, Yatharth contested this decision in the high court and has obtained a temporary stay order. Any adverse ruling in favor of the government could significantly impact the company's revenues.

Impact of regulatory challenges

The regulations with respect to pricing cap on services/patient charges might impact the business adversely.

Significant dependence on two Hospitals

Yatharth Hospital's revenue is predominantly concentrated in two crucial clusters: Noida and Greater Noida, which collectively contribute 71% to the total revenue. Therefore, any substantial impact on the revenue generated by Yatharth hospitals in these regions or their secondary care services could significantly and negatively affect the company's business, financial condition, results of operations, and cash flows.

General Risks

Competition from healthcare players

Yatharth operates in a competitive landscape with various multi-specialty chains vying for market share. Notable competitors include Fortis, Apollo Hospitals, Medanta, Kailash Hospital, Narayana etc. The presence of these competitors poses potential implications for Yatharth's business performance.

Attrition of trained staff

In a multi-specialty hospital, a key benefit lies in its proficient staff comprising skilled surgeons, doctors, paramedics, and nurses. Due to the specialized training required for hospital care, there is a shortage of personnel (doctors, paramedics, and support staff) capable of meeting the unique needs of this demographic. As a result, the potential for staff attrition becomes a notable concern, particularly for a company during an expansion phase.

Others

Potential factors that could lead to such adverse impacts include a decrease in patient footfall, reputational harm, liabilities arising from medical negligence, natural calamities, or any political unrest, disruption, disturbance, or prolonged economic downturn specifically in the mentioned regions.

Corporate Governance

We believe that good corporate governance is necessary for enhancing the trust of the shareholders. Hereby, we present a detailed framework on corporate governance for the comfort of the investors of Yatharth considering board of directors, remuneration of key managerial personnel, contingent liability etc.

Promoters' Shareholding

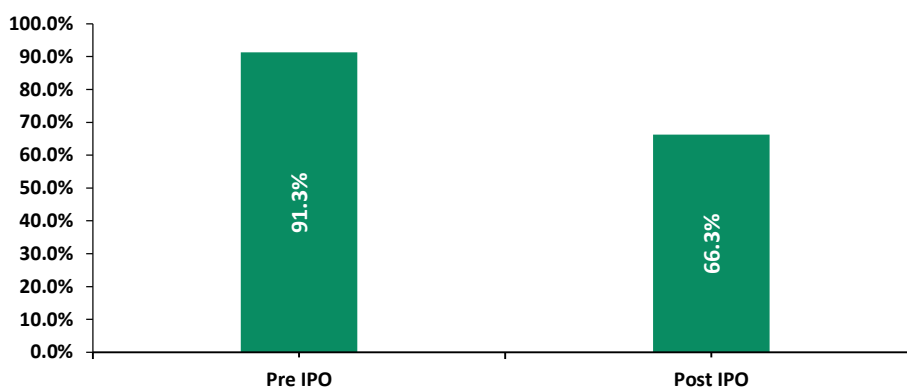
The promoters currently hold ~66.3% of the equity capital. Dr Ajay Kumar Tyagi holds the highest equity of 31.5%. The details of the shareholding and its movement are indicated in the following table and chart:

Fig 69: Latest Promoter Shareholding

Particulars	% Holding
Ajay Kumar Tyagi	31.5
Kapil Kumar	14.2
Manju Tyagi	13.4
Neena Tyagi	7.26
Total	66.3

Source: Company Annual Report, SMIFS Research

Fig 70: Promoter Shareholding



Source: Company Annual Report, SMIFS Research

Before the IPO, the company had 91.3% shareholding and post the IPO in Aug 2023, the promoters shareholding in the company is at around 66.3%.

Promoter Compensation

Promoter compensation 5% of its PBT.

Fig 71: Remuneration of promoter

	(Rs in mn)		
	FY21	FY22	FY23
Ajay Kumar Tyagi	7.2	12.0	12.0
Kapil Kumar	7.2	12.0	12.0
Manju Tyagi	7.2	12.0	12.0
Neena Tyagi	7.2	12.0	12.0
Total Remuneration	28.8	48.0	48.0
As a % of PBT	10%	8%	5%

Source: Company Annual Report, SMIFS Research

Board Composition

Both Independent and Executive directors constitute 50% of the board composition.

The details are given below:

Fig 72: Board Composition

	FY23
Executive Directors	3
Independent director	3

Source: Company, SMIFS Research

IPO Details

Yatharth Hospital came up with the IPO in July 2023 and the stock was listed on the exchange 7 Aug 2023 at a price of Rs. 300 per share.

IPO had book-built issue of Rs 686.5 Cr. The issue was a combination of fresh issue of 1.63 Cr shares aggregating to Rs 490.0 Cr and offer for sale (OFS) of 0.66 crore shares aggregating to Rs 196.5 Cr. The company also raised Rs. 120 Cr Via pre- IPO placement. It offered 40 lakh shares at a price of Rs 300 per equity share.

Fig 73: IPO Issue details

IPO Issue (Rs 686 Cr)		
Particulars	Fresh Issue	OFS
	Rs. 490 Cr	196 Cr
Used for		
Debt Repayment	Rs.245 Cr	
IPO Exp.	Rs. 40 Cr	
Exp in exiting hospitals	Rs. 125 Cr	
Acquisition	Rs. 65 Cr	

Source: DRHP

Contingent Liabilities

In FY23, the company's contingent liability stood at 288% of its net worth. The company had provided bank guarantees amounting to Rs. 5,267 million to its subsidiaries. Notably, following the IPO, **the company has fully cleared its debt, resulting in zero contingent liabilities as of the current date.**

Fig 74: Contingent Liability

(Rs in mn)

	FY21	FY22	FY23	FY24E
Bank Guarantees	86	91	109	0
Margin Money against above	13	16	23	0
Corporate Guarantee	865	1391	2885	0
Outstanding against the above	819	1154	2249	0
Total	1783	2652	5267	0
As a % of Net Worth	246%	227%	288%	0%

Source: Company Annual Report, SMIFS Research

Related Party Transactions

While investigating the related party transactions we found that **there is nothing major related party transactions of Yatharth with its subsidiaries.** Yatharth has given loans to its subsidiaries of Rs 153 mn in FY23.

