



IPO Note

Shanmuga Hospital Limited

Recommendation: **APPLY!**

Company Background -

- **Incorporation:** Shanmuga Hospital Limited was originally incorporated on Jun 26, 2020. The registered office is located at Salem, Tamil Nadu.
- **Business Activity:** The company is a Multispecialty Hospital and is equipped with advanced healthcare technology and having 151 bed capacity, it addresses the community's medical needs, serving patients from nearby regions.
- **Revenue Stream:** The company derives majority of its revenue from sale of hospital services.
- **Human Resource:** The company has 71 doctors, 7 junior doctors, 28 senior consulting doctors and 27 consulting visiting doctors as on Jan 31, 2025.

Objects of the Issue -

- Funding Capital Expenditure towards Purchase of additional Medical Equipment
- General Corporate Expenses

Promoters Name -

Dr. Panneerselvam Palaniappan Shanmugam, Dr. Prabu Sankar Panneerselvam, Dr. Priyadharshni Dhandapani and Jayalakshmi Panneerselvam

Rationale for recommendation -

- ✓ The PE ratio is 15.36 times post issue annualized basis makes it fairly priced.
- ✓ The company's top line, bottom line and profitability margins have seen a slight dip in FY23 which should not be a major concern. (Refer Recommendation)
- ✓ The company had positive cash flow from operations for the last three years.
- ✓ The company is looking for expansion and diversification of services offered.
- ✓ The company has vast experience in the industry.
- ✓ The management of the company is decent.

IPO Details

Opening Date	Feb 13, 2025
Closing Date	Feb 17, 2025
Allotment Date	Feb 18, 2025
Listing Date	Feb 20, 2025
Stock Exchange	BSE SME
Lot Size	2,000 Shares
Issue Price Per Share	₹54
Issue Size	20.62 Cr.
Fresh Issue	20.62 Cr.
Offer for Sale	-
Application Amt	₹ 1,08,000 (2,000 shares)

INDUSTRY - Healthcare

Avg. P/E ratio as per RHP - 50.48

KPI's	KPIs (In Lakhs)			
	FY 22	FY 23	FY 24	Sep-24
Revenue	4,138.20	3,934.47	4,303.74	2,462.18
EBITDA	904.06	728.98	859.65	442.69
Net Profit	671.82	476.33	526.15	239.32
RoCE	124.90%	41.87%	34.65%	14.61%*
ROE	95.16%	40.29%	30.71%	11.25%*
P/E	7.81	11.02	10.06	15.36*

*Annualized

Promoter Share Holding Pattern

Pre-Issue	Post-Issue
99.23%	71.40%

Valuation Parameters

Particulars	Pre-Issue	Post Issue*
EPS	5.37	3.52
BVPS	17.49	31.25
P/E	10.06	15.36
P/BV	3.09	1.73
Mkt Cap (In Cr)	52.89	73.51

*Annualized

Lead Managers -

Finshore Management Services Limited

Registrar -

Integrated Registry Management Services (P) Limited

Business Overview -

History:

Shanmuga Hospital Limited was started in 1981 as a sole proprietorship in Salem town of Tamil Nadu. In 1992, the hospital was relocated due to increased demand for bed capacity and lack of space and a partnership firm was formed. In 1996, the Salem Cancer Institute, specializing in oncology, was established, becoming the first cancer hospital for the surrounding regions. In 2023, Shanmuga Hospital Private Limited acquired the M/s Shanmuga Hospital.

Business operations:

It is a Multispecialty Hospital, equipped with advanced healthcare technology and having 151 bed capacity, it addresses the community’s medical needs, serving patients from nearby regions. It is accredited by the National Accreditation Board for Hospitals and Healthcare (NABH Accredited) and National Accreditation Board for Testing and Calibration Laboratories ("NABL Accredited").

