

**IPO Details**

<b>Opening Date</b>	June 19, 2023
<b>Closing Date</b>	June 21, 2023
<b>Stock Exchange</b>	NSE SME
<b>Lot Size</b>	2000 shares
<b>Issue Price</b>	₹60 per share
<b>Issue Size</b>	64,00,000 Equity Shares
<b>Application Amount</b>	₹ 1,20,000
<b>Amount Raised (Issue Type)</b>	₹38.40 Cr (Fresh Issue- ₹38.40 Cr)

**IPO Objective**

1. Repayment/Prepayment in full or part of the existing secured debt of the company.
2. Working Capital Requirements.
3. Purchase of medical equipment for hospitals of the company and/or newly acquired or set-up hospitals, Acquisitions and other strategic initiatives.
4. General Corporate Expenses and Issue expenses.

**Pre-Issue Shareholding**

Category	No. of Shares	% of Total Shares
Promoter & Promoter Group	1,44,00,000	88.89 %
Public	18,00,000	11.11%

**Promoter of the Company**

1. Tushar Suvagiya
2. Subhash Padmani
3. Ravi Apte

**Competitive Strengths**

1. Quality standards.
2. Experienced and professional management team.
3. Well diversified and specialty service offerings.
4. Ability to attract, train and retain quality doctors, consultants and medical support staff.

**Company Background**

- Aatmaj Healthcare Limited was incorporated in the year 2014 headquartered in –Gujarat, Vadodara.
- Company is a growing organization that aims at strengthening and establishing self as the foremost healthcare services provider.
- Company is a part of Ayushman Bharat-Pradhan Mantri Jan Arogya Yojana, a flagship scheme of Government of India.
- Dr. Tushar Suvagiya and Dr. Subhash Padmani have incorporated the Company with the vision to bring healthcare of international standards within the reach of every individual.
- As on date of filing of Red Herring Prospectus, company have 95 employees on their payroll.

**Financial Summary**

	(INR In Lacs.)		
For the Period Ended	Mar-21	Mar-22	Dec-22
<b>Total Assets</b>	979.97	1,719.62	3,031.94
<b>Net Assets</b>	318.85	810.92	1,388.40
<b>Total Borrowings</b>	433.39	517.52	1,218.40
<b>Total Revenue</b>	1,726.25	2,180.88	2,047.73
<b>Profit After Tax</b>	412.19	492.07	577.49

**Tentative Timeline**

<b>Opening Date</b>	June 19, 2023
<b>Closing Date</b>	June 21, 2023
<b>Basis of Allotment</b>	June 26, 2023
<b>Initiation of Refunds</b>	June 27, 2023
<b>Credit of Shares to Demat</b>	June 29, 2023
<b>Listing Date</b>	June 30, 2023



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## Company Overview

Company is a growing organization that aims at strengthening and establishing as the foremost healthcare services provider and strive to serve with ultra-modern medicinal practices and state of the art infrastructure for medical as well as surgical care solutions. Company aims towards continuous improvement of healthcare facilities and to achieve the level of care and quality and constituted committees such as Quality Assurance and Safety Committee, Infection Control Committee, CPR Committee, Pharmacy and Therapeutic Committee, Blood Transfusion Committee, Committee for Medical Records and Women's Safety Committee. dedicated team is trained to take care of the patients and handle health related emergencies. healthcare staff members comprise of Unit Head, Consultant Doctors, Clinical Pharmacist, X-Ray Technician, Microbiologist, Medical Officers, Clinical Assistants, Medical Executives, OT Assistant, Infection Control Nurse, Other Nursing Staff, 127 Attendants, Maintenance Head, Dietician/Nutritionist etc.

