

IPO Details

Opening Date	May 24, 2023
Closing Date	May 26, 2023
Stock Exchange	BSE SME
Lot Size	1600 shares
Issue Price	₹85 to ₹90 per share
Issue Size	27,60,000 Equity Shares
Application Amount	₹ 1,44,000
Amount Raised (Issue Type)	₹24.84 Cr (Fresh Issue)

IPO Objective

1. Funding Capital Expenditure towards the installation of additional plant and machinery
2. Funding to meet working capital requirements
3. General Corporate purpose and Issue expenses

Pre-Issue Shareholding

Category	No. of Shares	% of Total Shares
Promoter & Promoter Group	76,80,000	100%
Public	-	-

Promoter of the Company

- 1 Hanskumar Shamji Shah
- 2 Kaushik Hanskumar Shah
- 3 Hemant Praful Shah

Competitive Strengths

- 1 Company offers a diversified range of products.
- 2 Existing well-established reputation and customer relationships.
- 3 Experienced management team with industry expertise and successful track record.

Company Background

- Company was founded in the year 1989 in Maharashtra, India by one of the Promoters, Hanskumar Shamji Shah, who has over 35 years of experience in the industry.
- Company manufactures, imports, assembles and market a comprehensive portfolio of medical equipment's and disposables.
- They import products from countries like Japan, China, France and Australia.
- As on date of filing of the Red Herring Prospectus Company have 172 employees on their payroll.

Financial Summary

	(In Lacs)		
For the Period Ended	Mar-21	Mar-22	Mar-23
Total Assets	4,289.84	5,437.59	6,490.79
Net Assets	853.38	1,314.78	2,359.90
Total Borrowings	1,446.34	973.79	711.93
Total Revenue	6,065.19	1,0577.02	1,1149.67
Profit After Tax	114.53	461.40	765.11

Tentative Timeline

Opening Date	May 24, 2023
Closing Date	May 26, 2023
Basis of Allotment	May 31, 2023
Initiation of Refunds	Jun 1, 2023
Credit of Shares to Demat	Jun 2, 2023
Listing Date	Jun 5, 2023

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Company Overview

Company was originally incorporated in the year 1989. Company manufactures, imports, assemble and market a comprehensive portfolio of medical equipment and disposables. Product offerings cover a wide spectrum of equipment and disposables required for Renal Care, cardiovascular disease, respiratory disease, Critical Care and Radiology and Surgical disposables. Products include some of the indigenously manufactured products along with some other products that are imported from countries like: Japan, China France and Australia and are further processed in assembly units. In addition, they are also providing services for maintenance and running of dialysis centres.

