

IPO Details

Opening Date	July 17, 2023
Closing Date	July 19, 2023
Stock Exchange	BSE SME
Lot Size	2000 shares ₹ 51 to 52 per share
Issue Price	
Issue Size	51,80,000 Equity Shares
Application Amount (@ upper band for retail investors)	₹ 1,04,000
Amount Raised (Issue Type)	₹26.94 Cr (Book Built Issue IPO)

IPO Objective

1. Part Funding of Capital Expenditure of Cancer Hospital.
2. Acquiring Land on Leasehold basis for Health Management and Research Institute.
3. General Corporate Purpose.

Pre-Issue Shareholding

Category	No. of Shares	% of Total Shares
Promoter & Promoter Group	1,20,36,580	83.03 %
Public	24,60,720	16.97 %

Promoter of the Company

1. Mr. Harendra Singh
2. Mr. Nayan Prakash Singh
3. Mr. Udai Pratap Singh
4. Ms. Madhuri Singh
5. Ms. Nitu Singh

Competitive Strengths

1. Well diversified and speciality service offerings.
2. Quality healthcare services.

Company Background

- Asarfi Hospital Limited was originally incorporated in the year 2005 and is headquartered in Jharkhand.
- The Hospital is a 250 bedded multi-speciality hospital, which is serving people for over one and half decade by providing healthcare services.
- The Hospital has a full-fledged high dependency unit, Emergency Department, Outpatient consultation, CCU, ICU, NICU, SICU, Labor room, Endoscopy room, Neurosurgery and Cardiac unit.
- The Hospital is empanelled with several Government Agencies, Corporate Organizations for providing regular health care facilities to their employees and their dependants.
- As on date of filing of Red Herring Prospectus, company has 65 doctors on their payroll.

Market Capitalization (In. Cr.)

Pre-Issue	Post-Issue
7.54	34.47

Financial Summary (In Lacs.)

For the Period Ended	Mar-21	Mar-22	Mar-23
Total Assets	3,729.45	6,270.24	9,342.71
Net Assets	1,689.90	2,262.73	4,184.26
Total Borrowings	713.36	1,163.31	1,720.20
Total Revenue	5,439.90	6,619.54	7,303.26
Profit After Tax	353.43	572.84	801.53

Tentative Timeline

Opening Date	July 17, 2023
Closing Date	July 19, 2023
Basis of Allotment	July 24, 2023
Initiation of Refunds	July 25, 2023
Credit of Shares to Demat	July 26, 2023
Listing Date	July 27, 2023



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Company Overview

Asarfi Hospital Limited was incorporated in the year 2005. Asarfi Hospital Limited, is a 250 bedded multi-speciality hospital, which is serving people for over one and half decade by providing healthcare services in Dhanbad, Jharkhand. Accredited by National Accreditation Board for Testing and Calibration Laboratories (“NABL Accredited”), The company is an integrated healthcare service provider, committed to deliver valued healthcare services to the patients that includes prevention, treatment and proper rehabilitation. The company is empanelled with several Government Agencies, Corporate Organizations for providing regular health care facilities to their employees and their dependants. The company is also empanelled with the several Insurance and TPA providers. The hospital located at Dhanbad, Jharkhand is having departments/services like Cardiology, Neurosciences, General Medicine, Paediatrics & Neonatology, Obstetrics & Gynaecology, General Surgery, Gastroenterology, Orthopaedics Plastic Surgery & Cosmetics, Oncology, Nephrology, Urology, Ophthalmology, ENT, Day Care Services, Dental, Physiotherapy, Emergency, Nutrition & Dietetics, Anaesthesiology & Critical Care, Radiology, Pulmonology, Pain Management etc. among other healthcare services.

Analysis

Being in operations since 2005, the company has vast experience in the industry. The industry in which the company operates in is a healthcare sector where it provides services for Cardiology, Neurosciences, General Medicine, Paediatrics, Obstetrics, Gynaecology, General Surgery etc., among other healthcare services. The hospital has a full-fledged high dependency unit, Emergency Department, Outpatient consultation, CCU, ICU, NICU, SICU, Labor room, Endoscopy room, Neurosurgery and Cardiac unit. The hospital is associated with several agencies where they provide services to their employees etc. The hospital was also one of the COVID centre for the state Jharkhand during the COVID-19 outbreak. The hospital is also in the process of building a cancer hospital in Ranguni, Dhanbad, Jharkhand. The hospital is also building an educational institute focused on legal education and management. They also have plans to build a Health Management and Research Institute for which the hospital has been allotted a leased land from Ranchi Smart City Corporation Limited. The above-mentioned programs/buildings construction are also one of the main objectives for raising IPO and the amount allotted by the hospital for the same are as mentioned – 12 Cr for the construction of cancer hospital, 7 Cr. for the leased land and the remaining 7 Cr. to use for general

corporate purposes. The hospital runs Asarfi Institute of Paramedical which provides different courses since December 2021, and they plan on adding more courses to the already existing 7 courses provided by the hospital.

