

Metropolis Healthcare Ltd: Very Good Issue

**IPO Note : A Diagnostics company with Good Growth. Fairly Priced
: Ranking******



METROPOLIS
The Pathology Specialist

Issue details

| | |
|------------------|--------------|
| Price band (Rs) | Rs.877-880 |
| IPO Opening Date | 03/04/19 |
| IPO Closing Date | 05/04/19 |
| Issue Size | Rs. 1204 Cr. |

Recommendation

Total revenue grew at a CAGR of 15.24% from Rs.490.63 Cr for the FY16 to Rs.651.55 Cr for the FY18. Net profit after tax grew from Rs.81.95 Cr. for the FY16 to Rs.109.74 crore for the FY18. In the last three years net profit grew at a CAGR of 15.95% from FY16 to FY18. For the first nine months of current fiscal it has reported net profit of Rs. 88.77 cr. on a turnover of Rs.566.82 cr. If we annualize this and attribute to the equity (that remains same at Rs. 100.03 cr. post IPO due to offer for sale) then the asking price is at a P/E of 37.28. Dr. Lalpath Lab Ltd. is the only listed peer which trades at 46.01 PE. Hence the issue seems fairly priced. **Company has been reporting good growth in top and bottom line. It has zero debt status and good margins- OPM and average ROCE of 46% for last three years. Investors may consider investment for short to long term.**

Highlights

- Metropolis Healthcare is one of the leading diagnostics companies in India
- Widespread presence across 19 states in India with leadership position in west and south India.
- Diagnostics market is expected to grow by over 34% by 2020 as per survey
- The company has zero debt.
- Average ROCE of 46%, OPM 30% and RONW 31.81%.

Company Introduction

Metropolis Healthcare is one of the leading diagnostics companies in India, have widespread presence across 19 states in India, as of December 31, 2018, with leadership position in west and south India. It offers a comprehensive range of clinical laboratory tests and profiles, which are used for prediction, early detection, diagnostic screening, confirmation and/or monitoring of the disease. It also offers analytical and support services to clinical research organizations for their clinical research projects. During the nine months period ended December 31, 2018, it conducted approximately 12.3 million tests from approximately 6.6 million patient visits as compared to approximately 16.0 million tests from approximately 7.7 million patient visits during the financial year 2018. The company offers a broad range of approximately 3,487 clinical laboratory tests and 530 profiles, as of December 31, 2018. The profile comprises of a variety of test combinations which are specific to a disease or disorder as well as wellness profiles that are used for health and fitness screening.

Classify tests into (i) 'routine' tests such as blood chemistry analyses, blood cell counts and urine examination; (ii) 'semi-specialized' tests such as thyroid function tests, viral and bacterial cultures, histology, cytology and infectious disease tests; and (iii) 'specialized' tests such as tests for coagulation studies, autoimmunity tests, cytogenetics and molecular diagnostics. It focused on providing reliable test results as well

New IPO

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Financial Summary (Rs. In Crore)

| Particulars | Nine months ended Dec. 2018 | FY2018 | FY2017 | FY2016 |
|--------------|-----------------------------|--------|--------|--------|
| Total Income | 566.82 | 651.55 | 567.65 | 490.63 |
| Net Profit | 88.77 | 109.74 | 107.25 | 81.95 |
| EPS (Rs) | 17.70* | 21.88 | 21.38 | 16.34 |

* EPS not annualized

Source: RHP and ACE Equity

RANKING METHODOLOGY

| | |
|-----------|-------|
| WEAK | * |
| AVERAGE | ** |
| GOOD | *** |
| VERY GOOD | **** |
| EXCELLENT | ***** |

as value-added services such as home collection of specimens and online access to test reports. We also offer customized wellness packages to our institutional customers as per their requirement. Our patient centric approach is a critical differentiator which results in several individuals and healthcare providers choosing us as their diagnostic healthcare service provider.

Company Promoters:

Dr. Sushil Kanubhai Shah

Ameera Sushil Shah

Metz Advisory LLP

The object of the issue

- Listing of the Equity Shares will enhance the visibility and brand image of the company
- Provide a public market for the Equity Shares in India

Issue Proceed

For listing gains and unlocking the market value, Metropolis Healthcare is coming out with a maiden IPO of 1.37 crore shares of Rs.2 each by way of offer for sale via book building route with a price band of Rs.877 -Rs.880 to mobilize Rs. 1200.18 cr. to Rs. 1204.29 cr. (based on lower and upper price bands). Issue opens for subscription on 03.04.19 and will close on 05.04.19. It has reserved 3.0 lakh equity shares for eligible employees and out of rest, equity shares with allocation of 75% to QIBs, 15 % for HNIs and 10% for retail investors. Minimum application is to be made for 17 shares and in multiples thereon, thereafter. Post allotment, shares will be listed on BSE and NSE. These being offer for sale, it's paid up equity remains same at Rs. 10.03 crore post issue.

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