



## IPO Note

# Nephro Care India Limited

Recommendation: **AVOID!**

### Company Background -

- Incorporated in 2014, Nephro Care India Limited is a comprehensive treatment centre located in Kolkata, offering a wide range of clinical and lifestyle solutions, as well as renal insufficiency treatment for patients.
- The hospital provides healthcare services to approximately 900 chronic kidney disease patients every month. The hospital has 5 permanent doctors, 10 visiting consultants, and 70 experienced paramedical professionals.
- These services are delivered from its main Salt Lake clinic, which covers an area of 5,352 square feet, and three satellite clinics located in Salt Lake (HB 113) and Chandannagar, West Bengal.
- As of March 31, 2024, the hospital employs 110 people in various departments.

### Objects of the Issue -

- Setting up of Multi-Speciality Hospital in the name of "Vivacity Multi Specialty Hospital" (unit of Nephro Care) at Kolkata (Madhyamgaram), West Bengal.
- General Corporate Expenses.

### Promoters Name -

Dr. Pratim Sengupta, Dr. Pritam Sengupta and Dr. Sutapa Sen.

### Rationale for recommendation -

- ✓ The company has seen unsustainable growth in the top line and bottom line of its financials.
- ✓ The company is not utilizing its debt opportunity well
- ✓ The company has had Loss during FY 2022

### IPO Details

Opening Date	June 28, 2024
Closing Date	July 02, 2024
Allotment Date	July 03, 2024
Listing Date	July 05, 2024
Stock Exchange	NSE SME
Lot Size	1,600 Shares
Issue Price Per Share	₹85 to ₹90
Issue Size	41.26 Cr.
Fresh Issue	41.26 Cr.
Offer for Sale	-
Application Amt	₹ 1,44,000 (1600 shares)

### KPIs

KPI's	FY 22	2023	Dec-23
Revenue	342.70	1,709.51	1,989.60
EBITDA	150.43	1,014.25	1,108.58
Net Profit	-0.98	194.24	340.04
RoCE	46.72%	191.28%	75.64%
ROE	-1.98%	79.68%	24.42%
P/E	-	46.39	26.79

### Promoter Share Holding Pattern

Pre-Issue	Post Issue
85.02%	61.38%

### Valuation Parameters

Particulars	Pre-Issue	Post Issue
EPS	5.18	3.74
BVPS	48.68	35.15
P/E	17.37	24.07
P/BV	1.85	2.56
Mkt Cap (In Cr)	107.12	148.38

### Lead Managers -

Corporate Capital Ventures Private Limited

### Registrar -

Kfin Technologies Limited

**Business Overview -**

Incorporated in the year 2014, “Nephro Care India Limited” is in the business of providing a wide range of clinical and lifestyle solutions and services and renal insufficiency treatment to patients. The treatment framework covers the entire range of lifestyle, physiological and spiritual aspects of wellness.

As of January 31, 2024, the company provide healthcare services to around 900 Chronic Kidney Disease Patients (CKD Patients) per month and engages over 5 doctors along with 10 visiting consultants led by 70 experienced paramedical professionals from the flagship Salt Lake clinic having an area of 5352 sq. ft. and two satellite clinics at Salt Lake and Chandannagar, West Bengal.

- Mukti – The company’s Mukti is the flagship medico yoga.
- Dialysis Unit – The company offer state-of-the-art haemodialysis services comprising 30 dialysis machines. These machines are operated in 3 shifts on weekdays to cater to the ESRD patients
- Home Care – The company have developed dedicated home care team to address post hospitalization or post kidney transplant needs (Fumigation, Stich cutting, Wound dressing etc).

**Healthcare Service Offerings**

**Out Patient Department –**

The company presently focuses on outpatient departments on Nephrological cases. Besides the company also offers outpatient services in disciplines including Cardiology, Neurology, Ophthalmology and Diabetology.