Fig 75: Related Party Transactions

(Rs in mn)

	FY21	FY22	FY23
Remuneration to KMPs & Relatives of KMPs			
Dr. Ajay Kumar Tyagi	7.2	12.0	12.0
Dr. Kapil Kumar	7.2	12.0	12.0
Dr. Manju Tyagi	7.2	12.0	12.0
Dr. Neena Tyagi	7.2	12.0	12.0
Mr. Yatharth Tyagi	4.8	7.0	12.0
Mr. Ritesh Mishra- Company Secretary	0.7	0.8	0.8
Mr. Amit Kumar Singh	-	1.3	2.4
Mr. Pankaj Prabhakar	-	0.5	2.9
Mrs. Shilpi Singh	-	-	1.5
Investment in Equity Shares			
AKS Medical & Research Private Limited			
Loans and Advances- Received	331.9	633.5	428.6
Loans and Advances- Paid Back	331.9	503.4	560.8
Ramraja Multispecialty Hospital & Trauma Centre Private Limited			
Loans and Advances- Given	-	268.3	153.4
Loans and Advances- Received Back	-	-	14.5
Loans and Advances received from KMP's & Relatives of KMP's			
Dr. Ajay Kumar Tyagi	-	8.7	(8.7)

Dr. Kapil Kumar	-	10.4	(10.4)
Yatharth Tyagi	-	32.5	(32.5)
Borrowings (Current)			
AKS Medical & Research Private Limited	-	130.1	-
Sanskar Medica India Limited	56.1	56.1	56.1
Amount Receivable			
Sanskar Medica India Limited	1.1	1.1	1.1
Ramraja Multispecialty Hospital & Trauma Centre Private Limited	-	268.3	407.2
AKS Medical & Research Private Limited	-	-	2.1

Source: Company, SMIFS Research

Key management personnel

Fig 76: Details of promoter and director

Name	Designation	Profile
Dr. Ajay Kumar Tyagi	Chairman and Wholetime Director	Ajay Kumar Tyagi is the Chairman and Whole-time Director of the Company. He has been a Director of the Company since its incorporation. He holds a degree of Bachelor of Medicine and Bachelor of Surgery from LLRM Medical College, Meerut University. He also holds diploma in orthopaedics from King George Medical College, Lucknow. He has over 16 years of experience in the field of medical care and hospital management. He is responsible for strategic investment and overall guidance for the business of the Company. He was previously associated with Medical Health Family Welfare U.P. L.K.O.
Dr. Kapil Kumar	Managing Director	Kapil Kumar is the Managing Director of the Company. He has been a Director of the Company since its incorporation. He holds a degree of Bachelor of Medicine and Bachelor of Surgery from SN Medical College, Agra University. Further, he holds a degree of Master of Surgery in orthopaedic surgery from Lucknow University. He has also completed magister chirurgic in orthopaedics from University of Seychelles, American Institute of Medicine. He has over two decades of experience in field of medicine and health care.
Mr. Yatharth Tyagi	Wholetime Director	Mr. Yatharth is responsible for overall operations and business development. He has been associated with the Company since 2019. He was appointed as a Director of the Company on September 15, 2021. He holds a bachelor's degree in business and management from Leeds Beckett University. He also holds a Master of Science degree in International Health Management from Imperial College London.
Ms. Promila Bhardwaj	Independent Director	Ms. Promila Bhardwaj is an Independent Director of the Company. She has been a Director of the Company since October 22, 2022. She holds a degree in Bachelors of Arts, Master's of Arts in English and Master's of Philosophy from Punjab University. Currently she is Independent Director in two listed companies and other public companies. She is also being member of various committees like Audit Committee, Nomination and Remuneration Committee, CSR Committee etc.
Mr. Mukesh Sharma	Independent Director	Mukesh Sharma is an Independent Director of the Company. He has been a Director of the Company since February 21, 2022. He holds a bachelor's degree in science agriculture and animal husbandry from Govind Ballabh Pant University of Agriculture and Technology. He also holds a master's degree in business administration and has completed post graduate diploma in labour law, labour welfare and personnel management from Maharshi Dayanand Saraswati University, Ajmer. Further, he holds a degree of Bachelor of Law from Chaudhary Charan Singh University, Meerut. He has over 35 years of experience in banking and was previously associated with Bank of Baroda. Currently, he is a SARFAESI Internal Ombudsman at Bank of Baroda.
Dr. Sanjeev Upadhyaya	Independent Director	Dr. Sanjeev Upadhyaya is an Independent Director of the Company. He has been a Director of the Company since February 21, 2022. He holds a bachelor's degree in medicine and Bachelor of Surgery from Meerut University. He also holds a degree of Doctor of Medicine in community medicine from Nagpur University. He has over 20 years of experience in community medicines. He was previously associated with E.S.I. Hospital as house surgeon and Aga Khan Foundation Project as public health specialist.