## Analysis

Company is a part of Ayushman Bharat-Pradhan Mantri Jan Arogya Yojana, a flagship scheme of Government of India which was launched and recommended by the National Health Policy 2017, to achieve the vision of universal health coverage (UHC). The initiative has been designed on the lines as to meet SDG and its underlining commitment. Ayushman Bharat is an attempt to move from sectoral and segmented approach of health service delivery to a comprehensive need-based health care service and Mukhyamantri Amrutam (MA) scheme is launched by Gujarat state to cater families below the poverty line.

Company is associated with the below mentioned organisations for providing regular healthcare check-up facilities to their employees at affordable rates:

1. Oil & Natural Gas Corporation Ltd., Vadodara.
2. Gujarat Alkalies and Chemicals Ltd., Vadodara.
3. Pidilite Litokol Pvt. Ltd., Bharuch.
4. Signify Innovations India Ltd., Vadodara.
5. Newly Weds Foods India Pvt. Ltd., New Delhi

As on the date of Prospectus, Company provides inpatient and outpatient healthcare services through hospitals at Vadodara, Gujarat with an aggregate bed capacity of 130 beds extendable up to 175 beds. As on December 31, 2022, they have conducted an aggregate healthcare treatment, including surgeries, of over 20,000 patients, consisting of more than 5,000 patients and more than 15,000 OPD patients including Covid-19 Patients.

**Financial performance:**

Particulars	December 31, 2022	Financial Years		
		2021-2022	2020-2021	2019-2020
Revenue from Operations/Sales	2,045.09	2,180.88	1,725.89	435.69
Total Revenue	2,047.73	2,180.88	1,726.25	436.82
EBDIT	902.56	752.2	529.13	68.85
Profit Before Tax	799.18	684.6	445.73	-17.81

The company has been able to generate good revenues with a good growth in operating profits on absolute terms.