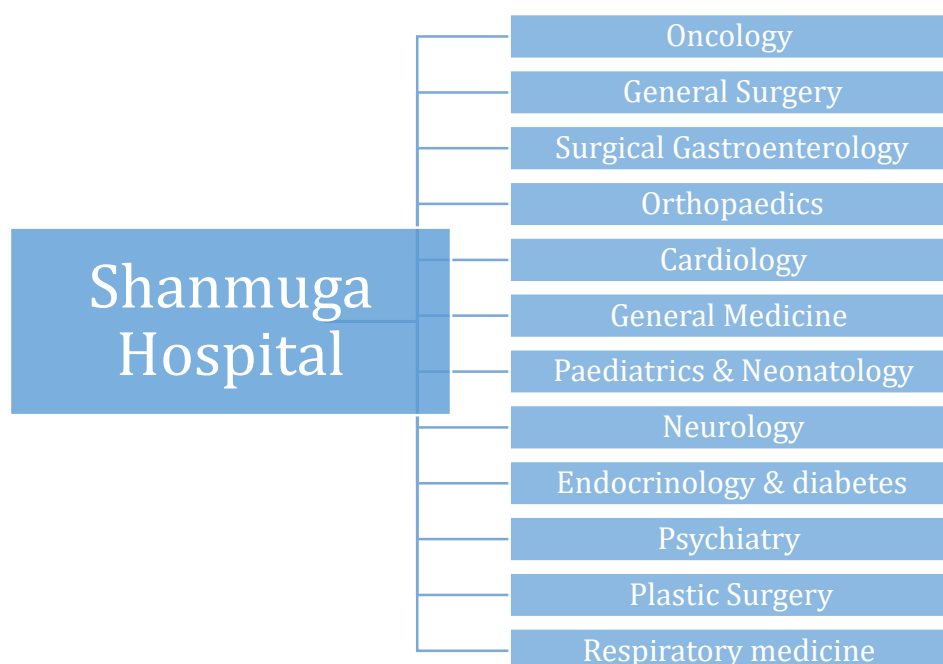
The medical facility encompasses an Oncology Unit, High Dependency Unit (HDU), Emergency Department (ED), Outpatient Consultation Services, Cardiac Care Unit (CCU), Intensive Care Unit (ICU), Neonatal Intensive Care Unit (NICU), Labour Room, Endoscopy Room, Neurosurgery Unit, and Cardiac Unit. The Diagnostic Centre features advanced laboratory and imaging technologies such as X-Ray, Ultrasound, Computed Tomography (CT) scan, Magnetic Resonance Imaging (MRI), and modular operational theatres.

Furthermore, they have one Pharmacy (Shanmuga Pharmacy & Diagnostics) and one Clinic (Shanmuga Clinics).



The company is associated with government agencies, companies and organizations for providing health care facilities to their employees and their dependants. These include Employees State Insurance Corporation (ESIC), Railway Hospital, Ex-Servicemen Contributory Health Scheme (ECHS), Airport Authority of India Limited and Food Corporation of India (FCI).

Services Offered:



The company proposes to introduce new service of Renal Transplantation (Kidney Transplant) and proposing to install Single Console System i.e. a surgical robot.

Revenue Bifurcation –

Particulars	FY 2022		FY 2023		FY 2024		Sep-2024	
	Amt	%	Amt	%	Amt	%	Amt	%
Hospital Sales & Services	3,172.09	76.65%	2,927.22	74.40%	3,092.15	71.85%	1,741.20	70.72%
Hospital Medicinal Sales	966.10	23.35%	1,007.25	25.60%	1,211.59	28.15%	720.98	29.28%
Total	4,138.19	100.00%	3,934.47	100.00%	4,303.74	100.00%	2,462.18	100.00%

Competition -

- 1. Market Competition:** The industry is competitive where the key factors of competition primarily comprise of specialty and other service offerings, quality and selection of healthcare professionals, affordability, quality of care, technology, quality of facilities, patient satisfaction, brand and reputation.
- 2. Geographic Competition:** The company faces competition from small and large players in both organized and unorganized sector.
- 3. Barriers to entry:** Low barriers to entry.
- 4. Threat of Substitutes:** High threat of substitutes.
- 5. Bargaining Power of Buyers:** The bargaining power is high with the customers.

Business Strategies -

1. The company intends to serve with ultra-modern medicinal practices.
2. The company intends to train healthcare staff to take care of the patients and handle all kinds of emergencies.
3. The company intends to offer various health care services at affordable prices.

Risk Factors -

The promoters/ directors have 1 case against them amounting to Rs. 30 lakhs.