Sector-wise break-up of the hospital's revenue for Fiscal year ended 31st March 21, 31st March 22, and 31st March 23 is given below –

Particulars	March 31st		
	2021	2022	2023
Hospital Sale & Services	4,405.39	6,002.78	6,609.24
Hospital Medicinal Sales	1,006.78	518.53	461.09
Total	5,412.17	6,521.31	7,070.33

Department-wise break-up of the hospital revenue for Fiscal year ended 31st March 22 and 31st March 23 is given below–

Departments	March 31st	
	2022	2023
Cardiology	1,832.34	1,955.80
Neurosciences	1,648.99	1,092.40
General Medicine	825.58	1,097.90
Paediatrics & Neonatology	563.11	634.2
Obstetrics & Gynaecology	418.45	448.40
General Surgery	380.86	423.20
Gastroenterology	258.82	405.90
Orthopaedics	185.03	230.30
Plastic Surgery & Cosmetics	161.77	124.40
Oncology	70.07	98.30
Others	176.29	559.53
Total	6,521.31	7,070.33

To conclude, the hospital operates in Jharkhand and has four blocks and six floors for providing health care services to in patients and outpatients and is in the process of expanding their landform. The hospitals major revenue is generated from services such as Cardiology, Neurosciences, and General Medicine. Along with the services provided hospital runs an Asarfi Institute of Paramedical which provides courses in different medical fields.

Industry Charts

Exhibit 1: Healthcare Sector Growth Trend (US\$ billion)

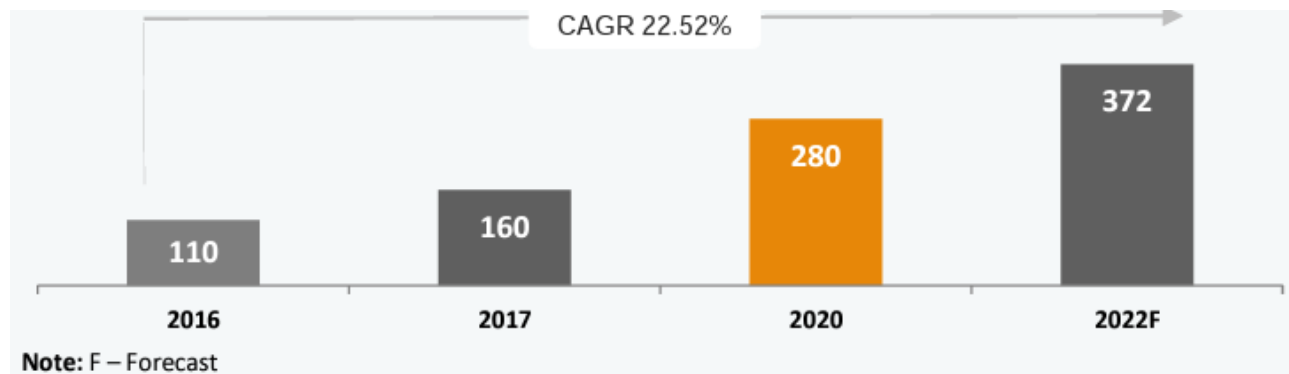


Exhibit 2: Government Healthcare Expenditure (as a percentage of GDP)