**Industry Charts**

Exhibit 1: Healthcare sector growth trend

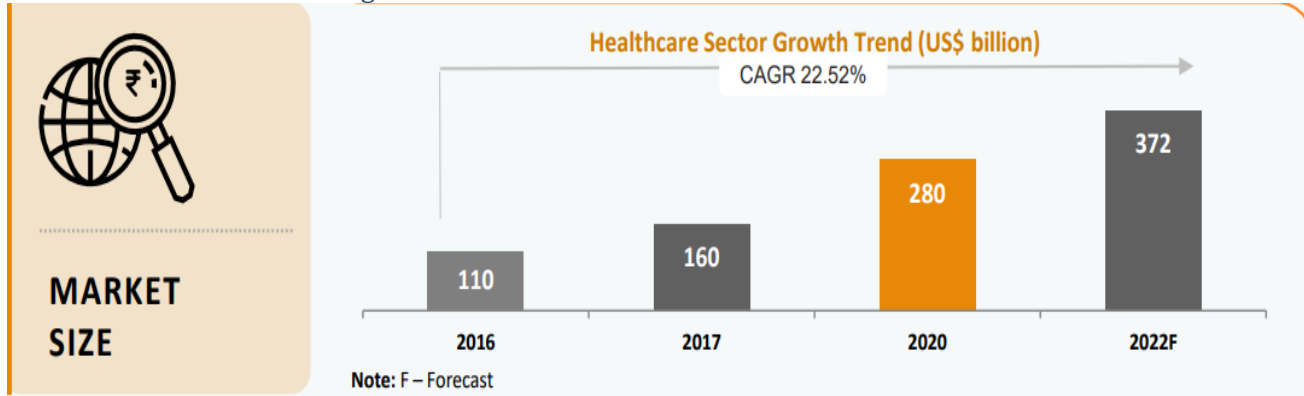


Exhibit 2: Government healthcare expenditure and infrastructure facts

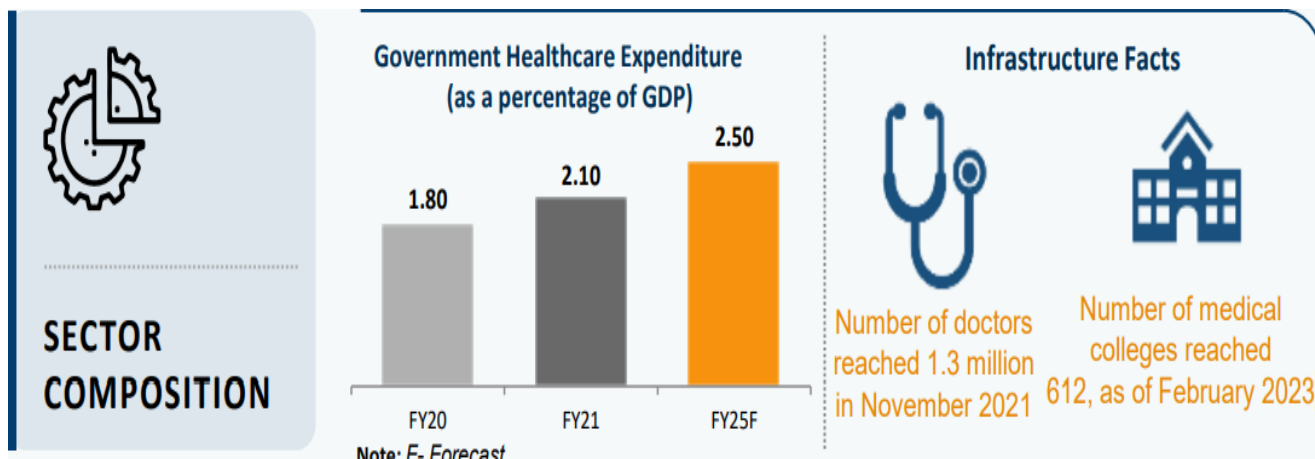
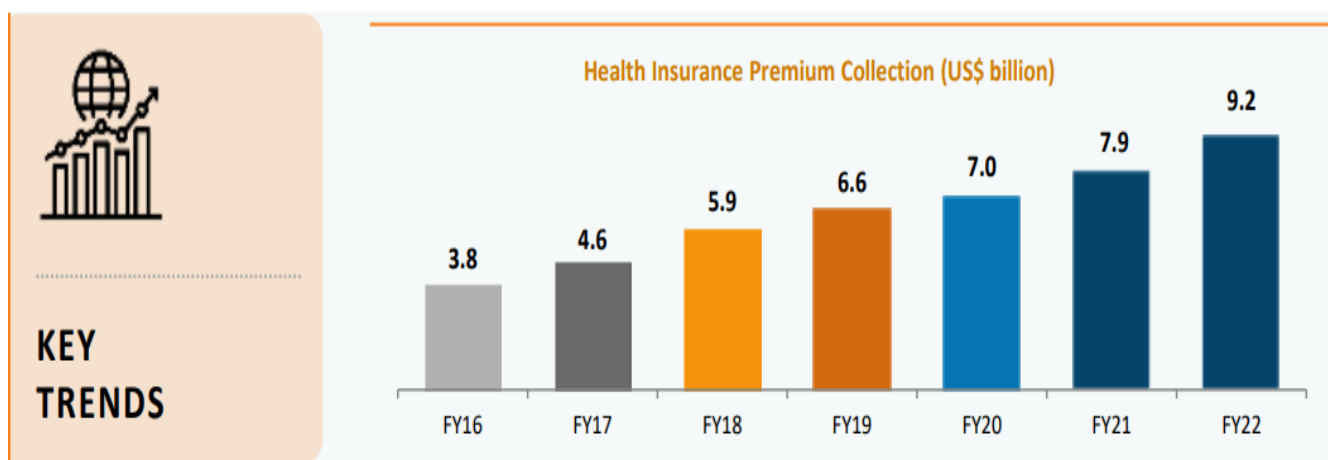


Exhibit 3: Health insurance premium collection



(Source- IBEF)

## 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 ever 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)*

### **Addressable market for Aatmaj Healthcare Limited**

Hiring qualified and professional management team provides a competitive advantage and enables to function effectively and efficiently. Providing one stop destination for patients and make them get used to the hospital so that they keep revisiting the hospital and also provide speciality services like core medical, surgical and emergency services. Company should strive to serve with ultra-modern medicinal practices and state of the art infrastructure for medical as well as surgical care solutions.