- Pathology – The company have two inhouse NABL accredited labs (operated under the name “Carepath”) to perform various tests through cutting edge technology and state-of-the-art machineries.
- Pharmacy – have an inhouse pharmacy (operated under the name “Caremed”) that focuses on Nephrology medicine and caters to all the patient medication needs
- Imaging – The company is equipped imaging department under which they perform X Ray, USG, EEG, ECG, PFT, NCB, Fibro scan. Sudosacn, fundoscopy, Polysomnography, BCM to support all diagnostic needs of the patients.
- Renal Nutrition – The company have a team of seasoned dieticians who specialize in renal nutrition who provide diet advisory services to the patients.



(Amt in Lakhs)

Particulars	2021		2022		2023		Dec-23	
	Amt	%	Amt	%	Amt	%	Amt	%
OPD	121.94	66.82	204.95	59.85	1,258.72	73.64	1,285.45	65.08
Pharmacy	60.54	33.18	137.49	40.15	450.55	26.36	689.69	34.92
<b>Total</b>	<b>182.48</b>	<b>100</b>	<b>342.44</b>	<b>100</b>	<b>1,709.27</b>	<b>100</b>	<b>1,975.14</b>	<b>100</b>

### Competition –

- The company compete with hospitals, clinics, diagnostic chains and other healthcare service providers of varying sizes and specialties.
- The company compete on the basis of factors such as specialties and other service offerings, quality of healthcare services and professionals, affordability, quality of care, patient satisfaction, brand and reputation.
- The company also believes that due to the nature of the business there is no direct competition from any players that has the range and coverage of services they offer.
- Few of the indirect competitors are Nephrocare Health Pvt. Ltd, Asian Institute of Nephrology & Urology, and Hospitals with Nephrology department.

### Business Strategies -

**Invest in extension of the Hub-and Spoke Network-** Company intends to develop multiple clinical disciplines, such as cardio care, transplant care, state-of-the-art diagnostic facilities through a central lab and facilities like MRI, Cathlab and CT scan

**Attract, engage and train healthcare professionals** – The company intends to strengthen the integrated human resources management system to further enhance the recruitment, training and retention of high-quality medical professionals.

**Extend clinical services** – The company intends to extend the clinical services outside the clinic by growing the home care business across sample collection, medicine delivery and all possible aspects of care at home.

### Risk Factors –

- The Company revenues are significantly dependent on the Salt Lake clinic. Almost 99% of the revenue from operation comes from the Flagship Salt Lake clinic for the period ended December 31, 2023, and for the year ended March 31, 2023, and March 31, 2022.
- The company has had Loss during FY 2022.

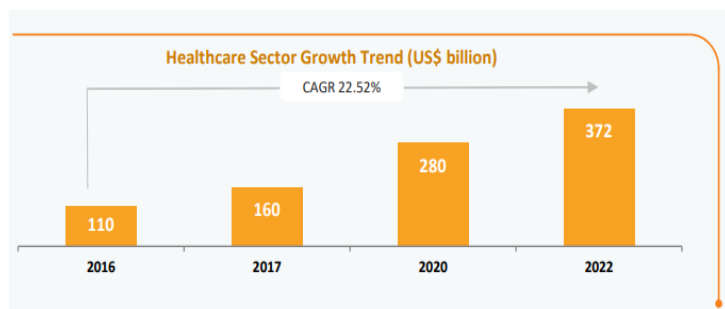
### PEER ANALYSIS

As per the offer document the company believes they do not have listed peers for comparison.