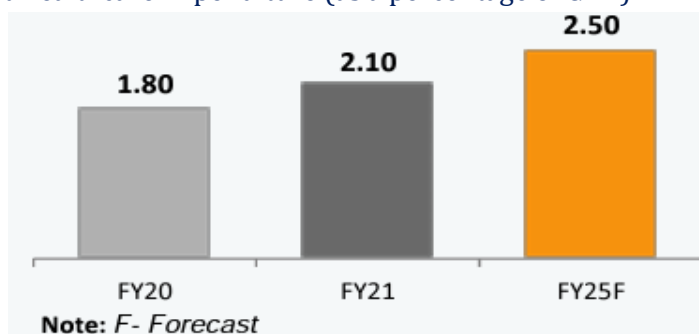
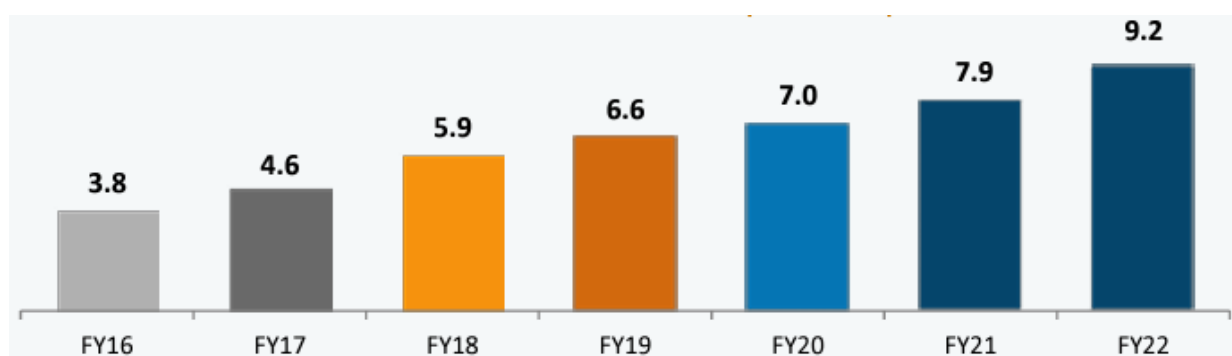


Exhibit 3: Health Insurance Premium Collection (US\$ billion)



(Source- www.maximizemarketresearch.com)



Investment Overview

Healthcare Industry

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.

Strong growth in healthcare expenditure over the years Healthcare has become one of India's largest sectors, both in terms of revenue and employment. The industry is growing at a tremendous pace owing to its strengthening coverage, service and increasing expenditure by public as well private players. Between 2016–22, the market is expected to record a CAGR of 22.52%. The total industry size is estimated to reach US\$ 372 billion by 2022. The e-health market size is estimated to reach US\$ 10.6 billion by 2025. In November 2021, the Government of India, the Government of Meghalaya and the World Bank signed a US\$ 40 million health project for the state of Meghalaya. This project will improve the quality of health services and strengthen the state's capacity to handle future health emergencies, including the COVID-19 pandemic.

(Source- Prospectus)

Addressable market for Asarfi Hospital Limited

The hospital operates in an urban area and when spoken about the demand and supply, the hospital can venture into rural areas where the healthcare is not up to the point. When talked about the growth in terms of revenue the hospital can be looking at a good growth when ventured into different states as it operates in only one state and by ensuring of safety and service the hospital will be looking at a good growth.

Competition

The sector in which the company operates in is extremely competitive and generally has less barrier to entry as it is highly fragmented. The hospital faces competition majorly from the players who operate in the same region and from providers who offer secondary and tertiary healthcare services. The bargaining power for buyers is low whereas the bargain power of the suppliers is contradictory.

PEER ANALYSIS

As mentioned in the prospectus there are 3 peer company viz. Shalby Limited, Global Health Limited, and KMC Speciality Hospitals (India) Limited. An analysis of the same has been given below-

Particulars	Asarfi Hospital Limited			Shalby Limited			Global Health Limited			KMC Speciality Hospitals (India) Limited		
	Mar-23	Mar-22	Mar-21	Mar-23	Mar-22	Mar-21	Mar-22	Mar-21	Mar-20	Mar-22	Mar-21	Mar-20
Net Profit Margin	11%	9%	7%	8%	8%	10%	12%	9%	2%	17%	18%	13%
EBITDA Margin	19%	17%	15%	17%	17%	21%	23%	21%	14%	26%	27%	22%
Return on Capital Employed	13%	16%	18%	8%	8%	6%	13%	10%	3%	21%	27%	18%
Return on Equity	19%	25%	21%	7%	6%	5%	13%	12%	2%	24%	28%	21%
EPS (INR)	7.58	7.64	4.71	6.27	5.01	3.93	12.16	7.75	5.81	1.64	1.46	0.78

From the above analysis, the profitability margins are at par when compared to its peer company for the FY-23. RoCE, and ROE is relatively low. The EPS of the company is at par with the peer companies.