## **Competition**

Company has significant competition from both organised and unorganised players. In healthcare sector bargaining power of customers is low and is an advantage for healthcare sector. Healthcare business is highly competitive business so threat of new entrants in this field is very high and should keep improving themselves in every aspect to be in the race.



### **PEER ANALYSIS**

As per the RHP, the company has mentioned 3 companies as its listed peers viz. Krishna Institute of Medical Sciences Ltd, Kovai Medical Center and Hospital Ltd , KMC speciality hospital Ltd An analysis on the peer companies has been given below -

Particulars	Aatmaj Healthcare Limited			Krishna Institute of Medical Sciences Ltd			Kovai Medical Center and Hospital Ltd			KMC Speciality Hospitals (India) Limited		
	Mar-22	Mar-21	Mar-20	Mar-22	Mar-21	Mar-20	Mar-22	Mar-21	Mar-20	Mar-22	Mar-21	Mar-20
Net Profit Margin	23%	24%	-6%	21%	15%	10%	11%	11%	13%	18%	13%	13%
EBITDA Margin	34%	31%	16%	32%	28%	22%	29%	28%	24%	27%	22%	22%
Return on Capital Employed	75%	71%	5%	25%	25%	17%	15%	11%	12%	27%	18%	23%
Return on Equity	61%	129%	0%	25%	24%	19%	17%	15%	22%	28%	21%	24%
EPS (INR)	9.11	7.63	-0.50	41.57	25.93	16.00	95.28	71.00	86.44	1.46	0.78	0.72

Based on the above analysis all the margins of the company when compared to its peer is high and the EPS of the company has performed low compared to its peers.

#### **Aatmaj Healthcare**

- Leading PE on post IPO basis – 17.61 times
- Post IPO EPS – 3.14.

**Promoters' Profile and Management Analysis**

**Dr. Tushar Suvagiya**



- Dr. Tushar Suvagiya, aged 45 years, is Managing Director of the company.
- He has completed Bachelor of Medicine and Bachelor of Surgery from the Maharaja Sayajirao University of Baroda and Diploma in Gynaecology and Obesterics from the College of Physicians and Surgeons of Bombay.
- He has more than 20 years of experience in surgeries of vaginal, abdominal and laparoscopic hysterectomy and gynaec surgeries.

**Dr. Subhash Padmani**



- Subhash Padmani aged 46 years, is one of the Promoters of the Company.
- He did Bachelor of Medicine and Bachelor of Surgery from The Maharaja Sayajirao University of Baroda and Diploma in Clinical Pathology from the Saurashtra University.
- He possesses more than 16 years of experience in laboratory medicine, with special focus on clinical pathology and laboratory management.

**DR. RAVI APTE**



- Ravi Apte, aged 48 years, is the Promoter and Professional Non-Executive Director of Company.
- He did Bachelor of Medicine and Bachelor of Surgery from the Maharaja Sayajirao University of Baroda and Diploma in Anaesthesiology from the Maharaja Sayajirao University of Baroda.
- He has more than 13 years of experience as Anaesthetist. He actively attends and participates in workshops and certification courses conducted by leading organisations.

## **Analysis on the Company's Promoter and Board of Directors**

**Dr. Tushar Suvagiya**, aged 45 years, is the Managing Director of the company. He has completed Bachelor of Medicine and Bachelor of Surgery from the Maharaja Sayajirao University of Baroda and Diploma in Gynaecology and Obsterics from the College of Physicians and Surgeons of Bombay. He has more than 20 years of experience in surgeries of vaginal, abdominal and laparoscopic hysterectomy and gynaec surgeries.