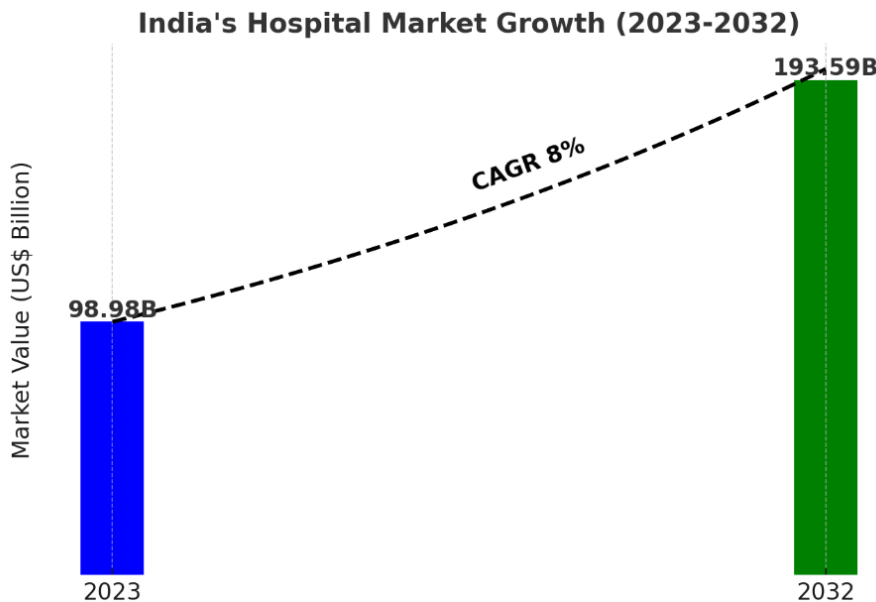
The company has contingent liabilities of Rs. 30.11 lakhs as of Sep 30, 2024.

INDUSTRY OVERVIEW -

Indian Healthcare Industry –

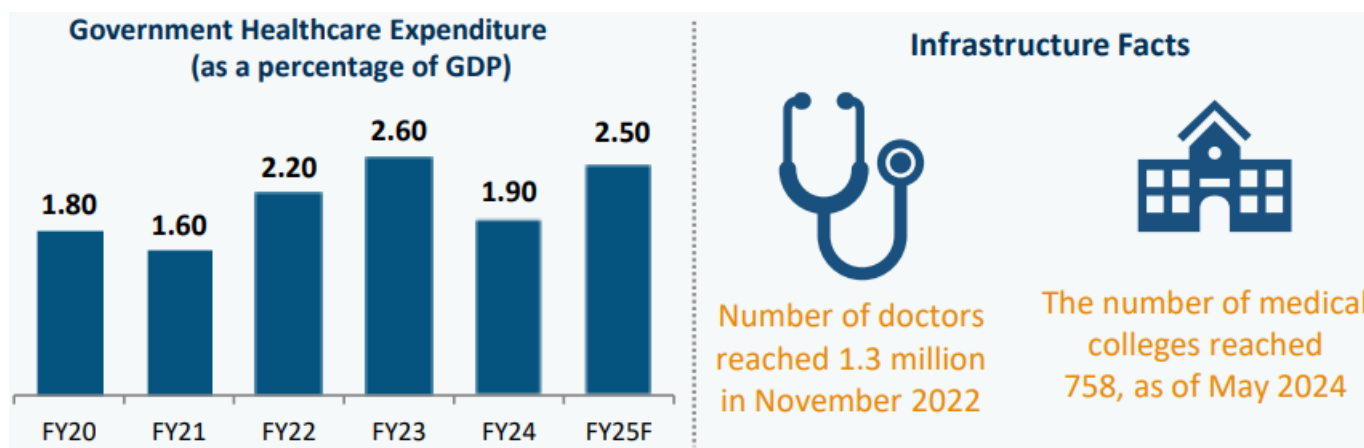
The Indian Healthcare industry continued its healthy growth in 2023 and reached a value of US\$ 372 billion driven by both the private sector and the government. As of 2024, the Indian healthcare sector is one of India’s largest employers as it employs a total of 7.5 million people. Progress in telemedicine, virtual assistants, and data analytics is expected to create 2.7-3.5 million new tech jobs.

India's hospital market was valued at US\$ 98.98 billion in 2023, projected to grow at a CAGR of 8.0% from 2024 to 2032, reaching an estimated value of US\$ 193.59 billion by 2032.



Indian medical tourism market was valued at US\$ 7.69 billion in 2024 and is expected to reach US\$ 14.31 billion by 2029. According to India Tourism Statistics, around 634,561 foreign tourists came for medical treatment in India in 2023, which was nearly 6.87% of the total international tourists who visited the nation. With US\$ 5-6 billion size of medical value travel (MVT) and 500000 International patients annually, India is among the global leader destinations for international patients seeking advanced treatment.