Promoters' Profile and Management Analysis

Mr. Harendra Singh



- Mr. Harendra Singh, aged 49 years, is one of the Promoters and Chief Financial Officer of the company.
- He has completed his Post Graduate Diploma in Management
- He has more than 18 years of experience in healthcare industry.

Mr. Udai Pratap Singh



- Mr. Udai Pratap Singh, aged 28 years, is one of the Promoters and the Managing Director of the company.
- He has completed a Bachelor of Engineering and Master of Engineering.

Mrs. Madhuri Singh




- Mrs. Madhuri Singh, aged 50 years, is one of the Promoters and the Executive Director of the company.
- She has completed the Secondary School Certificate.

Mr. Nayan Pratap Singh



- Mr. Nayan Pratap Singh, aged 60 years, is one the Promoters of the Company.
- He has completed his Bachelor of Ayurvedic Medicine and Surgery.
- He has overall work experience of around 28 years.

<p>Mrs. Nitu Singh</p>	
	<ul style="list-style-type: none"> • Mrs. Nitu Singh, aged 45 Years, is one of the Promoters of the Company. • She has completed her Bachelor of Arts (Honours). • She has an overall work experience of around 15 years.

Analysis on the Company's Promoter and Board of Directors

Mr. Harendra Singh, aged 49 years, is one of the Promoter and Chief Financial Officer of the company. He has completed his Post Graduate Diploma in Management. He has more than 18 years of experience in healthcare industry. He currently looks after the overall management of the Company.

Mr. Udai Pratap Singh, aged 28 years, is one of the Promoter and the Managing Director of the company. He has completed Bachelor of Engineering (Electrical & Electronics) and Master of Engineering. He currently looks after the overall management of the Company & Hospital. The education background does not support to the roles and responsibilities performed.

Mrs. Madhuri Singh, aged 50 years, is one of the Promoter and the Executive Director of the company. She has completed Secondary School Certificate. She currently looks after the overall administration and corporate social responsibility of the Company.

Mr. Nayan Pratap Singh, aged 60 years, is one the Promoter of the Company. He has completed his Bachelor of Ayurvedic Medicine and Surgery. He has an overall work experience of around 28 years. He looks after the development and execution of management strategies for operations resulting in a significant increase in inflow of patients and revenue.

Mrs. Nitu Singh, aged 45 Years, is one of the Promoter of the Company. She has completed her Bachelor of Arts (Honours). She has an overall work experience of around 15 years.

Mr. Sukanti Kumar Das, aged 73 years, is the Non-Executive Director of the Company. He has completed his Bachelor of Medicine and Bachelor of Surgery (MBBS), and Diploma in Obs and Gynae and DM (Obs and Gynae). He has more than 37 years of experience in field of Medical and Consultant. He is associated with the company as Gynaecology from more than a decade.



Asarfi Hospital Limited

Review Report On IPO



Mr. Amit Kumar Barnwa, aged 32 years, is an Independent Director of the company. He is the member of Institute of Company Secretaries of India since 2019. He has more than 4 years of experience in corporate governance and secretarial matters.

To conclude, there are five promoters for the company out of which only two promoters Mr. Harendra Singh and Mr. Nayan Pratap Singh have good knowledge and experience in the industry which the company operates in. And, among the other directors one director Mr. Sukanti Kumar Das has good experience in the industry which will helps in the growth of the company.

Financial Snapshot

(Amount in Lacs)

Particulars	As at 31st March, 2021	As at 31st March, 2022	As at 31st, Mar 2023
<u>Profit and Loss</u>			
Revenue from operations	5,412.17	6,521.31	7,070.33
Other income	27.73	98.23	232.93
Total Revenue	5,439.90	6,619.54	7,303.26
Expenses	4,608.64	5,442.97	5,693.20
Depreciation and Amortisation Cost	291.20	334.70	387.35
Finance Cost	62.70	70.19	133.86
Total Expenses	4,962.54	5,847.86	6,214.41
PBT	477.36	771.68	1,088.85
PBT Margin	8.82%	11.83%	15.40%
EBITDA	803.53	1,078.34	1,377.13
EBITDA Margin	14.85%	16.54%	19.48%
Net Profit	477.36	771.67	1,088.85
Net Profit Margin	8.82%	11.83%	15.40%
<u>Balance Sheet</u>			
Total Borrowings	713.36	1,163.31	1,720.20
Net Worth	1,689.90	2,262.73	4,184.26
Fixed Assets	2,404.17	4,021.29	5,648.00
Net Working Capital	105.38	731.93	1,692.06
<u>Financial Measures (Annualised)</u>			
Inventory Turnover Ratio	66.10	59.76	49.63
Receivables Turnover Ratio	25.78	12.24	4.18
Payables Turnover Ratio	16.33	10.82	4.08
Fixed Assets Turnover Ratio	2.25	1.62	1.25
Return on Capital Employed	17.87%	15.51%	13.40%
Return on Equity	28.25%	34.10%	26.02%
Debt-Equity Ratio	0.42	0.51	0.41
Interest - Coverage ratio	8.17	10.59	7.39