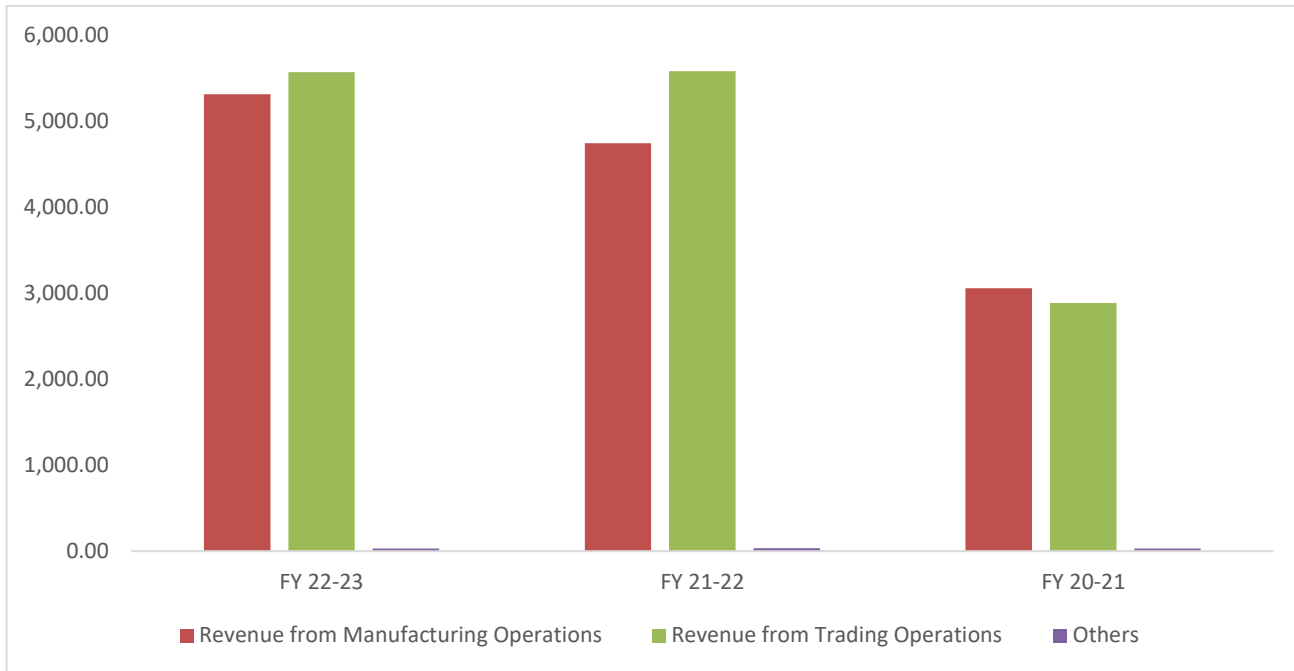
Analysis

India's medical devices market is projected to reach US\$ 50 billion by 2025. Between 2020-25, diagnostic imaging is likely to expand at a CAGR of 13.5%. In this rapidly growing industry space, if company continues to strategically and aggressively expand operations across India and grow customer base they can grow well. Company has operating history of more than three decades and they are primarily known for wide range of products and they are also planning to expand their reach in international locations like Philippines, Bangladesh, Kenya, Bhutan, Burundi, Camaroon, Congo, Nepal, Nigeria, Ivory Coast, France, Seychelles, etc.

Revenue from manufacturing and trading activities are set out as under

(Amount in Lakhs)

Sr. No.	Particulars	FY 22-23	FY 21-22	FY 20-21
1	Revenue from Manufacturing Operations	5,313.72	4,742.32	3,058.51
2	Revenue from Trading Operations	5,570.17	5,580.37	2,887.10
	Others	30.92	34.31	30.85
	Total	10,914.82	10,357.00	5,976.46



Company started with importing and marketing of medical disposables and later they started manufacturing but now Revenue from manufacturing and trading operations are almost equally growing.

PRODUCTION AND INSTALLED CAPACITY

Product	Installed Capacity	Units	2020-21		2021-22		2022-23	
			Actual Production	%	Actual Production	%	Actual Production	%
Meditapes	17,06,000	Boxes	8,25,001	48.36	11,50,173	67.42	13,50,000	79.13
Hemodialysis Solution (liquid)	21,60,000	Litres	8,21,400	38.03	10,59,390	49.05	11,70,000	54.17
Hemodialysis Solution (Powder)	29,32,000	KGs	8,59,970	29.33	2,55,540	8.72	3,18,495	10.86
Cold Disinfectant	23,000	Litres	19,080	82.96	13,685	59.5	10,975	47.72
Hot Disinfectant	23,000	Litres	8,900	38.7	8,395	36.5	10,635	46.24
ECG Electrodes	86,40,000	Pieces	12,86,850	14.89	24,65,100	28.53	27,23,800	31.53
Nebuliser	36,000	Pieces	22,790	63.31	21,362	59.34	9529	26.47
Digital Thermometer	3,12,000	Pieces	1,92,235	61.61	2,92,001	93.59	16,789	5.38
3 Ply Mask	1,15,20,000	Pieces	2,95,120	2.56	13,42,980	11.66	-	-
Intravenous Infusion Set	1,38,24,000	Pieces	-	N.A.	4,23,643	3.06	23,95,654	17.33

Company has diversified products so even if some products doesn't perform well remaining products are performing well. Production capacity of the company's top two products Meditapes and Hemodialysis Solution (liquid) have increased from 2020-2023 and their top installed capacities 3Ply Mask production is decreased and Intravenous Infusion, ECG Electrodes has increased their production capacities.