India’s medical educational infrastructure has grown rapidly in the last few decades.



Government Initiatives:

1. Union Health Minister Dr. Mansukh Mandaviya launched 'MedTech Mitra,' a platform supporting Indian innovators in MedTech research, development, and regulatory approvals. It aims to reduce import dependence and establish India as a US\$ 50 billion MedTech hub by 2030, promoting affordable, high-quality medical devices under Viksit Bharat and Atmanirbhar Bharat.
2. Poshan Abhiyan, a Centrally Sponsored Scheme, is implemented by States/UTs. To equip all Anganwadi Centres with smartphones and Growth Monitoring Devices (GMDs) like Infantometers, Stadiometers, and Weighing Scales, the Ministry issued revised guidelines for technical specifications and GMD replacement.

Key Management -

Key Management Persons Name -	Dr. Panneerselvam Palaniappan Shanmugam
Age	71
Designation and No. of years of experience	Promoter and Managing Director, 40+ years of experience
Qualification	M.B.B.S and M.S. (General Surgery)
Other Directorships	Velavan Hospital Needs Private Limited
Key Management Persons Name -	Dr. Prabu Sankar Panneerselvam
Age	40
Designation and No. of years of experience	Promoter, Executive Director and CEO, 17+ years of experience
Qualification	M.B.B.S., M.S. (General Surgery) and M.B.A. (Hospital Management)
Other Directorships	Velavan Hospital Needs Private Limited
Key Management Persons Name -	Jayalakshmi Panneerselvam
Age	60
Designation and No. of years of experience	Promoter and Executive Director, 30+ years of experience
Qualification	M.A. (History)
Other Ventures	Shanmuga Hospital – Partner and Travellers Inn – Partner
Key Management Persons Name -	Dr. Dhandapani Priyadharshni
Age	39
Designation and No. of years of experience	Promoter and Non-Executive Director, 9+ years of experience
Qualification	M.B.B.S. and Post Graduate Diploma in Child Health (D.C.H.)
Other Ventures	-

- The overall management of the company is decent.
- The promoter and management have good experience in the industry.
- Karuppiah Saravanan, Gowri Senkkotaiyyan Attur, Dr. Rajkumar Ashwin and CS Bhoopathy Akilan are Independent Directors of the Company. They have good experience and education in their respective fields.
- Karthick (CFO), aged 30 years, holds a MBA (Financial Management) and he has 9+ years of experience.
- Veera Pratap Reddy Gandluru (CS), aged 31 years, has 4 years of experience.

FINANCIAL SNAPSHOT

Statement of Profit and Loss Amt in Lakhs.

Particulars	FY 22	FY 23	FY 24	Sep-24
Revenue from Operations	4,138.20	3,934.47	4,303.74	2,462.18
Other Income	8.90	15.09	35.04	20.63
Total Income	4,147.10	3,949.56	4,338.78	2,482.81
Expenses				
Purchases of stock-in-trade	1,757.83	1,653.16	1,733.82	1,024.32
Change in Inventories of Stock In Trade	-53.55	-68.90	-37.44	-58.47
Employee Benefit Expenses	371.09	299.03	323.64	304.54
Finance Cost	3.29	28.04	60.81	33.94
Depreciation and Amortization Expense	13.19	57.94	130.39	105.74
Other expenses	1,158.77	1,322.20	1,424.07	749.10
Total Expenses	3,250.62	3,291.47	3,635.29	2,159.17
EBITDA	904.06	728.98	859.65	442.69
EBITDA Margin	21.85%	18.53%	19.97%	17.98%
Profit/(Loss) before tax	896.48	658.09	703.49	323.64
Tax Expense				
Current tax	220.36	171.56	165.31	80.39
Deferred Tax	4.30	10.20	12.03	3.93
Total Tax	224.66	181.76	177.34	84.32
Profit/(Loss) for the year	671.82	476.33	526.15	239.32
Net Profit Margin	16.23%	12.11%	12.23%	9.72%

Statement of Assets and Liabilities Amt in Lakhs.