**Dr. Subhash Padmani**, aged 46 years, is the Promoter of the Company. He did Bachelor of Medicine and Bachelor of Surgery from The Maharaja Sayajirao University of Baroda and Diploma in Clinical Pathology from the Saurashtra University. He possesses more than 16 years of experience in laboratory medicine, with special focus on clinical pathology and laboratory management.

**Dr. Ravi Apte**, aged 48 years, is the Promoter and Non-Executive Director of Company. He did Bachelor of Medicine and Bachelor of Surgery from the Maharaja Sayajirao University of Baroda and Diploma in Anaesthesiology from the Maharaja Sayajirao University of Baroda. He has more than 13 years of experience as Anaesthetist. He provides anaesthesia assistance to the surgeons in various surgeries such as Orthopaedic Surgeries, Gynaec Surgeries, Uro Surgeries, Neuro Surgeries, General Surgeries and Onco Surgeries.

**Mrs. Jignasa Suvagiya**, aged 44 years, is the Whole Time Director of company and has completed Bachelor of Science (Chemistry) from South Gujarat University. She has more than 12 years of experience in the field of Hospital Management. She is looking after different departments of the Company i.e. operations, marketing, business development and employee welfare activities.

To conclude, there are three promoters for the company and all the promoters have vast experience in the industry which company operates in. The remaining directors of the company also have decent experience in the sector.

## Financial Snapshot

Particulars	As at 31st March, 2021	As at 31st March, 2022	As at 31st, Dec 2022
<b><u>Profit and Loss</u></b>			
Revenue from operations	1,725.89	2,180.88	2,045.09
Other income	0.36	-	2.64
Total Revenue	1,726.25	2,180.88	2,047.73
Expenses	1,197.13	1,428.68	1,145.17
Depreciation and Amortisation Cost	39.11	43.45	52.46
Finance Cost	44.29	24.15	50.92
Total Expenses	1,280.53	1,496.28	1,248.55
PBT	445.72	684.60	799.18
PBT Margin	25.83%	31.39%	39.08%
EBITDA	528.76	752.20	899.92
EBITDA Margin	30.64%	34.49%	44.00%
Net Profit	412.19	492.07	577.49
Net Profit Margin	23.88%	22.56%	28.24%
<b><u>Balance Sheet</u></b>			
Total Borrowings	433.39	517.52	1,218.40
Net Worth	318.85	810.92	1,388.40
Fixed Assets	820.65	1,087.46	1,091.56
Net Working Capital	-141.20	-165.59	525.07
<b><u>Financial Measures (Annualised)</u></b>			
Inventory Turnover Ratio	84.19	53.85	52.75
Receivables Turnover Ratio	30.25	4.28	1.29
Payables Turnover Ratio	1.36	1.74	0.31
Fixed Assets Turnover Ratio	2.10	2.01	1.87
Return on Capital Employed	70.61%	74.82%	51.28%
Return on Equity	129.27%	60.68%	41.59%
Debt-Equity Ratio	1.36	0.64	0.88

(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. 528.76 lacs in 2021 to Rs. 752.20 lacs in 2022 and up to 31st Dec 2022 it was Rs. 899.92 lacs and if we annualize the same it would be around Rs. 1,199.89 lacs growing at a CAGR of 50.64%. The EBITDA margin in 2021 was 30.64%, 34.49% in 2022, and as on 31st Dec 2022 it was at 44%. The increase in EBITDA is due to an increase in the revenue from operations. The increase in the EBITDA margin is due to a decrease in the employee benefit Expenses

### **Net Profit**

The Net profit in 2021 was Rs. 412.19 lacs, Rs. 492.07 lacs in 2022, and as on 31st Dec 2022 it was Rs. 577.49 lacs and when annualized it would be around Rs. 769.99 growing at a CAGR of 36.68%. The Net Profit margin in 2021 was 23.88%, 22.56% in 2022, and as on 31st Dec 2022 it was 28.24%. The increase in the Net Profit for FY-22 is due to a decrease in the other expenses.