Industry Charts

Exhibit 1: Healthcare Sector Growth Trend

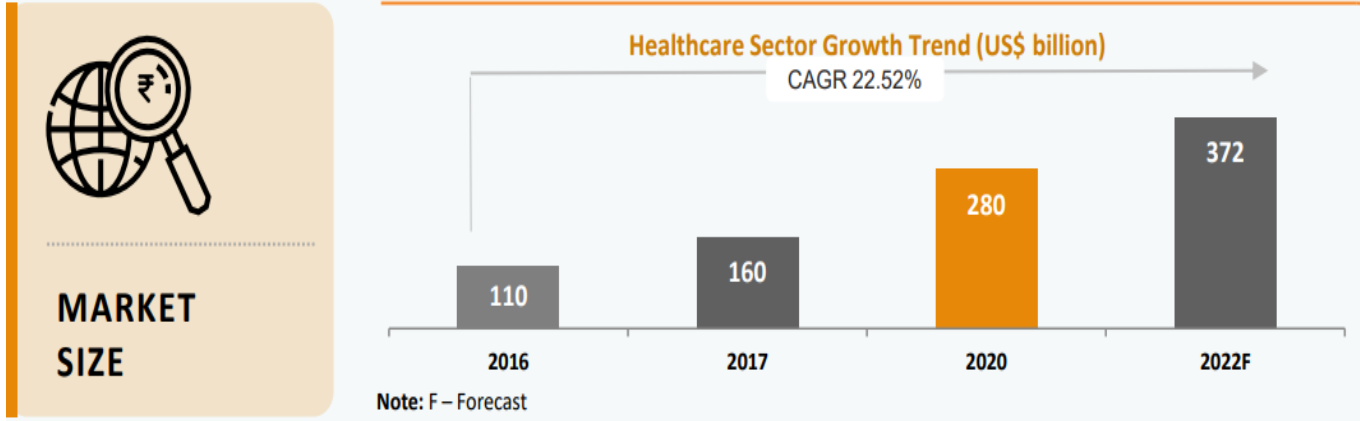
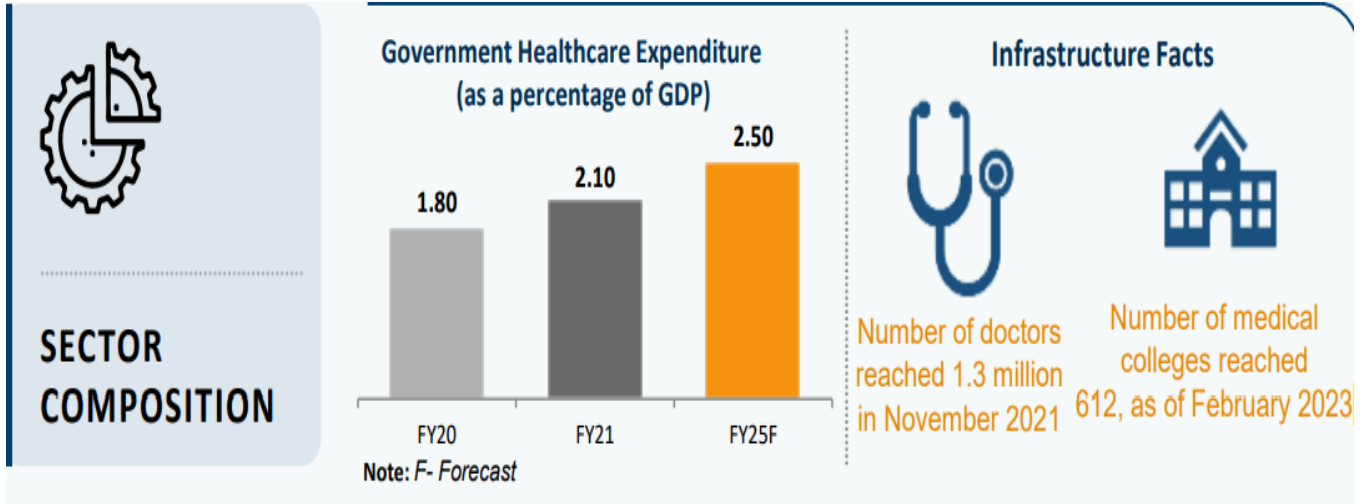


