



SHALBY LIMITED

IPO

PRICE BAND: ₹ 245 – ₹ 248

OUR RECOMMENDATION "SUBSCRIBE"

THE OFFER

Issue Open : 05 Dec 2017 to 07 Dec 2017

»»» **Issue Type: Book Built Issue IPO**

»»» **Issue Size:**

- › **Fresh Issue aggregating up to ₹ 480.00 Cr**
- › **Offer for Sale of 1,000,000 Equity Shares**

»»» **Face Value: ₹ 10 Per Equity Share**

»»» **Issue Price: ₹ 245 - ₹ 248 Per Equity Share**

»»» **Market Lot: 60 Shares**

»»» **Minimum Order Quantity: 60 Shares**

»»» **Listing At: NSE, BSE**

CAPITAL STRUCTURE

The share capital of Company, is set forth below:-

(Amount in ₹ except share data)

Authorized Share Capital :-

117,750,000 Equity Shares @5 Aggregate value 1,177,500,000

Issued, subscribed and paid up capital before the Issue :-

88,654,932 Equity Shares @5 Aggregate value 886,549,320

Present Issue:-

Fresh Issue aggregating up to ₹480.00 Cr

Offer for Sale of 1,000,000 Equity Shares

OBJECT OF THE OFFER

The Offer comprises of the Fresh Issue and the Offer for Sale.

Company proposes to utilize the Net Proceeds from the Fresh Issue towards the following objects:

- *Repayment or prepayment in full, or in part of certain loans availed by the Company. ₹ 300crore*
- *Purchase of medical equipment for existing, recently set up, and upcoming hospitals. ₹ 58crore*
- *Purchase of interiors, furniture, and allied infrastructure for upcoming hospitals. ₹ 18crore*
- *General corporate purposes.*

Company will not receive any proceeds from the Offer for Sale.

COMPANY OVERVIEW

Shalby Hospitals is a multi-specialty chain of hospitals, headquartered in Ahmadabad. The hospital chain offers quaternary healthcare services to patients in various areas of specialization such as orthopedics, complex joint replacements, cardiology, neurology, oncology, and renal transplantations. It had a 15% market share of all joint replacement surgeries conducted by private corporate hospitals in India in 2016.

Having strong presence in western and central India and focus on tier-I and tier-II cities, it operates across five states, the outpatient clinics operate across 37 cities in 12 states in India, and SACE centers are present in seven cities in six states in India.

It is also expanding in western and central India with hospitals being set up in Nashik and Vadodara.

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This hospital has specialized in some techniques named ‘OS Needle’ and ‘Zero Technique’ bought in by the promoter doctors.

***OS Needle**, it has been successful in simplifying soft tissue procedures, thereby reducing the risk of infection and the high rates of failure that once existed while undertaking orthopedic surgeries.*

***Zero Technique**, it is a surgical procedure that involves minimum incision during the surgery, thereby reducing infection rates and surgical time required to complete a total knee replacement surgery.*

ROAD MAP AHEAD

Company expand its business through a combination of the following models :

- *Owning and operating multi-specialty hospitals.*
- *Operating and managing hospitals on a revenue sharing basis, by adopting an asset-light model.*
- *Associating with third-party hospitals on a revenue sharing and/or professional fee basis to offer orthopedic healthcare services under SACE.*
- *Providing orthopedic healthcare services through Outpatient Clinics that are either independently operated by company, or operated by company within third party premises on a revenue sharing basis.*

STRENGTHS

- ❖ *Leadership in orthopedics and strong capabilities in other specialties.*
- ❖ *Integrated and scalable business model enhancing patient reach.*
- ❖ *Experienced player with longstanding presence and brand recall.*
- ❖ *Track record of operating and financial performance and growth .*
- ❖ *Ability to attract quality doctors, nurses, paramedical, and other staff .*
- ❖ *Experienced and qualified professional management team with strong execution track record .*

BUSINESS STRATEGY

- *Strengthen hospital presence in western and central India, and continue expanding into new geographies.*
- *Continue to enhance outreach programmes.*
- *Continue to strengthen healthcare services across other specialties.*
- *Implement initiatives to improve operational efficiencies.*
- *Continue to grow ancillary businesses.*

VALUATION OF PEER GROUP COMPANIES

Company Name	Face Value	EPS	PE Ratio	RoNW(%)	NAV
Shalby Limited	10	7.16	34.63	23.54	30.40
Apollo Hospitals Enterprise Ltd	5	15.88	71.48	2.80	279.44
Healthcare Global Enterprises Ltd	10	2.69	111.12	4.70	57.18

Company delivers strong RONW, trading at a P/E of approx. 35x, lower amongst its peers, depicting strong potential going forward.