Source: Company, SMIFS Research

Fig 77: Details of Director's Qualifications

Name	Designation	Qualifications	Other companies	Member of committees in other companies
Ajay Kumar Tyagi	Chairman and Whole-time Director	Bachelor of Medicine and Bachelor of Surgery from LLRM Medical College, Meerut University and also holds diploma in orthopedics from King George Medical College, Lucknow.	Indian Companies: AKS Medical & Research Centre Private Limited, Ramraja Multispeciality Hospital & Trauma Centre Private Limited, Sanskar Medica India Limited.	Nil
Kapil Kumar	Managing Director	Holds a degree of Bachelor of Medicine and Bachelor of Surgery from SN Medical College, Agra University and also degree of Master of Surgery in orthopaedic surgery from Lucknow University.	Indian Companies: AKS Medical & Research Centre Private Limited, Ramraja Multispeciality Hospital & Trauma Centre Private Limited, Sanskar Medica India Limited.	Nil
Yatharth Tyagi	Whole-time Director	Holds a bachelor's degree in business and management from Leeds Beckett University, also holds a Master of Science degree in International Health Management from Imperial College London.	Indian Companies: Nil	Nil
Promila Bhardwaj	Independent Director	Holds a degree in Bachelor's of Arts, Master's of Arts in English and Master's of Philosophy from Punjab University also holds a Master's Diploma in Public Administration from Indian Institute of Public Administration.	Indian Companies: ACB (India) Power Limited, Apex Capital and Finance Limited, Maruti Clean Coal and Power Limited, Ramraja Multispeciality Hospital, Trauma Centre Private Limited and Sindhu Trade Links Limited.	Nil
Mukesh Sharma	Non-Executive, Independent Director	Holds a bachelor's degree in science agriculture and animal husbandry from Govind Ballabh Pant University of Agriculture and Technology, also holds a master's degree in business administration and completed post graduate diploma in labour law, labour welfare and personnel management from Maharshi Dayanand Saraswati University	Indian Companies: Nil	Nil
Sanjeev Upadhyaya	Non-Executive Independent Director	Holds a bachelor's degree in medicine and Bachelor of Surgery from Meerut University & also holds a degree of doctor of medicine in community medicine from Nagpur University	Indian Companies: AKS Medical & Research Centre Private Limited	Nil

Source: The Company check, SMIFS Research

Auditors of the company

M/s R. Nagpal Associates are the auditors of the company. They are also the auditors of AD diagnostics, Unitech Group, JP Power Ventures, Jaypee Group etc.

Fig 78: Auditors of the company

Auditor Name	Type	Auditor Fees - (Rs mn)	As a % of PBT
M/s R. Nagpal Associates	Statutory Auditors	1.0	0.1%

Source: Annual Report, SMIFS Research

CSR Activities

Year	Avg Net Profit in Rs Mn (last 3 Yrs)	Prescribed Expenditure (In Rs. Mn)	Total Spends (In Rs. Mn)	Spend as % of prescribed limit
FY23	273.0	5.5	5.5	100.7
FY22	88.0	1.8	3.0	170.5
FY21	55.1	1.1	1.1	100.0

Company Background

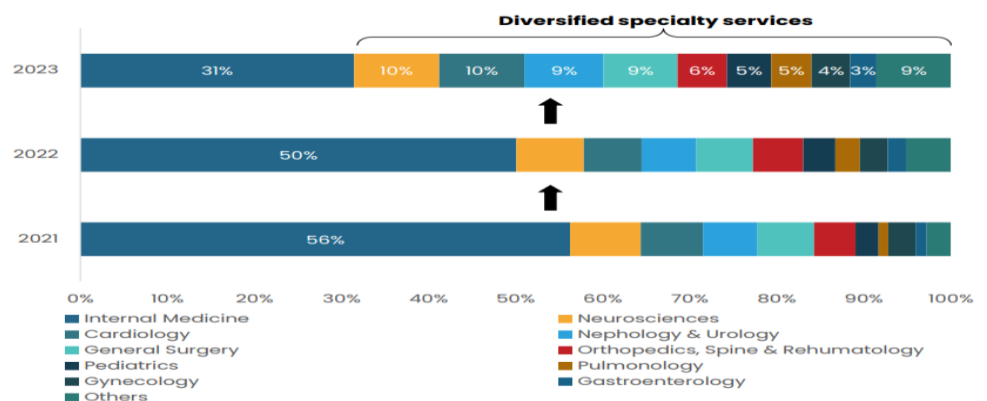
What is Yatharth Hospital health all about?

Yatharth, a healthcare venture, was established by the dynamic duo of Dr. Ajay Kumar Tyagi and Dr. Kapil Kumar, both accomplished medical professionals deeply involved in the enterprise's functioning. Dr. Ajay Tyagi has transitioned his primary focus to overseeing the company, stepping away from active medical practice. Meanwhile, Dr. Kapil Kumar maintains a dual role, balancing medical practice with managerial responsibilities. The management team is enriched by the contributions of other prominent family members, such as Mr. Yatharth Tyagi, Dr. Ajay Tyagi's son, and Mr. Deepak Kumar Tyagi.

Anticipating the expansion of hospitals and beds beyond Noida, the company recognizes the need for increased senior management capacity. In response to this, Yatharth has recently welcomed a seasoned CEO, Mr. Amit Kumar Singh, and CFO, Mr. Pankaj Prabhakar, signalling a strategic move to fortify the organization for its forthcoming phase of growth and development.

