

Shalby Ltd : Average Issue

IPO Note : Leading multi-specialty chains of hospitals in India with 15% market share of joint replacement surgeries : Ranking***



Issue details

Price band (Rs)	Rs.245-248
IPO Opening Date	05/12/17
IPO Closing Date	07/12/17
Issue Size	Rs. 504.80 Cr.

Recommendation

Total revenue grew at a CAGR of **9.70%** from Rs.229.82 Cr for the FY 2013 to Rs.332.86 Cr for FY 2017. Net Profit grew at a CAGR of **38.30%** from Rs.17.30 crore in FY13 to Rs.62.56 crore in FY17. For the six months ended on 30.09.16, it has earned net profit of Rs.14.39 cr. on a turnover of Rs.90.60 cr. For last three fiscals, it has posted an average EPS of Rs. 5.50 and average RoNW of 20.42% for last three fiscals. Issue is priced at a P/BV of 3.55 on the basis of post issue NAV. If we annualize latest earnings and attribute it on fully diluted equity post issue, then asking price is at a P/E of 46 plus against its peers trading at a P/Es ranging from 15 to 111. The stock of the Apollo Hospitals Enterprises, Narayana Hrudalaya and HCG are trading at a TTM PE of 68.0, 73.0 and 118.0 respectively. Shalby offers shares at a reasonable PE compared to peers. **Company's top line has been showing uptrend but its bottom-line growth has been inconsistent and in FY 2017, sudden jump in net profit which seems surprising. Listing gain may or may not possible.**

Highlights

- Shalby Ltd. (Shalby) is one of the leading multi-specialty chains of hospitals in India.
- Shalby that has earned name and fame for joint replacement had a 15% market share of all joint replacement surgeries conducted by private corporate hospitals in India in 2016.
- It also provided outpatient services through 47 Outpatient Clinics and has ten shared surgery centres within third party hospitals, where Shalby offers orthopedic healthcare services including surgeries.
- Since March 2007, it has conducted an aggregate of 92100 surgeries, and provided healthcare services to an aggregate of 1025533 patients, consisting 133652 inpatients and 891881 outpatients.
- Shalby hospitals operate across five states and Outpatient Clinics operate across 53 cities in 16 states in India.
- Indian healthcare industry is expected to grow at a CAGR of around 15-16% to reach Rs.17.2 trillion by 2020.

Company Introduction

Incorporated in 2004, Shalby Limited is Ahmedabad, Gujrat based one of the leading multi-specialty chain of hospitals in India. Company provides inpatient and outpatient healthcare services through 8 fully operational hospitals with an aggregate operational bed count of 781 beds. Company also provides outpatient consultative healthcare services through 3 hospitals and 68 Outpatient Clinics. Company has 8 shared surgery centers within third party hospitals. Shalby hospitals are well known for its orthopedic services. Shalby Hospital had a 15% market share of all joint replacement surgeries conducted by private corporate hospitals in India in 2016. Apart from a focus on orthopaedics, Shalby hospitals provide advanced levels of care across various specialties such as neurology, cardiac care,



www.shalby.org

Financial Summary (Rs. In Crore)

Particulars	Qtr. Ended June 2017	FY2017	FY 2016	FY2015
Total Income	90.59	332.86	292.55	277.62
Net Profit	14.39	62.56	37.58	25.73
EPS (Rs)	1.33*	5.79	3.47	2.38

*EPS not annualized

Source: RHP and ACE Equity

RANKING METHODOLOGY

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

critical care, oncology, and nephrology. Since March 2007, Shalby hospitals have conducted an aggregate of 84,579 surgeries, and provided healthcare services to an aggregate of 923,441 patients, consisting 121,576 inpatients and 801,865 outpatients. Shalby hospitals operate across five states and Outpatient Clinics operate across 53 cities in 16 states in India. Company also has six Outpatient Clinics and one Shalby Arthroplasty Centre of Excellence (SACE) in Africa, and two SACE in the UAE.

Company Promoters:

The Promoters of our Company are Dr Vikram Shah, Dr Darshini Shah, Shanay Shah, Shah Family Trust, and Zodiac Mediquip Limited.

The object of the issue

1. Repayment or prepayment in full, or in part of certain loans availed by the Company;
2. Purchase of medical equipment for existing, recently set up, and upcoming hospitals;
3. Purchase of interiors, furniture, and allied infrastructure for upcoming hospitals; and
4. General corporate purposes.

IPO Issue Proceed

To part finance Repayment or prepayment in full, or in part of certain loans, Purchase of medical equipment for existing, recently set up, and upcoming hospitals, Purchase of interiors, furniture, and allied infrastructure for upcoming hospitals; and other corpus fund needs, Shalby Hospital is coming out with a maiden IPO of 1000000 equity shares by offer for sale and fresh equity issue worth Rs. 480 crore. Issue is made via book building route with a price band of Rs. 245-248 per share to mobilize Rs.504.80 crore (based on upper price bands). Issue opens for subscription on 05.12.17 and will close on 07.12.17. Minimum application is to be made for 60 shares and in multiples thereon, thereafter. Post allotment, shares will be listed on BSE and NSE. Post issue its current paid up equity capital of Rs. 88.65 crore will stand enhanced to Rs. 108.00 crore.

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