Exhibit 2: Government healthcare Expenditure and infrastructure facts



Investment Overview

Healthcare has become one of India's largest sectors, both in terms of revenue and employment. Healthcare comprises hospitals, medical devices, clinical trials, outsourcing, telemedicine, medical tourism, health insurance and medical equipment. The Indian healthcare sector is growing at a brisk pace due to its strengthening coverage, services, and increasing expenditure by public as well private players. India's healthcare delivery system is categorized into two major components - public and private. The government, i.e. public healthcare system, comprises limited secondary and tertiary care institutions in key cities and focuses on providing basic healthcare facilities in the form of primary healthcare centres (PHCs) in rural areas. The private sector provides a majority of secondary, tertiary, and quaternary care institutions with a major concentration in metros, tier-I and tier-II cities. India's competitive advantage lies in its large pool of well-trained medical professionals. India is also cost-competitive compared to its peers in Asia and western countries. The cost of surgery in India is about one-tenth of that in the US or Western Europe. The low cost of medical services has resulted in a rise in the country's medical tourism, attracting patients from across the world. Moreover, India has emerged as a hub for R&D activities for international players due to its relatively low cost of clinical research.

Market Size

The Indian healthcare sector is expected to record a three-fold rise, growing at a CAGR of 22% between 2016-22 to reach US\$ 372 billion in 2022 from US\$ 110 billion in 2016. By FY22, Indian healthcare infrastructure is expected to reach US\$ 349.1 billion. In the Economic Survey of 2022, India's public expenditure on healthcare stood at 2.1% of GDP in 2021-22 against 1.8% in 2020-21 and 1.3% in 2019-20. In FY22, premiums underwritten by health insurance companies grew to Rs. 73,582.13 crore (US\$ 9.21 billion). The health segment has a 33.33% share in the total gross written premiums earned in the country. The Indian medical tourism market was valued at US\$ 2.89 billion in 2020 and is expected to reach US\$ 13.42 billion by 2026. According to India Tourism Statistics at a Glance 2020 report, close to 697,300 foreign tourists came for medical treatment in India in FY19. India has been ranked 10th in the Medical Tourism Index (MTI) for 2020-21 out of 46 destinations by the Medical Tourism Association. The e-health market size is estimated to reach US\$ 10.6 billion by 2025.

As per information provided to the Lok Sabha by the Minister of Health & Family Welfare, Dr. Bharati Pravin Pawar, the doctor population ratio in the country is 1:854, assuming 80% availability of 12.68 lakh registered allopathic doctors and 5.65 lakh AYUSH doctors.

Road Ahead

India's healthcare sector is extremely diversified and is full of opportunities in every segment, which includes providers, payers, and medical technology. With the increase in the competition, businesses are looking to explore the latest dynamics and trends which will have a positive impact on their business. The hospital industry in India is forecast to increase to Rs. 8.6 trillion (US\$ 132.84 billion) by FY22 from Rs. 4 trillion (US\$ 61.79 billion) in FY17 at a CAGR of 16–17%. India is a land full of opportunities for players in the medical devices industry. The country has also become one of the leading destinations for high-end diagnostic services with tremendous capital investment for advanced diagnostic facilities, thus catering to a greater proportion of the population. Besides, Indian medical service consumers have become more conscious towards their healthcare upkeep. Rising income levels, an ageing population, growing health awareness and a changing attitude towards preventive healthcare is expected to boost healthcare services demand in the future. Greater penetration of health insurance aided the rise in healthcare spending, a trend likely to intensify in the coming decade. The Government aims to develop India as a global healthcare hub, and is planning to increase public health spending to 2.5% of the country's GDP by 2025.