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

Earnings Before Interest, Taxes, Depreciation, and Amortization

The EBITDA of the company has increased from Rs. 803.53 lacs in 2021 to Rs. 1,078.34 lacs in 2022 and has increased to Rs. 1,377.13 lacs in 2023 growing at a CAGR of 30.91%. The EBITDA margin in 2021 was at 14.85%, 16.54% in 2022, and in 2023 it was at 19.48%. The increase in EBITDA during FY-23 is due to an increase in the revenue for the company. The increase in the EBITDA margin is due to a decrease in the percentage contribution towards Expenses i.e., cost of material consumed and purchase of stock in trade.

Net Profit

The Net Profit of the company has increased from Rs. 353.43 lacs in 2021 to Rs. 572.84 lacs in 2022 and has increased to Rs. 801.53 lacs in 2023 growing at a CAGR of 51.03%. The Net Profit margin in 2021 was at 6.53%, 8.78% in 2022, and 11.34% in 2023. The increase in the Net Profit during FY-23 is due to a collective increase in the revenue and other income for the company. The increase in the Net Profit margin in FY-23 is due to a decrease in the percentage contribution towards finance costs, and employee benefit expenses in from FY-22 to FY-23 is less when compared to the percentage contribution to revenue for the company from FY-22 to FY-23.

Finance Cost

The company's finance costs comprise of Interest Expenses, Other borrowings costs and Bank Charges.

Financial Measures/Ratios

The RoCE of the company in 2023 is at 13.40%, 15.51% in 2022, and 17.87% in 2021. The decrease in the RoCE of the company during FY-23 is due to an increase in the capital employed (Assets Work in Progress, and Receivables) for the company. With the increase in the equity base of the company through IPO, the ROCE on Post-IPO basis will fall.

The ROE of the company in 2021 is at 20.91%, 25.32% in 2022, and 19.16% in 2023. The decrease in the ROE during FY-23 is due to an increase in the equity share capital and reserves of the company.

The inventory turnover ratio in 2021 was at 66.10 times, 59.76 times in 2022, and 49.63 times in 2023. The decrease in the inventory turnover ratio indicates that the company has not been able to convert its inventory into cash/revenue as it did in the FY-22.

The receivables turnover ratio in 2021 is at 25.78 times to 12.24 times in 2022, and has reduced to 4.18 times in 2023, indicating a decrease in the cash inflow from receivables for the company and indicating that the company is holding its working capital in receivables more in FY 23 as against FY 22 and FY 21.



The payables turnover ratio in 2021 is at 16.33 times, 10.82 times in 2022, and is at 4.08 times in 2023. The Decrease in the ratio indicates a decrease in the cash outflow for the company.

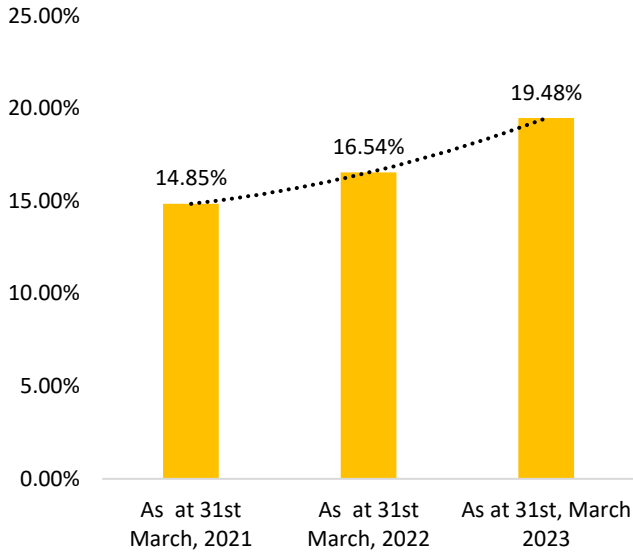
Fixed Asset Turnover ratio has decreased from 2.25 times in 2021 to 1.62 times in 2022 and has reduced to 1.25 times in 2023. The ratio has been on a decreasing trend indicating the company is not using its Fixed assets properly for revenue generation as it did in the previous years.