### **Finance Cost**

The company's finance cost mainly comprises of interest expenses.

### **Financial Measures/Ratios**

RoCE of the company up to 31st Dec 2022 was 51.28% vs 74.82% in 2022 and 70.61% in 2021. With the increase in the equity base of the company through IPO, the ROCE on Post-IPO basis is expected to fall.

ROE of the company in 2021 was 129.27%, 60.68% in 2022, and as on 31st Dec 2022 it was at 41.59%. The ROE of the company has decreased in the FY-22 due to a substantial increase in the Equity Share Capital. The ROE on Post-IPO basis would decrease.

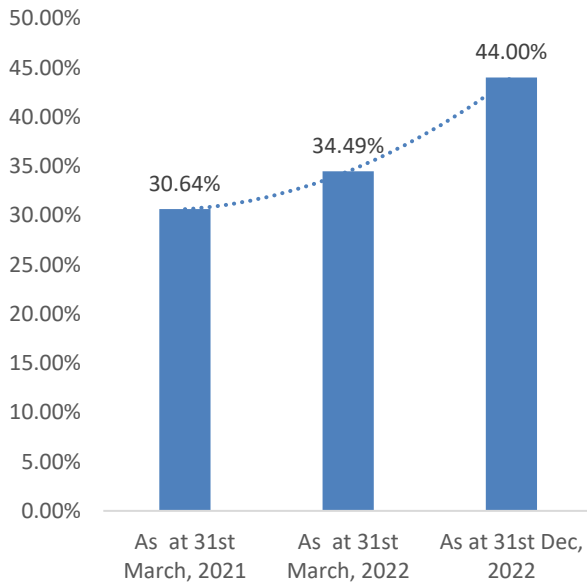
Inventory turnover ratio has decreased for the company, indicating there is an increase in inventory in hand, which does not show effective management of the inventory. Receivables Turnover ratio has decreased substantially, indicating that the company converting its receivables to cash has decreased. Payables turnover ratio has also decreased, indicating the company paying back to its creditors has decreased. Fixed Assets turnover ratio has decreased slightly but is expected to



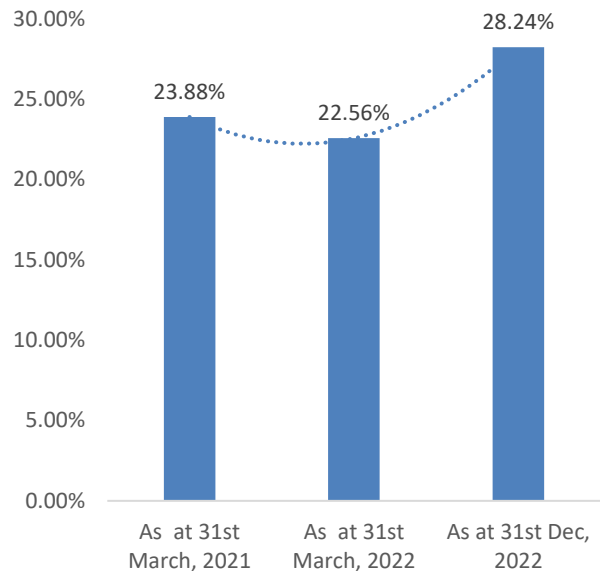
increase on an annualized basis. The company has a debt-equity ratio of 0.88 as on 31st Dec 2022 which shows the company is not highly leveraged.