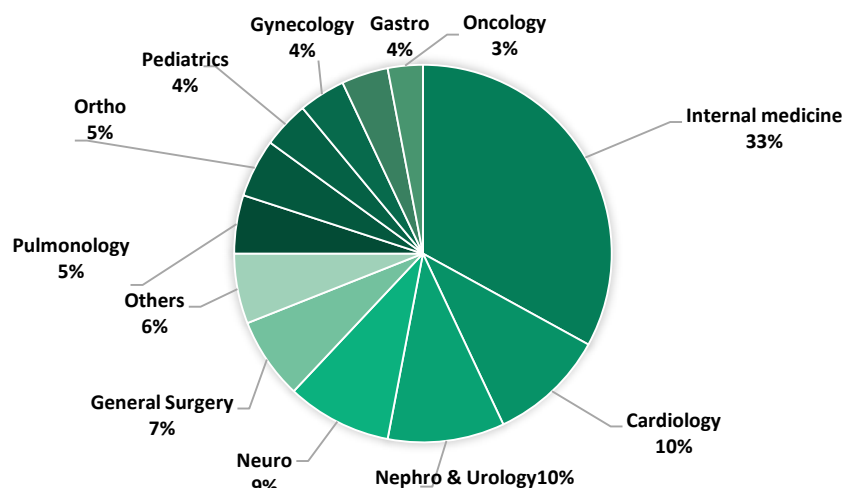
Yatharth hospitals (i.e., Noida Extension Hospital and Greater Noida) are the eighth and 10th largest private hospital in the National Capital Region of Delhi, respectively, in terms of number of beds in Fiscal 2023. Yatharth operate three super specialty hospitals located in Delhi NCR, i.e., at Noida, Greater Noida and Noida Extension, Uttar Pradesh. Further, the company acquired a 305-bedded multi-speciality hospital in Orchha, Madhya Pradesh near Jhansi, Uttar Pradesh which commenced commercial operations in from April 10, 2022 and is one of the largest hospital in Jhansi-Orchha-Gwalior region in terms of number of beds. With this acquisition, Yatharth total bed capacity has increased to 1,405 beds.

Fig 79: Diversified specialty services



Source: Company's Investor presentation

Fig 80: Revenue mix by specialty H1 FY24



Source: Company, SMIFS Research

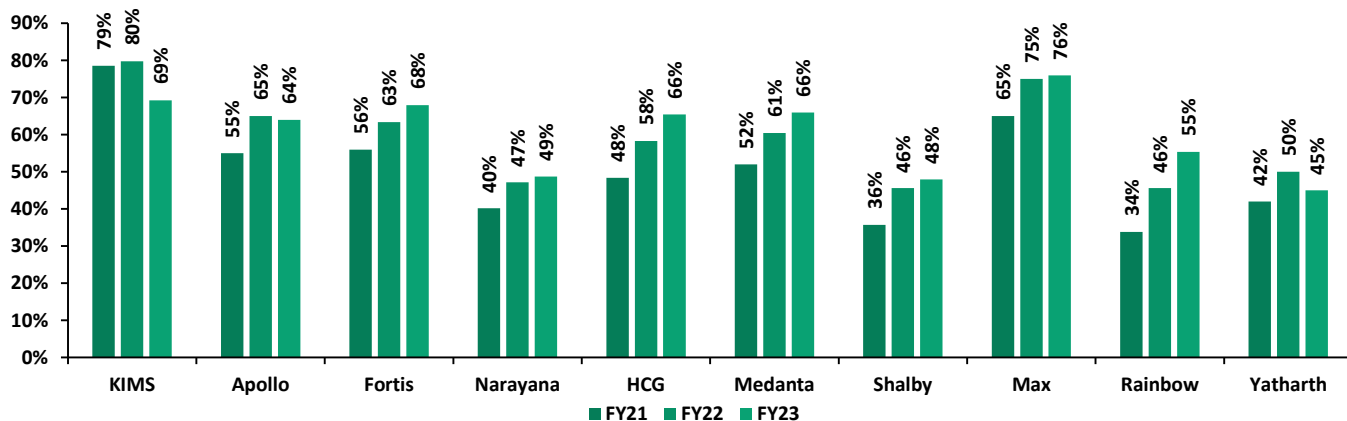
Peer Comparison

Company Name	Net Sales				EBITDA				PAT				EBITDA Margin %			
	FY23	FY24E	FY25E	FY26E	FY23	FY24E	FY25E	FY26E	FY23	FY24E	FY25E	FY26E	FY23	FY24E	FY25E	FY26E
Yatharth	5,203	6,797	8,165	9,955	1,338	1,849	2,177	2,703	658	1,005	1,287	1,557	25.7	27.2	26.7	27.2
Rainbow	11,736	13,493	15,854	19,277	3,964	4,373	5,040	6,398	2,108	2,406	2,764	3,767	33.8	32.4	31.8	33.2
KIMS	21,977	25,222	30,725	34,813	6,040	6,484	8,617	9,837	3,215	3,324	4,669	5,442	27.5	25.7	28.0	28.3
Apollo	166,125	191,691	223,737	258,884	20,496	24,172	35,001	43,220	8,191	8,982	18,449	24,702	12.3	12.6	15.6	16.7
Fortis	62,976	69,306	87,019	100,026	11,013	12,228	16,458	20,548	5,335	5,774	8,770	11,562	17.5	17.6	18.9	20.5
Narayana	45,248	50,252	59,339	68,649	9,658	11,659	14,687	17,780	6,062	7,900	8,157	9,811	21.3	23.2	24.8	25.9
HCG	16,944	19,178	21,203	23,451	2,987	3,239	3,986	4,549	294	380	731	973	17.6	16.9	18.8	19.4
Medanta	26,942	34,410	41,499	47,077	6,122	8,664	11,253	13,142	3,261	5,126	6,930	8,459	22.7	25.2	27.1	27.9
Max	45,626	67,714	80,853	100,517	12,405	18,958	22,947	28,609	11,035	13,184	15,525	19,378	27.2	28.0	28.4	28.5
ASTER DM	119,329	140,876	137,464	179,038	15,653	19,405	22,705	26,149	4,249	4,613	6,444	8,420	13.1	13.8	16.5	14.6
Shalby Ltd	8,049	9,358	10,933	12,146	1,367	1,852	2,381	2,856	677	903	1,237	1,533	17.0	19.8	21.8	23.5