The Debt-Equity ratio in 2021 was at 0.42 times, 0.51 times in 2022, and 0.41 times in 2023 indicating that the company is not highly leveraged.

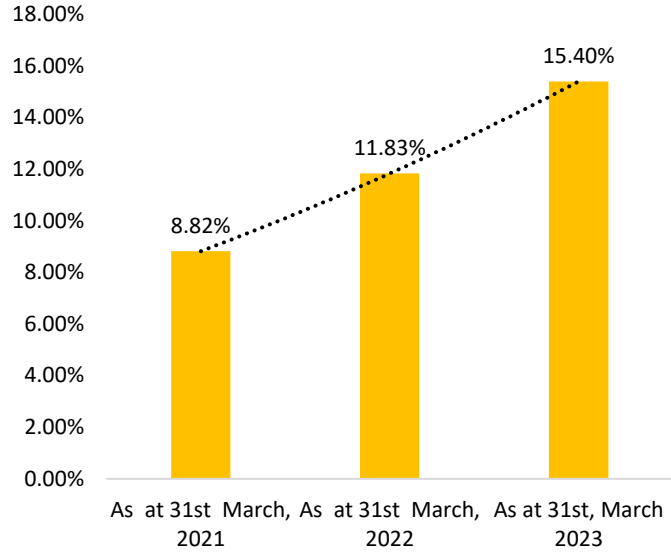
The interest coverage ratio in 2021 is at 8.17 times, 10.59 times in 2022, and 7.39 times in 2023, is caused due to an increase in the finance cost. The decrease in the ratio should not be a worrying point of view for the company as it is still high.

