

Thyrocare Technologies: Very Good Issue

IPO Note: Technology Enabled Doorstep Service = Future of Diagnostics : Ranking***



Issue details

Price band (Rs)	Rs. 420-446
IPO Opening Date	27-04-2016
IPO Closing Date	28-04-2016
Issue Size	Rs.452-479 Cr.

Recommendation

Thyrocare revolutionized Diagnostics services in India by creating centralized laboratory with distributed collection model. It pioneered testing bundles that resulted in clients opting for more test parameters while spending more money per transaction. Growth potential of this model is already visible with the last three years' performance. On standalone basis, the company's revenue has grown at a CAGR 15.8% in last three years from Rs. 140 cr. to Rs. 187 cr. This Zero Debt company has been expanding its topline purely from internal accruals, while being profitable all along. At FY 2015-16 annualized EPS of 11.34, the asking price is at P/E of 37.03 to 38.18 (based on the lower and upper price band). Only listed competitor, Dr LalPath Labs which can be compared with it, is trading at a P/E of 87. However, Dr LalPath Lab has much larger revenue base than Thyrocare. Looking to its overall performance and fundamentals, we think one should subscribe in this IPO for listing gain as well as for long term investment gain.

Highlights

- Thyrocare Technologies Limited is India's first and most advanced Totally Automated Laboratory having its strong presence in more than 2000 cities/towns in India and internationally.
- Their laboratory processes over 30,000 samples and above 1 lakh investigations every day
- The PET-CT scans performed by NHL grew from 34 scans in Fiscal 2013 to 2,348 scans in FY14 to 11,173 scans in Fiscal 2015.
- Standalone revenues from operations, as restated, grew at a CAGR of close to 15.8% over the past three Fiscals from Rs.134.26 crore in FY13 to Rs.180.07 Crore in FY15

Company Introduction

Thyrocare is one of the leading pan-India diagnostic chains and conduct an array of medical diagnostic tests and profiles of tests that center on early detection and management of disorders and diseases. As of November 30, 2015, it offered 192 tests and 54 profiles of tests to detect a number of disorders, including thyroid disorders, growth disorders, metabolism disorders, auto-immunity, diabetes, anemia, cardiovascular disorders, infertility and various infectious diseases. Its profiles of tests include 17 profiles of tests administered under "Aarogyam" brand, which offers patients a suite of wellness and preventive health care tests. The company primarily operates its testing services through a fully-automated CPL and has recently expanded operations to include a network of RPLs. Since the opening of the RPLs in 2015, it has seen an increase in the volume of tests that we have conducted from a daily average of approximately 95,610 in Fiscal 2014 to approximately 131,073 in Fiscal 2015 and approximately 165,672 in the six months ended September

Thyrocare®

Financial Summary (Rs. In Crore)

Particulars	For Six months ended 30 Sep, 2015	FY2015	FY2014	FY2013
Total Income	117.03	187.04	156.55	139.98
Net Profit	30.48	48.45	46.15	56.81
EPS (Rs)	5.67*	9.02	8.59	10.57

*EPS Not Annualized, Source: DRHP and ACE Equity

RANKING METHODOLOGY

WEAK	*
AVERAGE	**
GOOD	***
VERY GOOD	****
EXCELLENT	*****

30, 2015. Through its wholly owned subsidiary, NHL, Thyrocare operates a network of molecular imaging centers in New Delhi, Navi Mumbai and Hyderabad, focused on early and effective cancer monitoring.

Performance is highlighted by operational data

diagnostic test volumes grew at a CAGR of close to 38% over the past three Fiscals from 25,027,132 tests conducted in Fiscal 2013 to 47,841,710 tests conducted in Fiscal 2015. The company conducted 30,317,913 diagnostic tests in the six months ended September 30, 2015.

The object of the issue are to:

- Achieve the benefits of listing the Equity Shares on the BSE and the NSE; and
- Carry out the sale of up to 10,744,708 Equity Shares by the Selling Shareholders

IPO Issue Proceed

The firm, which runs a diagnostic laboratory chain across the country, will come out with a public issue of up to 10,744,708 equity shares, as per the DRHP. These shares would be sold by the company's existing shareholders. The company is coming out with a maiden IPO via book building route. It is issuing approx 1.07 crore equity share of Rs. 10 each within a price band of Rs. 420-446. Thyrocare intends to mobilize Approx. Rs. 480 crore via this issue. Minimum application is to be made for shares and in multiples thereon. Issue opens for subscription on 27.04.16 and will close on 29.04.16. The issue is being managed by JM Financial Institutional Securities, Edelweiss Financial Services and ICICI Securities.

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