Company Name	CAGR FY23-26E			ROE (%)				P/E				EV/EBITDA			
	1	2	3	FY23	FY24E	FY25E	FY26E	FY23	FY24E	FY25E	FY26E	FY23	FY24E	FY25E	FY26E
Yatharth	24.1	26.4	33.3	43.9	20.4	14.9	15.5	NA	39.6	30.9	25.5	NA	20.9	17.8	13.8
Rainbow	18.0	17.3	21.3	19.8	18.9	18.3	20.5	41.2	53.0	46.2	33.9	21.7	28.8	24.9	19.8
KIMS	16.6	17.7	19.2	20.1	15.8	18.6	18.1	33.8	53.7	38.3	32.8	19.0	28.5	21.4	18.9
Apollo	15.9	28.2	44.5	13.2	13.0	23.0	25.2	81.1	106.6	51.9	38.7	33.4	40.4	27.5	21.8
Fortis	16.7	23.1	29.4	7.1	6.9	9.5	11.2	46.0	56.6	37.3	28.3	22.8	27.1	20.0	15.8
Narayana	14.9	22.6	17.4	33.5	31.4	24.8	23.6	24.0	34.9	33.8	28.1	15.6	24.5	19.5	16.0
HCG	11.4	15.1	49	3.3	4.3	7.7	9.5	133.7	140.7	73.1	54.9	15.5	18.9	15.2	13.1
Medanta	20.4	29.0	37.4	16.1	19.1	21.1	20.9	45.2	73.0	54.0	44.2	21.7	41.7	31.8	26.5
Max	30.1	32.1	20.6	16.1	15.0	15.0	17.0	38.8	64.8	54.1	43.4	30.4	43.8	36.2	29.0
ASTER DM	14.5	18.7	25.6	10.0	9.8	12.9	14.4	28.4	49.0	36.0	27.7	8.1	15.3	13.1	11.4
Shalby Ltd	14.7	27.8	31.3	7.5	9.3	11.9	13.1	21.3	35.5	26.0	20.9	9.8	17.5	13.6	11.3

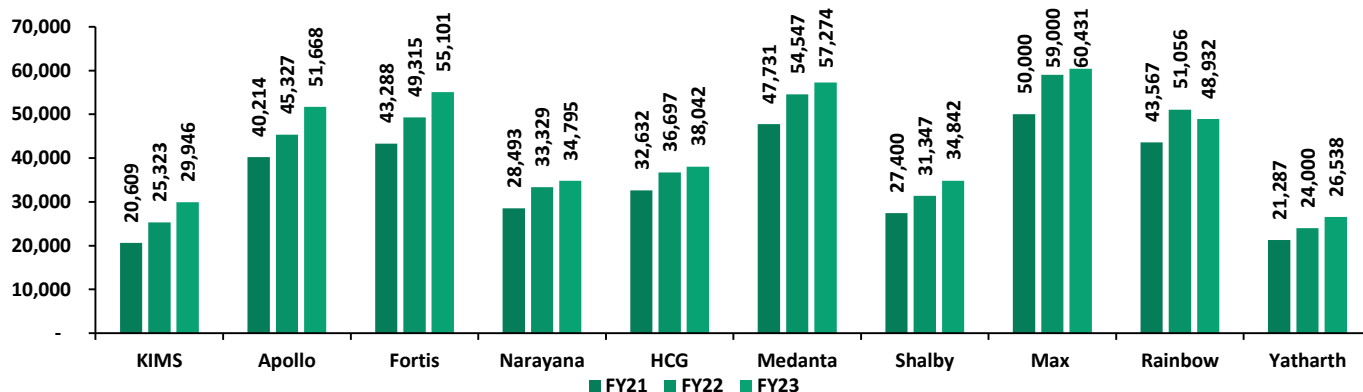
Source: Bloomberg, SMIFS Research

Fig 81: KIMS has the highest occupancy amongst peers whereas Yatharth has more headroom to grow without much capex



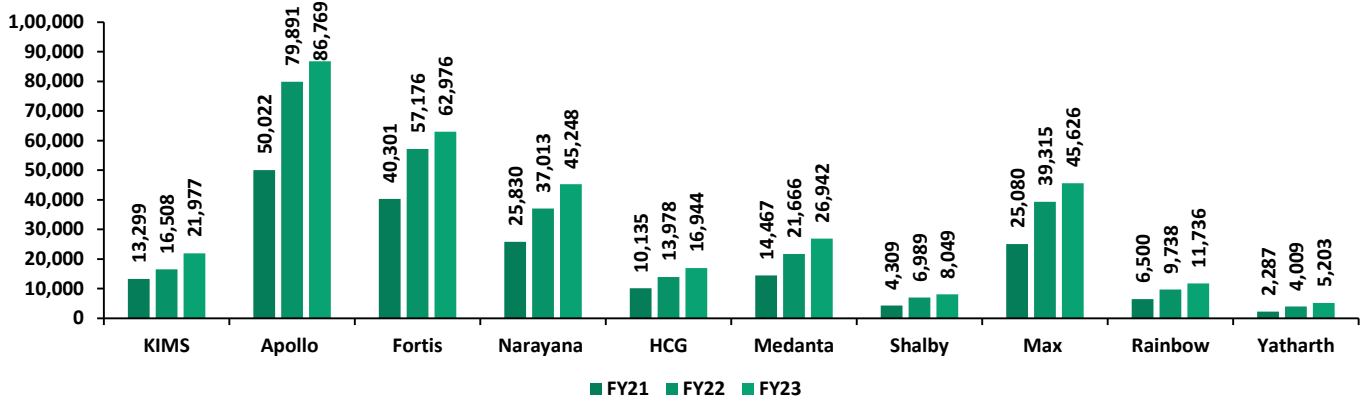
Source: Bloomberg, SMIFS Research

Fig 82: Max has highest ARPOB amongst peers, Yatharth has long way to go...