## Financial Charts

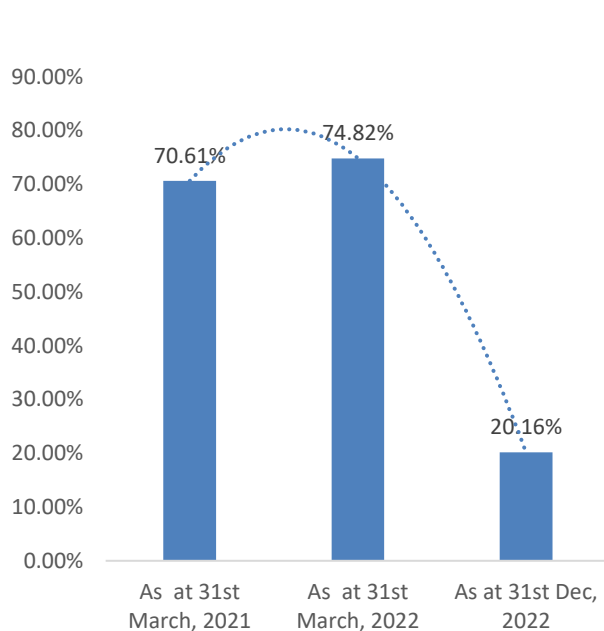
### EBITDA Margin



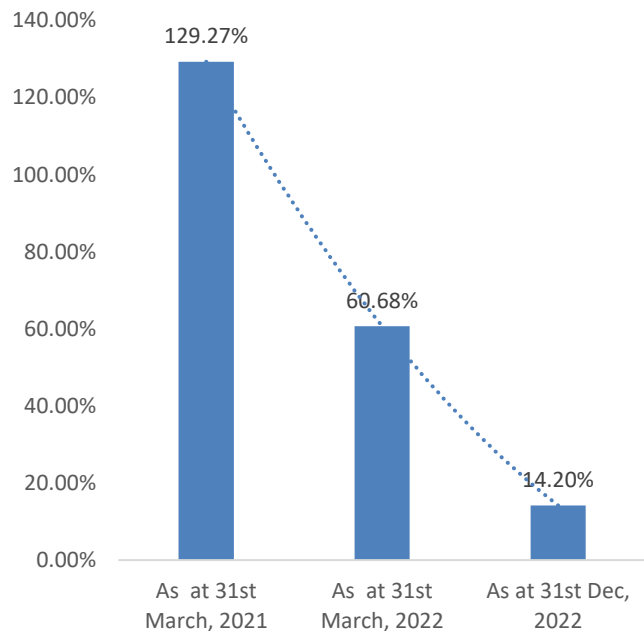
### Net Profit Margin



### Return on Capital Employed



### Return on Equity



## Key Risk Factors

1. Company is highly dependent on doctors, nurses and other healthcare professionals, as well as other key personnel and the loss of, or inability to attract or retain, such persons could adversely affect business and results of operations.
2. Company may generate revenue from the arrangements with government sponsored health schemes, any adverse change in these regulations/government policies related to such schemes may adversely affect business, results of operations, cash flows and prospects.
3. Medical professional staff consists of both employees as well as doctors on a consultancy basis. If such medical staff discontinue their associations or are unable to provide their services at hospitals for any reason or if we are unable to attract or retain such consultants/full time doctors, and other healthcare professionals, business results of operations and cash flows may be materially and adversely affected.
4. Delay in receipt of payment from patients/customers may affect cash flows, which may, in turn affect financial condition and results of operations.
5. Company might face intense competition from other healthcare service providers. If they are unable to compete effectively, business results of operations and cash flows may be materially and adversely affected.





## **Track Record of Lead Manager**

This is the 1st mandate from Nirbhay Capital in the current fiscals and hence has no track record of past mandates.

## Recommendation

The company has been into this industry since 2014 and has decent track record of existence. The revenue of the company along with the profit margins has shown extra-ordinary growth raising questions on its sustainability. If same growth is continued in future, we can expect a good growth in near future.

The management of the company has an overall experience of decades in the field of Healthcare sector and they are planning to expand their business in surrounding regions.

The stock is coming at a PE of around 17.61 times in Post IPO basis which seems to be fairly priced. Looking at the above-mentioned scenarios, **Risk Averse Investors should wait and Risk Seekers should apply.**



## **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.**