(Source: ibef.org)

Addressable market for crayons Advertising Limited

Company has an experienced and qualified management team led by our Promoter and Managing Director, Hanskumar Shamji Shah with overall work experience of around 35 years. Company has diversified products to sell so it's a plus for them to not depend on only one product. As per RHP company is actively participating in constant client acquisition and over years they have participated in national and international exhibitions to promote their products.

Competition

Company is facing competition from organized and unorganized players in the healthcare industry which have a presence across multiple regions in India. There are various companies offering products and services similar to them. To cope up with competition they have to keep updating with new technology and keep registering new products.

Peer Analysis

As per the prospectus, the company has 1 listed peer viz., Poly Medicure Ltd . An analysis of the same has been given in the table below

Particulars	Hemant Surgical Industries Limited			Poly Medicure Ltd.		
	Mar-21	Mar-22	Mar-23	Mar-21	Mar-22	Mar-23
Net Profit Margin	2%	4%	7%	17%	16%	9%
EBITDA Margin	5%	6%	10%	27%	23%	15%
Return on Capital Employed	12%	32%	36%	15%	14%	22%
Return on Equity	13%	32%	32%	14%	14%	22%
EPS (INR)	2.22	8.96	10.28	14.17	15.28	10.86

Based on the above analysis all the margins, RoCE, ROE along with the EPS of the company when compared to its peers they are equally good. NP margin, EBITDA margin, RoCE, and ROE have increased from March-21 to March-23 for the company.

Leading PE Post IPO for Hemant Surgical limited- 8.75

EPS is on Post IPO Basis for Hemant Surgical Limited- 10.28

(Source of data: screener and prospectus)

Promoters' Profile and Management Analysis

Hanskumar Shamji Shah



- Hanskumar Shamji Shah, aged 66 years, is individual Promoter and is also the Chairman & Managing Director on Board.
- He has an experience of around 36 years in Industry and completed B.com (Intermediate)
- He oversees the entire business operations and overall functions of the Company and is responsible for overseeing the strategic growth initiatives and expansion plans

Kaushik Hanskumar Shah



- Kaushik Hanskumar Shah, is the promoter and Director of the company and has experience of over 15 years in importing, manufacturing and marketing healthcare products and services.
- He has completed his B.com from Commercial University Limited in the year 2006
- He is responsible for the Finance, Accounting, Product Development and Quality in the company

Hemant Praful Shah



- Hemant Praful Shah, aged 46 years, is individual Promoter and is also the Whole Time Director on Board
- He has completed his 8th standard.
- He has a work experience of around 25 years in Product Development and Manufacturing of Healthcare and Surgical products.

Analysis on the Company's Promoter and Board of Directors

Hanskumar Shamji Shah, is the promoter, Chairman and Managing Director of company. He was originally appointed on the board since incorporation. He is under-graduate. He has an overall experience of around 35 years in healthcare products and services sector. He is currently involved in importing, manufacturing and marketing healthcare products and services. He oversees the entire business operations and overall functions of the Company and is responsible for overseeing the strategic growth initiatives and expansion plans.

Kaushik Hanskumar Shah is the promoter and Whole- Time Director of company. He has completed his B.com from Commercial University Limited in the year 2006 and is having an experience of over 15 years in importing, manufacturing and marketing healthcare products and services. At present, he is responsible for the Finance, Accounting, Product Development and Quality in company. We believe that his vast business acumen will provide the requisite value addition to company.

Hemant Praful Shah, is the promoter and Whole- Time Director of company. He has a work experience of around 25 years in Product Development and Manufacturing of Healthcare and Surgical products. He is a high integrity energetic leader known for ability to envision and create successful outcomes in complex situations.

To conclude the company has three promoters, where in Hanskumar Shamji Shah promoter, chairman, and managing director has vast experience in the business the company and the other two promoters Kaushik Hanskumar Shah has good experience in importing, manufacturing and marketing health care and Hemant Praful Shah is director and well experienced.