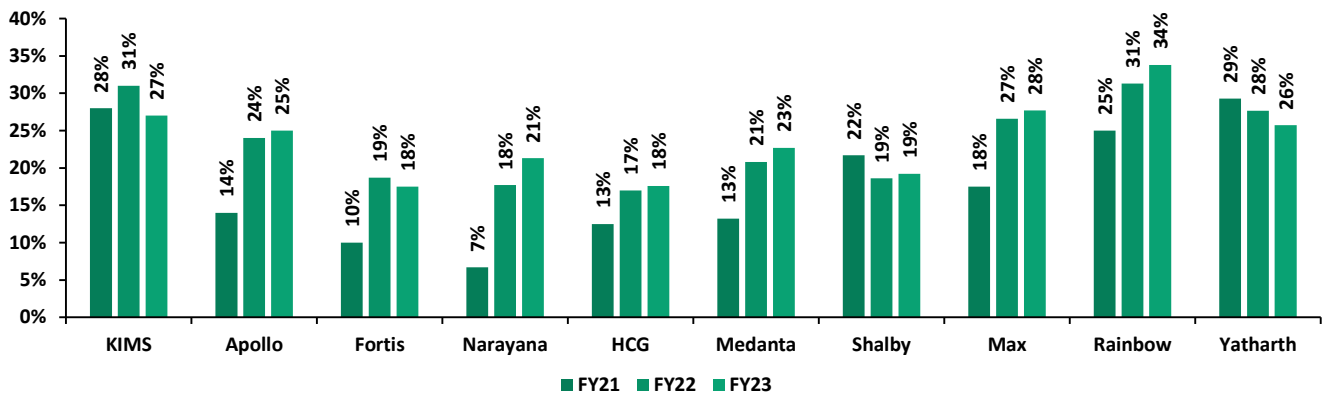
Source: Bloomberg, SMIFS Research

Fig 83: Apollo has the highest revenue amongst peers, Yatharth is still a small player



Source: Bloomberg, SMIFS Research

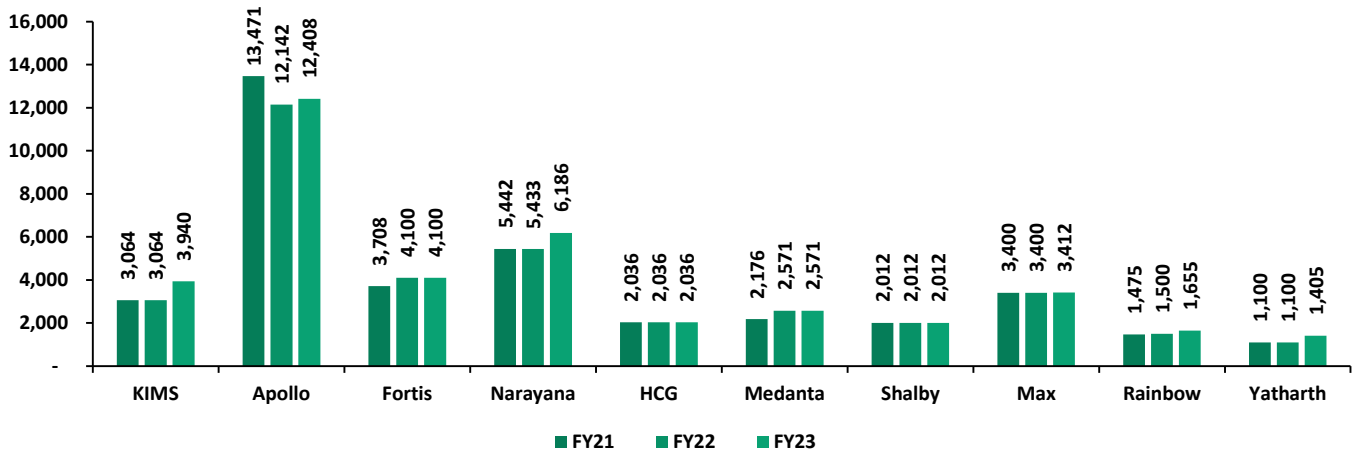
Fig 84: EBITDA Margin of Yatharth is in-line with its peers such as KIMS



Source: Bloomberg, SMIFS Research

*For Apollo hospitals, only hospital business is compared with its peers

Fig 85: Bed capacity of Apollo is the highest amongst the peers, the rest are catching up...



Source: Bloomberg, SMIFS

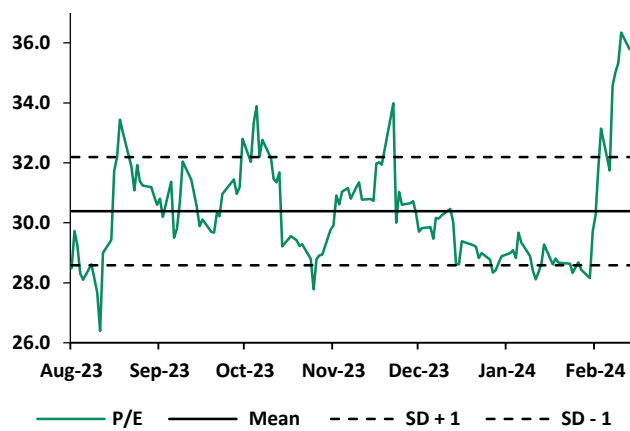
Valuation and Recommendations

Currently, the stock is trading at comforting valuation on FY26E EV/EBITDA of 13.8x. Yatharth's story aligns with KIMS, as both employ a cluster-based approach, prioritize affordable healthcare, and sustain strong EBITDA margins. Yet, a notable difference arises – Yatharth's stock is presently trading at a 35-40% discount compared to KIMS. Given Yatharth's significant growth opportunities in its local market and its pledge to increase revenue without sacrificing return ratios, there's a clear sign that the gap in valuation is likely to wane in the coming times. **We value the stock at 20x and arrive at target price of Rs. 658 per share which offers upside of 42% from current valuations. Therefore, we assign BUY rating on the stock.**