Particulars	FY 22	FY 23	FY 24	Sep-24
EQUITY AND LIABILITIES				
1. Shareholders' funds				
Share Capital	8.00	8.00	979.50	979.50
Reserves and surplus	697.99	1,174.21	733.87	973.16
Total Equity	705.99	1,182.21	1,713.37	1,952.66
NON-CURRENT LIABILITIES				
Long-term borrowings	-	401.91	359.35	359.35
Deferred Tax liability	5.33	15.53	27.56	31.49
Long-Term Provisions	1.94	3.11	4.62	11.07
Total Non-current liabilities	7.27	420.55	391.53	401.91
CURRENT LIABILITIES				
Short-term Borrowings	-	363.08	542.53	616.79
Trade Payables				
(i) Total outstanding dues of MSME	0.58	1.04	11.98	8.98
(ii) Total outstanding dues of creditors other than MSME	83.73	147.78	492.65	499.82
Other Current Liabilities	46.74	35.75	77.69	95.67
Short-term provisions	220.36	154.49	161.76	77.57
Total Current liabilities	351.41	702.14	1,286.61	1,298.83
Total Liabilities	358.68	1,122.69	1,678.14	1,700.74
Total Equity and Liabilities	1,064.67	2,304.90	3,391.51	3,653.40
ASSETS				
NON-CURRENT ASSETS				
Property, Plant and Equipment	228.36	997.39	1,584.62	1,591.15
Capital Work in Progress	-	-	433.68	498.02
Non-Current Investments	-	1.99	2.48	2.74

Particulars	FY 22	FY 23	FY 24	Sep-24
Other Non- current Assets	2.71	7.28	16.85	27.12
Total Non-Current assets	231.07	1,006.66	2,037.63	2,119.03
CURRENT ASSETS				
Inventories	88.82	157.72	195.16	253.63
Trade Receivables	471.35	585.94	696.15	969.74
Cash & Cash equivalents	121.15	321.47	209.92	134.51
Short term loans and advances	5.13	28.50	33.57	47.01
Other Current Assets	147.15	204.62	219.09	129.48
Total Current assets	833.60	1,298.25	1,353.89	1,534.37
Total Assets	1,064.67	2,304.91	3,391.52	3,653.40

Cash Flow Statement

Amt in Lakhs.

Particulars	FY 22	FY 23	FY 24	Sep-24
Net Cash Flow from Operating Activities	192.10	294.78	957.21	70.35
Net Cash Flow from Investing Activities	-167.49	-831.42	-1,149.83	-186.06
Net Cash Flow from Financing Activities	-3.29	736.96	81.08	40.30

Key Ratios

Per Share Data	FY 22	FY 23	FY 24	FY 25*
Diluted EPS	6.91	4.90	5.37	3.52
BV per share	882.49	1,477.76	17.49	31.25
Operating Ratios				
EBITDA Margins	21.85%	18.53%	19.97%	17.98%
PAT Margins	16.23%	12.11%	12.23%	9.72%
Inventory days	7.86	14.67	16.60	14.49
Debtor days	41.69	54.51	59.20	56.87
Creditor days	17.55	32.95	106.52	61.98
Return Ratios				
RoCE	124.90%	41.87%	34.65%	14.61%
RoE	95.16%	40.29%	30.71%	11.25%

Valuation Ratios (x)	FY 22	FY 23	FY 24	FY 25*
EV/EBITDA	0.65	2.23	2.80	0.95
Market Cap / Sales	0.01	0.01	1.23	1.49
P/E	7.81	11.02	10.06	15.36
Price to Book Value	0.06	0.04	3.09	1.73
Solvency Ratios				
Debt / Equity	-	0.65	0.53	0.23
Current Ratio	2.37	1.85	1.05	1.05
Quick Ratio	2.12	1.62	0.90	0.90
Asset Turnover	3.89	1.71	1.27	1.45
Interest Coverage Ratio	270.78	23.93	11.99	9.93

INTERPRETATION -

1. The top line has remained slightly inconsistent over the years. It decreased by 4.92% in FY23 which was due to declines services because, after the COVID-19 period, operations returned to normal. It increased by 9.39% in FY24 which was due to increase in in volume of operations.
2. The net profit also remained inconsistent over the years. It decreased by 29.10% in FY23 and increased by 10.46% in FY24.
3. The EBITDA margin and PAT margin also saw a dip in FY23 and slightly increased in FY24. This is majorly because of increase in other expenses.
4. The RoCE and RoE has declined over the years.