Financial Snapshot

(Amount in Lacs)

Particulars	As at 31st March, 2021	As at 31st March, 2022	As at 31st March 2023
<u>Profit and Loss</u>			
Revenue from operations	5,976.46	10,357.00	10,914.82
Other income	88.73	220.02	234.85
Total Revenue	6,065.19	10,577.02	11,149.67
Expenses	5,669.01	9,727.05	9,867.72
Depreciation and Amortisation Cost	63.43	74.86	84.97
Finance Cost	180.71	163.91	191.26
Total Expenses	5,913.15	9,965.82	10,143.95
PBT	152.04	611.20	1,005.72
PBT Margin	2.54%	5.90%	9.21%
EBITDA	307.45	629.95	1,047.10
EBITDA Margin	5.14%	6.08%	9.59%
Net Profit	114.53	461.40	765.11
Net Profit Margin	1.92%	4.45%	7.01%
<u>Balance Sheet</u>			
Total Borrowings	1,446.34	973.79	711.93
Net Worth	853.38	1,314.78	2,359.90
Fixed Assets	1,189.93	1,157.33	1,315.23
Net Working Capital	287.62	65.77	878.01
<u>Financial Measures (Annualised)</u>			
Inventory Turnover Ratio	4.03	8.06	9.83
Receivables Turnover Ratio	13.99	6.62	8.46
Payables Turnover Ratio	10.67	12.06	13.68
Fixed Assets Turnover Ratio	5.02	8.95	12.11
Return on Capital Employed	12.08%	31.88%	26.25%
Return on Equity	13.42%	35.09%	20.01%
Debt-Equity Ratio	1.69	0.74	0.04

(The data has been taken and calculated from the financials given in the prospectus)

Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA)

The EBITDA of the company has increased from Rs. 307.45 lacs in 2021 to Rs. 629.95 lacs in 2022 and on 31st March 2023 it was Rs. 1,047.10 lacs and if we annualize the same it would be around Rs. 1,396.13 lacs. The EBITDA on an annualized basis has grown at a CAGR of 113.10%. The EBITDA margin in 2021 was 5.14%, 6.08% in 2022, and 9.59% up to March 2023. The EBITDA Margin has increased due to a substantial increase in revenue.

Net Profit

The net profit of the company has grown from Rs. 114.53 lacs in 2021 to Rs. 461.40 lacs in 2022 and as on 31st March 2023 it was Rs. 765.11 lacs and if we annualize the same it would be around Rs. 1,020.15 lacs growing at CAGR of 198.45% which is decent growth of net profit. The net profit margin in 2021 was 1.92%, 4.45% in 2022, and 7.01% up to 31st March 2023.

Finance Cost.

The company's financial cost is only due to Interest on bank loans, bill discounting, and cash credits.

Financial Measures/Ratios

RoCE of the company up to 31st March 2023 is 35.67% vs 31.88% in 2022 and 12.08% in 2021. If we annualize the RoCE of FY 2022-2023, the RoCE is expected to be around 26.25%. The increase in RoCE from 12.08% to 35.67% is due to substantial increase in revenue and not as much increase in expenses for FY 22.

ROE of the company in 2021 was 13.42%, 35.09% in 2022, and 32.42% up to March 2023, if annualized, ROE would be around 20.01%. The ROE, if annualised, on a CAGR basis has grown at 22.10% from the year 2021 but due to increase in the equity base the ROE is expected to come down from the year before.

Inventory Turnover Ratio has increased from 4.03 times to 7.37 times in 2023. The company converted its inventories to cash 7.37 times and is expected to increase to 9.83 times on an annualized basis.

Receivables Turnover Ratio has increased from 13.99 times to 6.35 times in 2023. The company converted its receivables to cash 6.35 times and is expected to increase to 8.46 times on an annualized basis.