Fig 86: EV/EBITDA Valuation

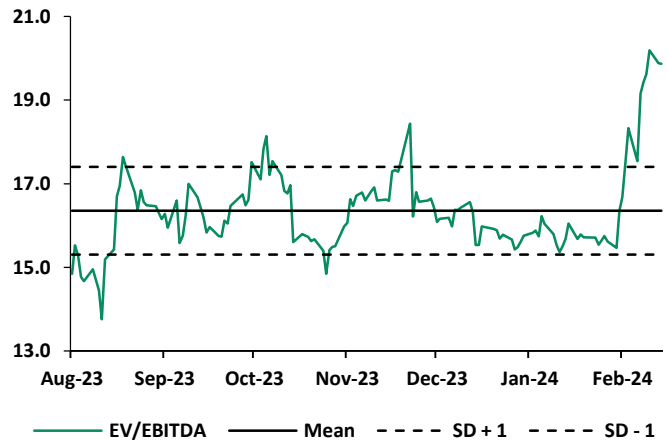
Particulars	Rs Mn
EBITDA	2,703
Applied EV / EBITDA	20.0
Computed EV	54,065
Less: Debt	36
Add: Cash	2,499
Computed Equity Value (Rs. mn)	56,528
No. of shares	86
Intrinsic Value per share	658

Fig 87: 1-year forward P/E



Source: AceEquity, SMIFS Research

Fig 88: 1-year forward EV/EBITDA



Source: AceEquity, SMIFS Research

Key Performance Indicators

Overall	FY21	FY22	FY23	FY24E	FY25E	FY26E
Bed capacity	1100	1100	1405	1405	1580	1580
Operational beds	707	935	1185	1190	1383	1407
Occupancy rate %	42%	50%	45%	54%	56%	64%
ARPOB (Rs/day)	21,287	24,000	26,538	28,979	28,884	30,241
ALOS	5.0	5.2	4.3	4.3	4.2	4.2
Net Revenues	2,287	4,009	5,203	6,797	8,165	9,955
EBITDA margin %	29.3%	27.6%	25.7%	27.2%	26.7%	27.2%
Greater Noida						
Bed capacity	400	400	400	400	400	400
Operational beds	288	288	288	320	340	352
Occupancy rate %	39%	60%	62%	72%	74%	76%
ARPOB (Rs/day)	21,754	23,621	26,539	28,397	29,817	31,307
ALOS	4.0	4.8	4.4	4.4	4.3	4.3
Net Revenues	811	1,702	1,994	2,388	2,738	3,057
EBITDA margin %	25%	26%	27%	28%	29%	29%
Noida						
Bed capacity	250	250	250	250	250	250
Operational beds	179	215	215	215	213	225
Occupancy rate %	49%	72%	88%	88%	93%	94%
ARPOB (Rs/day)	21,436	22,617	24,949	27,444	28,816	30,833
ALOS	4.1	6.1	5.8	5.7	5.7	5.6
Net Revenues	681	1,283	1,721	1,895	2,083	2,380
EBITDA margin %	24%	25%	27%	28%	29%	29%
Noida Extension						
Bed capacity	450	450	450	450	450	450
Operational beds	269	390	390	405	405	405
Occupancy rate %	39%	29%	31%	45%	50%	55%
ARPOB (Rs/day)	20,710	24,534	30,475	32,913	35,546	38,390
ALOS	9.1	4.9	3.1	3.1	3.0	3.0
Net Revenues	795	1,023	1,357	2,189	2,627	3,121
EBITDA margin %	23%	24%	25%	30%	32%	33%
Jhansi - Orchha						
Bed capacity	-	305	305	305	305	305
Operational beds	-	250	250	250	250	250
Occupancy rate %	-	-	8%	19%	25%	35%
ARPOB (Rs/day)	-	-	17,692	18,754	20,066	21,471
ALOS	-	-	3.8	2.6	2.5	2.5
Net Revenues	-	-	131	325	458	686
EBITDA margin %	-	-	-8%	4%	6%	8%
Faridabad						
Bed capacity	-	-	-	-	175	175
Operational beds	-	-	-	-	175	175
Occupancy rate %	-	-	-	-	15%	40%
ARPOB (Rs/day)	-	-	-	-	27,000	27,810
ALOS	-	-	-	-	3.7	3.5
Net Revenues	-	-	-	-	259	711
EBITDA margin %	-	-	-	-	-10.0%	-5.0%

Source: Company, SMIFS Research Estimates

Financial Statements

Income Statement					
YE March (Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
Revenues	4,009	5,203	6,797	8,165	9,955
Raw Materials	813	929	1,308	1,470	1,782
% of sales	20.3	17.9	19.2	18.0	17.9
Personnel	805	919	1,187	1,499	1,857
% of sales	20.1	17.7	17.5	18.4	18.7
Other Expenses	1,283	2,017	2,454	3,019	3,613
% of sales	32.0	38.8	36.1	37.0	36.3
EBITDA	1,108	1,338	1,849	2,177	2,703
Other Income	16	28	93	117	181
Depreciation & Amortization	279	275	365	394	584
EBIT	846	1,091	1,576	1,901	2,301
Finance cost	215	214	92	0	0
Core PBT	615	849	1,391	1,783	2,119
Exceptional items	-	-	-	-	-
PBT	631	877	1,484	1,901	2,300
Tax-Total	189	219	479	614	743
Effective tax rate (%)	30.0	25.0	32.3	32.3	32.3
PAT	442	658	1,005	1,287	1,557
Non-controlling interest	-	-	-	-	-
Adjusted PAT	442	658	1,005	1,287	1,557