## Indian Healthcare Industry -

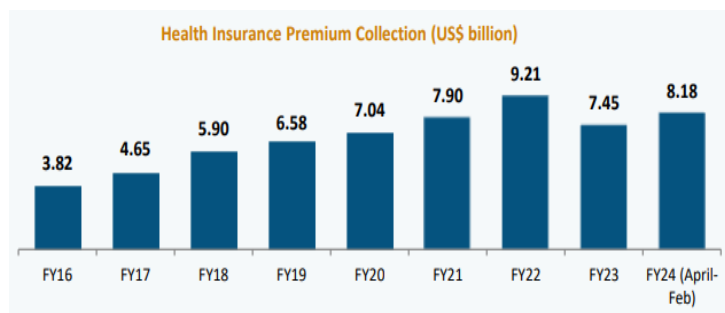
### Introduction -

The healthcare industry value chain in India includes hospitals, medical devices, clinical trials, outsourcing, telemedicine, medical tourism, health insurance and medical equipment. The healthcare sector is growing at a brisk pace owing to its strengthening coverage, services, and increasing expenditure by public as well private players.



### Size and Dimensions –

- The hospital industry in India, accounting for 80% of the total healthcare market. The hospital industry is expected to reach USD 132 Bn by 2023 from USD 61.8 Bn in 2017, growing at a CAGR of 16-17%.
- India ranked 10th in the Medical Tourism Index (MTI) for 2020-2021 out of 46 destinations of the world. The Indian Medical Tourism market size stood at USD 6.79 billion in 2023 and is expected to reach USD 12.64 Billion by 2028 (growing at a CAGR of 13.23%).
- The diagnostics industry in India is currently valued at USD 4 Billion. The share of the organized sector is almost 25% in this segment (15% in labs and 10% in radiology).



## Key Trends in the Kidney Care Space in India -

- Telemedicine and Digital Healthcare Delivery

By December 2022, the Health Ministry’s eSanjeevani telemedicine service had acquired 1,144 online OPDs with 2,22,026 specialists, doctors and health workers that have been trained and onboarded. This platform has an impressive record of having served over 4.34 lakh patients in one day.

- Increasing Penetration of Healthcare Insurance

In FY21, gross healthcare insurance stood at 29.5% of the overall gross direct premium income by non-life insurers segment. Gross direct premium income underwritten by health insurance companies grew 13.3% YoY in FY21 to Rs. 58,600 Crores (US\$ 7.9 billion).

- Emergence of Tier 2 and Tier 3 Locations as the Epicentre of Growth

Rising income levels in smaller towns and cities, increasing health awareness among local population, the information revolution ushered in by rapid penetration of the internet and a host of other factors have combined to bring Tier 2 & Tier 3 locations under the limelight in the healthcare services sector.

## Government Initiatives –

- 1,60,000 Ayushman Bharat centres, which aim at providing primary healthcare services to communities closer to their homes, are operational in India.
- As a part of its efforts to provide access to high quality yet affordable healthcare to the masses, the Government of India has created more than 450 million Ayushman Bharat Health Account (ABHA) IDs, registered 2,19,546 Health Facilities and on-boarded around 2,28,794 Healthcare Professionals boarded under the Ayushman Bharat Digital Mission (ABDM).

**Key Management -**

<b>Key Management Persons Name -</b>	<b>Pratim Sengupta</b>
<b>Age</b>	48
<b>Designation and No. of years of experience</b>	Promoter, and Managing Director, 20+ Years of experience as nephrologist
<b>Qualification</b>	MBBS, Bachelor of Medicine and Surgery, Doctor of Medicine Degree, Doctor of Medicine in Nephrology
<b>Roles and Responsibility</b>	-
<b>Other Ventures</b>	Abide Health Care Private Limited, Arica Diagnostic Private Limited and Dr. Pratim's Academy LLP

<b>Key Management Persons Name -</b>	<b>Pritam Sengupta</b>
<b>Age</b>	41
<b>Designation and No. of years of experience</b>	Promoter, and Non-Executive Non-Independent Director, 13+ years of experience as dentist
<b>Qualification</b>	B. Sc. Degree, Bachelor of Dental Surgery (BDS)
<b>Roles and Responsibility</b>	-
<b>Other Ventures</b>	Nephro Care India Private Limited and Abide Health Care Private Limited