****EPS is taken for the FY17***

FINANCIAL PERFORMANCE

Total Revenue stood ₹332.8cr, ₹ 292.5cr and ₹277.6cr, in Fiscal 2017, Fiscal 2016, and Fiscal 2015, respectively.

Representing a **CAGR of 9.4%**

Its PBT was ₹ 53.2cr, ₹ 35.9cr and ₹ 43.0cr, in Fiscal 2017, Fiscal 2016, and Fiscal 2015, respectively.

Representing a **CAGR of 11.2%** .

Its PAT was ₹ 62.5cr, ₹ 37.5cr and ₹ 25.7cr, in Fiscal 2017, Fiscal 2016, and Fiscal 2015, respectively.

Representing a **CAGR of 58.4%**.

SNAPSHOT - CONSOLIDATED

FINANCIAL PERFORMANCE (In Cr)

PARTICULARS	Q1 FY18	FY17	FY16	FY15
REVENUE	90.5	332.8	292.5	277.6
PBT	18.5	53.2	35.9	43
PAT	14.3	62.5	37.5	25.7
EPS	1.6	7.1	4.2	2.9

INDUSTRY OVERVIEW

The Indian healthcare industry was estimated to be ₹9.2 trillion in 2016; growing at a CAGR of 14-15% over FY11-15. The healthcare industry is expected to grow at a CAGR of 15-16% during FY16-20 and expected to reach ₹17.2 trillion in 2020.

The healthcare delivery segment is largely driven by private sector players and occupies a major share of nearly 70% in the total number of hospitals; out of which organized private corporate hospitals comprise less than 10%.

Deficient health infrastructure and lack of healthcare workforce, increasing population and life expectancy, increasing urbanization and healthcare awareness, growing prevalence of lifestyle disease are some of the growth drivers that can boost the healthcare industry in India.

RISK FOR THE BUSINESS

- *A significant portion of revenue is currently generated from two hospitals SG Shalby and Krishna Shalby. Further, a majority of hospitals are located in the state of Gujarat. Any material impact on the revenue from these hospitals will impact business.*
- *Company is dependent on one field of specialty for a substantial portion of revenue, i.e. orthopedics. Any material impact on earnings from orthopedics will impact financial condition significantly.*
- *Company revenue is primarily dependent on inpatient treatments, which could decline due to a variety of factors. Any such decline will adversely affect financial condition and results of operations.*

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- *Company significantly dependent on one Promoters, Dr Vikram Shah, and a loss of his services could adversely affect business and results of operations.*
- *Change in government policies that relate to patients covered by government schemes could impact revenue from operations.*
- *Company rely on third party suppliers and manufacturers for equipment, reagents and drugs. Failure of such third parties to meet their obligations, or failure to negotiate better terms with such third parties could adversely affect business and results of operations.*

VALUATION

Shalby limited has evolved as one of the largest private corporate healthcare groups in Gujarat with a network of 6 hospitals with a capacity of 1104 beds in 2017, well spread across Gujarat.

Having strong presence in western and central India and focus on tier-I and tier-II cities, it operates across five states, the outpatient clinics operate across 37 cities in 12 states in India, and SACE centers are present in seven cities in six states in India.

*Considering, higher RONW amongst its peers with delivering higher EBITDA & PAT margins, company's forthcoming expansion plans combined with reduction in debt plans, initiatives to improve operational efficiencies, we foresee growth for the company. Considering all these factors, we recommend to **SUBSCRIBE** the IPO with long term perspective.*



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