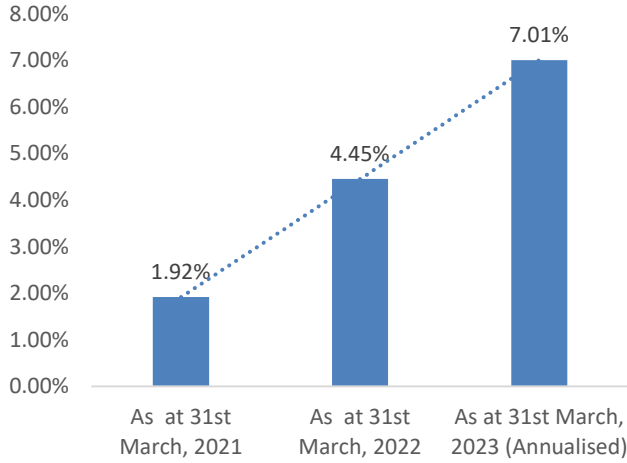
Payables Turnover Ratio has increased from 10.67 times to 10.26 times in 2023. The company paid back its creditors in cash 10.26 times and is expected to increase to 13.68 times on an annualized basis.

Fixed Asset Turnover Ratio has increased from 5.02 to 8.30 in 2023 and on an annualized basis it is expected to increase to 12.11 which implies that management is using its fixed assets more effectively.

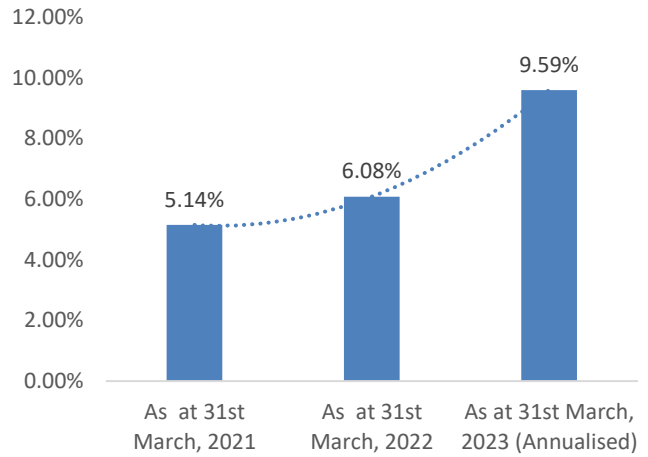
The company has a debt-equity ratio of 0.30 as of 31st March 2023 which shows the company could have better utilised the opportunity of raising debt capital. The debt-equity ratio is going to go down to around 0.04 times post-IPO.