PEER ANALYSIS –

Particulars	Shanmuga Hospital Limited			Asarfi Hospital Limited			Family Care Hospital Limited		
	FY 22	FY 23	FY 24	FY 22	FY 23	FY 24	FY 22	FY 23	FY 24
NP Margin	16.23%	12.11%	12.23%	8.79%	11.66%	4.83%	12.27%	12.22%	29.03%
EBITDA Margin	21.85%	18.53%	19.97%	16.54%	20.01%	20.86%	21.24%	21.91%	23.33%
RoCE	124.90%	41.87%	34.65%	25.97%	17.50%	8.13%	38.07%	15.27%	14.46%
ROE	95.16%	40.29%	30.71%	25.32%	19.16%	5.91%	36.52%	11.48%	21.48%
EPS (INR)	6.91	4.90	5.37	46.79	5.53	2.11	1.49	1.18	2.32
P/E	7.81	11.02	10.06	-	-	30.96	12.62	9.53	3.01

Particulars	Shanmuga Hospital Limited			Aashka Hospitals Limited		
	FY 22	FY 23	FY 24	FY 22	FY 23	FY 24
NP Margin	16.23%	12.11%	12.23%	5.9%	-11.7%	8.7%
EBITDA Margin	21.85%	18.53%	19.97%	21.8%	15.7%	32.4%
RoCE	124.90%	41.87%	34.65%	5.1%	0.5%	5.6%
ROE	95.16%	40.29%	30.71%	2.4%	-2.7%	2.4%
EPS (INR)	6.91	4.90	5.37	1.14	-1.10	1.01
P/E	7.81	11.02	10.06	46.05	-	76.76

- The company has more market cap compared to Family Care Hospital.
- The bed capacity of the company is higher than Family Care Hospital and almost equal to Aashka Hospitals.
- The PE ratio of the company is better than Asarfi Hospitals and Aashka Hospitals.
- The RoCE and RoE of the company is higher compared to its peers.

LEAD MANAGER TRACK RECORD –

The lead manager to the issue is **Finshore Management Services 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 –

Finshore Management Services Limited –

Sr. No.	Company Name	Issue Size in Cr.	Issue Price/Share (In INR)	Listing Date	CMP* (INR)
1.	Indobell Insulation Limited	10.14	46.00	Jan 13, 2025	152.00
2.	Dhanlaxmi Crop Science Limited	23.80	55.00	Dec 16, 2024	59.05
3.	Travels & Rentals Limited	12.24	40.00	Sep 05, 2024	66.75
4.	Solve Plastic Products Limited	11.85	91.00	Aug 21, 2024	38.65
5.	Sylvan Plyboard (India) Limited	28.05	55.00	Jul 01, 2024	74.00
6.	Mayank Cattle Food Limited	19.44	108.00	Feb 05, 2024	243.25
7.	HRH Next Services Limited	9.57	36.00	Jan 03, 2024	69.50
8.	Presstonic Engineering Limited	23.20	72.00	Dec 18, 2023	97.00
9.	Holmarc Opto-Mechatronics Limited	11.40	40.00	Sep 25, 2023	148.60
10.	Alphalogic Industries Limited	12.88	96.00	Jul 14, 2023	197.00

The company has handled 22 mandates in the last three years (including current year).

*CMP for the above-mentioned companies is taken as of 14th Feb 2025.

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

Recommendation -

Shanmuga Hospitals Limited has been incorporated in 2020, but has its presence since 1981 as a sole proprietorship and has vast experience in the industry.

The P/E on a post-IPO annualized basis is around 15.36 times which makes it fairly priced.

The company's management is decent and the promoters have good experience in the industry.

The company's top line of the company has remained slightly inconsistent over the years which should not be a major concern as the slight decline in FY23 was due to normalization of operations post COVID. The bottom line and profitability margins have also shown a similar trend. The company has positive cash flow from operations for the last three years. Overall, the financials of the company looks sustainable.

The company has better bed capacity compared to its peers and the has better PE ratio.

The company is looking for expansion in their service portfolio and intends to add new service of Renal Transplantation (Kidney Transplant) and is proposing to install Single Console System i.e. a surgical robot. They are utilizing the issue proceeds for the purchase of machinery required for the same.

Although, the company is operating in a very fragmented and competitive industry, overall it has performed well.

Thus, investors can **APPLY** to this IPO and monitor post-listing performance.

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