Financial Charts

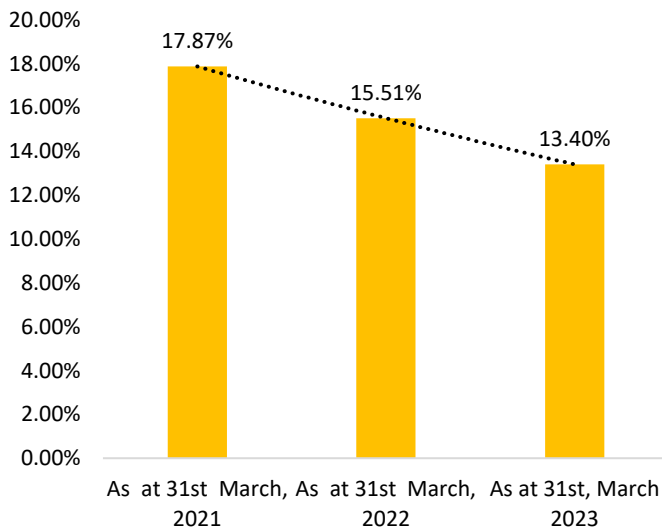
EBITDA Margin



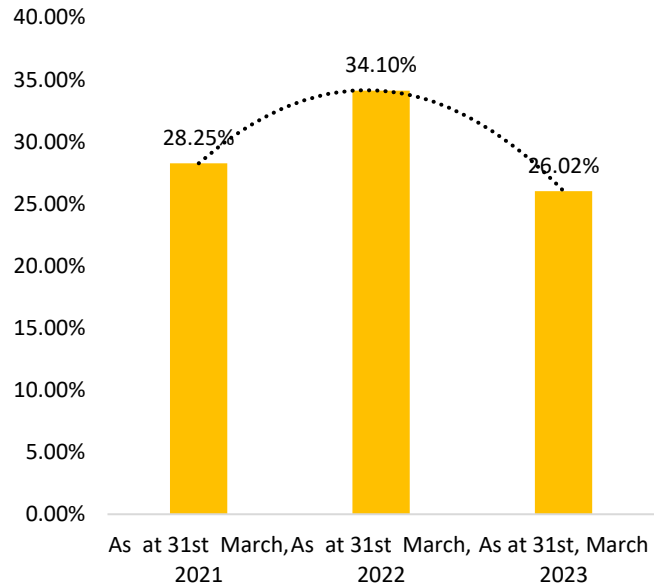
Net Profit Margin



Return on Capital Employed



Return on Equity



Key Risk Factors

1. The Company, Directors and Promoters are parties to certain legal proceedings amount is not ascertainable it is a total of 31 cases. Any adverse decision in such proceedings may have a material adverse effect on the business, result of operations and financial conditions.
2. The hospital and staff (doctors) are alleged to several criminal proceedings and other litigation matters (which includes couple of patients ending up deceased claiming negligence and deficiency in services, and malpractice, demanding of illegal money etc) of which the status is still open.
3. The Promoters and directors have alleged to several criminal proceedings and tax matters. And several civil matters regarding land issues as well as facing litigations due to the abusive and threatening language used by the promoters of the company. There are also several criminal proceedings regarding the land issues (claims of extortion, usage of weapons and threats) against the complaints of which the status is still open.
4. The hospital is dependent on certain field of specialty for a substantial portion of our revenue, i.e., cardiology, neurosciences and general medicine contributed to 27.7%, 15.45% and 15.53% of the revenue from operations, respectively. Any material impact on the earnings from these fields will impact the financial condition and results of operations significantly.
5. The Company is dependent on limited number of external suppliers for its medicine and consumables requirements. Any delay or failure on the part of such suppliers to deliver products at acceptable prices, may adversely affect the business, profitability and reputation. Where in One of the suppliers is contributing to 71.79% to total purchase and the rest 4 suppliers contributed on an average on 1.5% each.
6. In the past, the Group Company, Asap Impact Private Limited has defaulted in payment of Principal and interest amount on a loan availed from Allahabad Bank aggregating to ₹ 6.91 Crores and has made a one-time-settlement with the bank and paid the settled amount which has been closed by the bank as of 28/06/2019.
7. The Company had negative cash flow in recent fiscal 2023. Sustained negative cash flow could adversely impact the business, financial condition 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 the last 10 companies handled by the Lead Manager in recent times –

Sr. No	Company Name	Issue Size in Cr.	Issue Price/Share (In INR)	Listing date	CMP* (INR)
1.	Greenchef Appliances Limited	53.62	87.00	July 06, 2023	103.50
2.	Hemant Surgical Industries Limited	24.84	90.00	June 05, 2023	221.90
3.	Vasa Denticity Limited	54.06	36.00	June 02, 2023	388.10
4.	Labelkraft Technologies Limited	4.75	55.00	March 23, 2023	79.90
5.	Systango Technologies Limited	34.82	90.00	March 15, 2023	228.25
6.	Macfos Limited	23.75	102.00	March 01, 2023	298.25
7.	Earthstahl & Alloys Limited	12.96	40.00	February 08, 2023	51.90
8.	Chaman Metallics Limited	24.21	38.00	January 16, 2023	65.30
9.	Baheti Recycling Industries Limited	12.42	45.00	December 08, 2022	117.00
10.	Vedant Asset Limited	3.00	40.00	October 12, 2022	54.25

*CMP as on 12th July 2023

As per the offer document Hem Securities Limited have had 23 mandates in the last three fiscal years (including the ongoing one). For Hem Securities Limited out of the last 10 that are mentioned above, all of them have opened at premiums ranging from 1.81% to 166.67%. Thus, it has a decent track record.

Recommendation

The company has been into this industry since 2005 and has vast experience in the industry. The company has seen a consistency in the growth of its profitability margins.

The hospital faces competition majorly from the players who operate in the same region and from providers who offer secondary and tertiary healthcare services. The number of promoters and directors in the top management has knowledge and experience in the core business in which the company operates in.

The company is getting listed with a P/E of around 3.17 times which makes the stock undervalued, when compared to its industry PE.

In conclusion, the company has seen a consistent growth in the profitability margins. As the company operates in an industry where casualties are high in number the company does face such litigations which may or may not affect the nature of the business and to be expected the same in the on-going future. The promoter outlook does not look good with the several criminal litigations against them. The company will be looking at a decent growth with the ongoing projects occurring mentioned in the business analysis segment in the report and with an undervalued PE, yet the company has in the past defaulted on the payment and interest amount on a loan availed by a bank places the company in a not so favourable place as it looks unreliable. Thus, one can **AVOID** applying to this IPO now and can wait for the company to provide further clarifications on pending litigations and legal disputes.



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.