Financial Charts

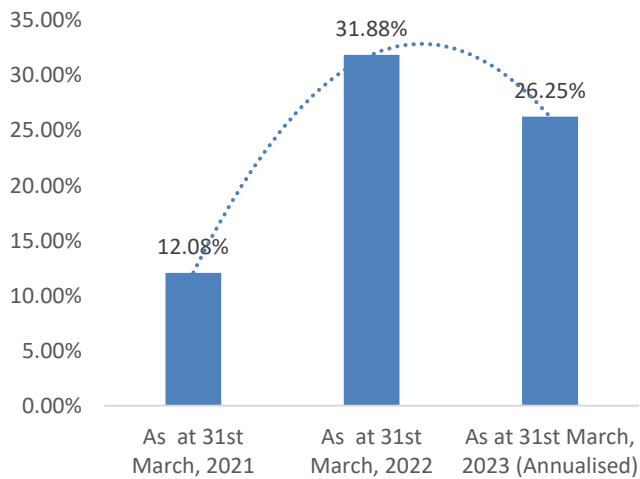
Net Profit Margin



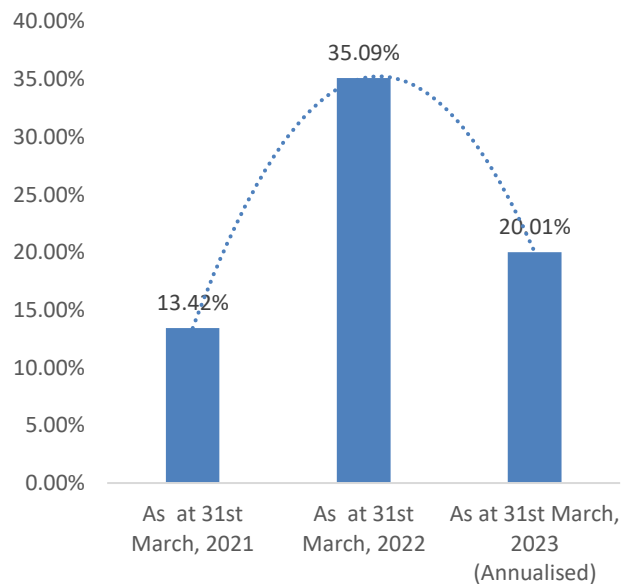
EBITDA Margin



Return on Capital Employed



Return on Equity



Key Risk Factors

1. Company is dependent on collaborations, agreements or authorizations received by Company from third party manufacturers and suppliers. Such agreements are usually valid for a period of 3 to 5 years and if such agreements are terminated or not renewed at favourable terms, operations may be adversely affected.
2. Company faces risks relating to sourcing of raw materials and components for manufacturing and assembly of medical equipment's from third parties.
3. Loss of any of key customers or significant reduction in demand from, significant customers may materially and adversely affect business and financial performance.
4. Restrictions on import and an increase in shipment cost may adversely impact business, cash flows and results of operations.

Track Record of Lead Manager

The lead manager to the issue is Hem Securities Limited. A table has been set below highlighting the details of the IPO of some of the companies handled by the Lead Manager in recent times –

Hem Securities Limited

Sr. No	Company Name	Issue Size in Cr.	Issue Price/Share (In INR)	Listing date	CMP# (INR)
1	Labelkraft Technologies Limited	4.75	55	Mar 23, 2023	67.23
2	Systango Technologies Limited	34.82	90.00	Mar 15, 2023	169.05
3	Macfos Limited	23.74	102	Mar 01, 2023	300.20
4	Earthstahl & Alloys Limited	12.96	40	Feb 08, 2023	58.67
5	Chaman Metallics Limited	24.21	38	Jan 16, 2023	54
6	Baheti Recycling Industries Limited	12.42	45	Dec 08, 2022	115
7	Vedant Asset Limited	3	40	Oct 12, 2022	49.70
8	Lloyds Luxuries Limited	24	40	Oct 11, 2022	41.65
9	Concord Control Systems Limited	8.32	55	Oct 10, 2022	270.75
10	Cargotrans Maritime Limited	4.86	45	Oct 10, 2022	103

#CMP is taken as on 23rd May 2023

This is the 25th mandate from Hem Securities in the last four fiscals (including the ongoing one). Out of the last 10 listings, all got listed at premiums ranging from 1.82% to 166.67% on the listing date.

Recommendation

The company has been into this industry since 1989 and have a good track record. However, the company has also managed to increase its revenue exponentially, along with good growth in EBIT margins and net profit margins.

The company has been in an industry which is highly competitive with the presence of both domestic and international players.

The management outlook of the company is good, as they have almost all the personnel in the top management with required work experience relating to the segment in which the company operates in. The roles and responsibilities of the management has been delegated accordingly.

The company is getting listed with a leading P/E of around 8.75 times which seems fairly priced, looking at the performance of the company over the past years.

In conclusion, the company has shown an exponential growth of revenue, along with good growth in EBIT margins and net profit margins.

Although the Company might get affected in future since its major business is dependent on collaborations, agreements or authorizations received by Company from third party manufacturers and suppliers, Company has wide range of products which shows that they don't have to depend on only few products. They have diversified their products and their constant update on getting approvals for selling on demand products is one of the main reasons for their strong financial growth and therefore one can **apply** on long term basis.

Disclaimer

We are not SEBI registered and not a certified Research Analyst. The information provided here is for education purposes only. We will not be responsible for any of your profit/loss with these suggestions. Consult your financial advisor before taking any decisions.

We believe an SME company needs 2-3 years to show its true potential and therefore our recommendations are for Long-term investment and not for listing gains.