Source: Company, SMIFS Research Estimates

Key Ratios					
YE March	FY22	FY23	FY24E	FY25E	FY26E
Growth Ratio (%)					
Revenue	75.3	29.8	30.6	20.1	21.9
EBITDA	65.4	20.7	38.2	17.8	24.2
Adjusted PAT	143.2	48.9	52.8	28.1	21.0
Margin Ratios (%)					
Gross Profit	79.7	82.1	80.8	82.0	82.1
EBITDA	27.6	25.7	27.2	26.7	27.2
EBIT	21.1	21.0	23.2	23.3	23.1
Core PBT	15.3	16.3	20.5	21.8	21.3
Adjusted PAT	11.0	12.6	14.8	15.8	15.6
Return Ratios (%)					
ROE	44.7	43.9	20.4	14.9	15.5
ROCE	18.1	19.7	17.0	14.8	15.4
Turnover Ratios (days)					
Gross Block Turnover (x)	1.0	1.2	0.9	0.9	1.1
Adj OCF/Adj PAT (%)	87.1	64.5	111.6	103.5	108.4
Inventory	4.7	4.3	5.0	6.0	7.0
Debtors	77.9	75.5	65.0	63.0	60.0
Creditors	18.6	11.8	13.0	13.0	13.0
Cash conversion cycle	64.0	67.9	57.0	56.0	54.0
Solvency Ratio (x)					
Debt-equity	2.3	1.5	0.0	0.0	0.0
Net debt-equity	2.2	1.3	-0.1	-0.1	-0.2
Gross Debt/EBITDA	2.4	2.0	0.0	0.0	0.0
Current Ratio	1.1	1.8	5.7	5.0	6.6
Interest coverage ratio	3.9	5.1	17.1	10525	12739
Dividend					
DPS	-	-	-	-	-
Dividend Yield (%)	NA	NA	-	-	-
Dividend Payout (%)	-	-	-	-	-
Per share Ratios (Rs)					
Basic EPS (reported)	6.8	10.1	11.7	15.0	18.1
Adjusted EPS	5.1	7.7	11.7	15.0	18.1
CEPS	8.4	10.9	16.0	19.6	24.9
BV	13.6	21.3	93.2	108.2	126.3
Valuation (x)*					
Adj P/E	NA	NA	39.6	30.9	25.5
P/BV	NA	NA	5.0	4.3	3.7
EV/EBITDA	NA	NA	20.9	17.8	13.8
EV/Sales	NA	NA	5.7	4.7	3.7
Adjusted Market Cap /Core PBT	NA	NA	27.7	21.7	17.6
Adjusted Market Cap /Adj OCF	NA	NA	34.4	29.0	22.1

Source: Company, SMIFS Research Estimates

Balance Sheet					
YE March (Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
Source of funds					
Capital	655	655	859	859	859
Reserves & Surplus	514	1,174	7,144	8,431	9,988
Shareholders' Funds	1,169	1,830	8,003	9,289	10,847
Total Loan Funds	2,638	2,674	36	36	36
Other liabilities	10	13	13	13	13
Total Liabilities	3,816	4,517	8,052	9,338	10,896
Application of funds					
Gross Block	4,091	4,321	7,306	8,931	9,456
Net Block	2,634	2,588	5,208	6,439	6,380
Capital WIP	-	-	-	-	-
Quasi cash Investments	22	20	20	20	20
Other Investments	-	-	-	-	-
Other non-current assets	510	489	492	495	498
Inventories	52	61	93	134	191
Sundry Debtors	855	1,076	1,210	1,409	1,636
Current Investments	-	-	-	-	-
Cash & Bank Balances	121	384	1,217	1,091	2,499
Other current Assets	66	241	281	315	359
Total Current Assets	1,094	1,763	2,802	2,949	4,686
Sundry Creditors	204	169	242	291	355
Other Current Liabilities	240	174	227	273	333
Total Current Liabilities	444	343	469	564	687
Net Current Assets	650	1,420	2,332	2,385	3,998
Total Assets	3,816	4,517	8,052	9,338	10,896

Source: Company, SMIFS Research Estimates

Cash Flow					
YE March (Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
Operating profit before WC changes					
Net changes in working capital	(394)	(352)	(156)	(231)	(272)
Tax Paid	(130)	(374)	(479)	(614)	(743)
Cash flow from operating activities	599	638	1,214	1,332	1,688
Adj. OCF	384	424	1,122	1,332	1,688
Capital expenditure	-131	-198	-2,985	-1,625	-525
Adj FCF	253	226	-1,863	-293	1,163
Cash flow from investing activities	-522	-203	-2,892	-1,508	-344
Debt	204	36	-2,638	0	0
Dividend	-	-	-	-	-
Interest and Lease	-215	-214	-92	0	0
Proceeds from IPO	0	0	4,965	0	0
Cash flow from financing activities	-11	-177	2,512	49	64
Net change in cash	66	257	833	-127	1,408

Source: Company, SMIFS Research Estimates

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Contact us:

SMIFS Limited. (<https://www.smifs.com/>)

Compliance Officer:

Sudipto Datta,

5F Vaibhav, 4 Lee Road, Kolkata 700020, West Bengal, India.

Contact No.: +91 33 4011 5401 / +91 33 6634 5401

Email Id.: compliance@smifs.com

Mumbai Office:

206/207, Trade Centre, Bandra Kurla Complex (BKC), Bandra East, Mumbai – 400051, India

Contact No.: (D) +91 22 4200 5508, (B) +91 22 4200 5555

Email Id: institutional.equities@smifs.com

Kolkata Office:

Vaibhav, 4 Lee Road, Kolkata 700020, West Bengal, India.

Contact No.: (D) +91 33 6634 5408, (B) +91 33 4011 5400

Email Id: smifs.institutional@smifs.com