<b>Key Management Persons Name -</b>	<b>Sutapa Sen</b>
<b>Age</b>	47
<b>Designation and No. of years of experience</b>	Promoter, and Non-Executive Non-Independent Director, 17+ years of experience as gynaecologist
<b>Qualification</b>	MBBS, MD in OBS and Gynaecology.
<b>Roles and Responsibility</b>	-
<b>Other Directorships</b>	Dr. Pratim's Academy LLP

<b>Key Management Persons Name -</b>	<b>Alo Sengupta</b>
<b>Age</b>	67
<b>Designation and No. of years of experience</b>	Independent Director, 20+ years of experience
<b>Qualification</b>	B. Com Degree
<b>Roles and Responsibility</b>	-
<b>Other Directorships</b>	Denovo Medicine Private Limited and Denovo Multi-speciality Ventures Limited

<b>Key Management Persons Name -</b>	<b>Saikat Biswas</b>
<b>Age</b>	49
<b>Designation and No. of years of experience</b>	Independent Director, 22+ years of experience
<b>Qualification</b>	B. Com Degree, Bachelor's degree in law
<b>Roles and Responsibility</b>	-
<b>Other Ventures</b>	Practicing at Hon'ble Calcutta High Court

<b>Key Management Persons Name -</b>	<b>Sudip Barman</b>
<b>Age</b>	58
<b>Designation and No. of years of experience</b>	Independent Director, 30+ years of experience
<b>Qualification</b>	MBA Degree
<b>Roles and Responsibility</b>	-
<b>Other Directorships</b>	Bluebliss Beverages Private Limited, Icarus Agency Private Limited and Commercial Point Owners' Association Limited

## FINANCIAL SNAPSHOT

### Statement of Profit and Loss

Amt in Lakhs.

Particulars	FY 22	FY 23	Dec-23
Revenue from Operations	342.44	1,709.27	1,975.14
Other Income	0.26	0.24	14.46
<b>Total Income</b>	<b>342.70</b>	<b>1,709.51</b>	<b>1,989.60</b>
Changes in inventory of pharmacy, drugs and consumables	-14.54	-31.37	16.74
Purchases of pharmacy, drugs and consumables	162.84	519.61	644.27
Employee Benefit Expenses	30.91	113.12	145.92
Finance Cost	1.66	14.86	8.20
Depreciation and Amortisation	11.14	78.80	51.43
Other expenses	150.67	743.38	663.57
<b>Total Expenses</b>	<b>342.68</b>	<b>1,438.40</b>	<b>1,530.13</b>
<b>EBITDA</b>	<b>150.43</b>	<b>1,014.25</b>	<b>1,108.58</b>
<b>Profit/(Loss) before tax</b>	<b>0.02</b>	<b>271.11</b>	<b>459.47</b>
Tax Expense	1.00	76.87	119.43
<b>Profit/(Loss) for the year</b>	<b>-0.98</b>	<b>194.24</b>	<b>340.04</b>

### Statement of Assets and Liabilities

Amt in Lakhs.

Equity	FY 22	FY 23	Dec-23	Assets	FY 22	FY 23	Dec-23
Share Capital	50.00	50.00	59.51	Tangible Assets	139.36	304.96	259.15
Reserves and surplus	-0.48	193.76	1,332.81	Capital Work-in-progress	189.86	-	19.59
<b>Total Equity</b>	<b>49.52</b>	<b>243.76</b>	<b>1,392.32</b>	Non-current investments		200.00	934.69
<b>Liabilities</b>				Deferred Tax Assets	-	8.84	14.47
Long-term borrowings	246.39	242.08	-	Other non-current assets	25.30	22.89	252.03
Deferred Tax Liabilities (Net)	0.71	-	-	Inventories	17.06	48.43	31.68
Long-term provisions	1.54	3.21	5.33	Trade Receivables	19.27	4.18	30.92
Short-term borrowings	7.35	4.31	-	Cash & Cash equivalents	60.90	231.66	215.69
Trade Payables	46.05	85.96	221.93	Short term loans and advances	0.21	0.22	11.05
Other Current Liabilities	111.37	251.79	410.27	Other Current Assets	10.97	9.93	260.58
<b>Total Equity and Liabilities</b>	<b>462.93</b>	<b>831.11</b>	<b>2,029.85</b>	<b>Total Assets</b>	<b>462.93</b>	<b>831.11</b>	<b>2,029.85</b>

### Key Ratios

Per Share Data	FY 22	FY 23	Dec-23	Valuation Ratios (x)	FY 22	FY 23	Dec-23
Diluted EPS	-0.03	1.94	5.18	EV/EBITDA	1.61	0.25	3.78
BV per share	35.08	36.71	48.68	Market Cap / Sales	43.33	8.68	5.64
<b>Operating Ratios</b>				P/E	-	46.39	17.37
EBITDA Margins	43.93%	59.34%	56.13%	Price to Book Value	2.57	2.45	1.85
PAT Margins	-0.29%	11.36%	23.28%	<b>Solvency Ratios</b>			
Inventory days	18.18	10.34	3.93	Debt / Equity	5.12	1.01	-
Debtor days	20.54	0.89	3.84	Current Ratio	0.66	0.86	0.87
Creditor days	103.22	60.38	84.39	Quick Ratio	0.54	0.85	0.82
<b>Return Ratios</b>				Asset Turnover	0.74	2.06	0.97
RoCE	46.72%	191.28%	25.46%	Interest Coverage Ratio	83.91	62.95	1.67
RoE	-1.98%	79.68%	10.64%				

**LEAD MANAGER TRACK RECORD -**

The lead manager to the issue is Corporate Capital Ventures Private Limited. A table has been set below highlighting the details of the IPO of the last companies handled by the Lead Manager in recent times –

**Corporate Capital Ventures Private Limited –**

Sr. No.	Company Name	Issue Size in Cr.	Issue Price/Share (In INR)	Listing Date	CMP* (INR)
1.	GP Eco Solutions India Limited	30.79	94	June 24, 2024	368.35
2.	Creative Graphics Solutions India Limited	54.40	85	April 09, 2024	180.20
3.	Trust Fintech Limited	63.45	101	April 04, 2024	211.50
4.	Esconet Technologies Limited	28.22	84	Feb 23, 2024	284.40
5.	Alpex Solar Limited	74.52	115	Feb 15, 2024	937.10
6.	Accent Microcell Limited	78.40	140	Dec 15, 2023	277.00
7.	Rockingdeals Circular Economy Limited	21.00	140	Nov 30, 2023	610.85
8.	Oriana Power Limited	59.66	118	Aug 11, 2023	2437.80
9.	Crayons Advertising Limited	41.80	65	June 02, 2023	128.90
10.	Droneacharya Aerial Innovations Limited	33.97	54	Dec 23, 2022	145.70

The company has handled 12 mandates in the past three years.

\*CMP for the above-mentioned companies is taken as of 1<sup>st</sup> July 2024.

As per the offer document, from the above-mentioned mandates all have opened at a premium on the listing day.

### Recommendation -

The company has been in the industry since 2014 and has good experience in the industry. The management overview of the company is good.

The P/E is around 26.79 times which makes it fairly priced by looking at the performance of the company.

The company operates in a very competitive segment. The company has had a loss for FY ended 2022. The company has seen a sudden exponential growth in its top line and bottom line for FY 2023 which may or may not sustain going forward. The company is utilizing its net proceeds for setting up a Multi-Speciality-Hospital which may increase the top line in future. The company is not raising any proceeds for working capital requirements. The company is not utilizing its debt-to-equity opportunity well. Thus, for now we recommend **AVOID** to this IPO and wait for further announcements from the company regarding future growth.

### Disclaimer

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