



IPO Note

Broach Lifecare Hospital Limited

Recommendation: **AVOID!**

Company Background -

- Broach Lifecare Hospital Limited was originally formed and incorporated on April 25, 2023. The registered office is located at Bharuch, Gujarat.
- The company was formed specifically for the purpose of acquisition of the business of Dr. Vyas's Hospital.
- The Company provides services to patients with heart ailments consisting of non-invasive cardiology services such as, 2D Echocardiography, Electrocardiography, Tread Mill Test, Holter monitoring, Ambulatory Blood Pressure Measurement, Stress test, Dobutamine Stress Echocardiography.
- The company had 19 permanent employees as of March 31, 2024.

Objects of the Issue -

- Purchase of Machineries
- Development of Medical Tourism Web Portal
- General Corporate Purposes

Promoters Name -

Dr. Jaykumar Narendra Vyas, Shachi Jaykumar Vyas and Dhyuti Krupesh Joshi

Rationale for recommendation -

- ✓ The company's P/E is 21.76 times on post-issue basis making it slightly highly priced.
- ✓ The top line, bottom line and profitability margins have been inconsistent over the years.
- ✓ The company had negative cash flow for FY 2023 and 2024.
- ✓ The healthcare industry is highly fragmented.
- ✓ The company doesn't have enough experience in the industry.

IPO Details

Opening Date	Aug 13, 2024
Closing Date	Aug 16, 2024
Allotment Date	Aug 19, 2024
Listing Date	Aug 21, 2024
Stock Exchange	BSE SME
Lot Size	6,000 Shares
Issue Price Per Share	₹25
Issue Size	4.02 Cr.
Fresh Issue	4.02 Cr.
Offer for Sale	-
Application Amt	₹ 1,50,000 (6,000 shares)

KPI's	KPIs (In Lakhs)		
	FY 22	FY 23	FY 24
Revenue	339.17	181.57	260.58
EBITDA	159.35	77.68	102.59
Net Profit	142.49	25.92	69.74
RoCE	26.62%	4.69%	17.00%
ROE	63.29%	11.98%	12.75%
P/E	-	-	13.02

Promoter Share Holding Pattern

Pre-Issue	Post Issue
86.74%	63.76%

Valuation Parameters

Particulars	Pre-Issue	Post Issue
EPS	1.92	1.15
BVPS	12.26	15.63
P/E	13.02	21.76
P/BV	2.04	1.60
Mkt Cap (In Cr)	11.16	15.18

Lead Managers -

Fedex Securities Private Limited

Registrar -

Kfin Technologies Limited

Business Overview -

Broach Lifecare Hospital Limited was originally incorporated on April 25, 2023. The registered office is located at Bharuch, Gujarat.

The company was formed specifically for the purpose of acquisition of the business of Dr. Vyas’s Hospital (proprietorship concern of Dr. Jaykumar Narendra Vyas). They operate their boutique Hospitals under the brand “Maple Hospitals” and provide services to patients with heart ailments consisting of non-invasive cardiology. Their hospital in Bharuch is an ultra-luxury hospital with 25 beds for in-patient treatment and is also equipped with diagnostic devices for performing test. Their Satellite Hospital at Ankleshwar is a 15 bedded nursing home which act as a referral centre and offers non-surgical day-to-day treatment to patients. The hospitals are certified by the National Accreditation Board for Hospitals & Healthcare Providers (“NABH”) as a primary-level small healthcare organization.

The net proceeds of the issue will be utilized for purchase of machineries (Rs. 262.45 lakhs), development of medical tourism web portal (Rs. 75 lakhs) and general corporate purposes (Rs. 19.55 lakhs).

Services Offered -

- They provide services to patients with heart ailments consisting of non-invasive cardiology services such as, 2D Echocardiography, Electrocardiography, Tread Mill Test, Holter monitoring, Ambulatory Blood Pressure Measurement, Stress test, Dobutamine Stress Echocardiography.
- In the year June/July 2023 they ventured into interventional cardiac services such as, coronary angiography and stenting, percutaneous coronary intervention (“PCI”) and primary PCI for acute myocardial infarction as a division.
- They also provide Ballon mitral-valvuloplasty, permanent pacemaker implantation, cardiac resynchronisation procedures, implantable cardioverter-defibrillator (“AICD”) implantation and procedures for congenital ailments such as coarctation of aorta, stenting and posterior descending artery closure.
- They also offer a complete range of diagnostic and therapeutic options such as endovascular revascularization, deep vein thrombosis treatment and peripheral angioplasty.

Revenue Bifurcation -

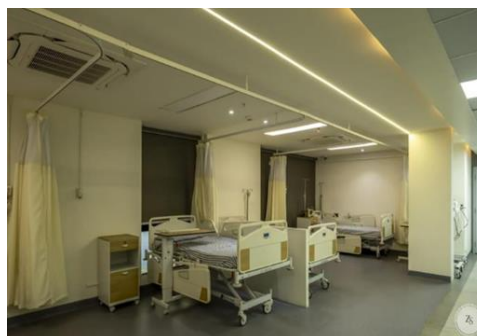
Particulars	FY 2022	FY 2023	FY 2024
	%	%	%
Bed occupancy ratio	72	70	90
In-patient treated %	86.00	86.00	93.00
Out-patient treated %	14.00	14.00	7.00
TPA* as % of total revenue	0.00	20.00	55.00
Total	100.00	100.00	100.00

*TPA – Third Party Administrator

Insights of the hospital -



Lobby



Ward



Cardiology PACS Lab

Competition -

Market Competition: The healthcare sector is highly competitive where the key factors of competition primarily comprise quality of service, price, skilled doctors and professionals, and technical expertise.

Geographic Competition: The company faces competition in each micro-market they operate, from both institutionalized hospitals that have a pan-Indian presence and local physicians and clinics that operate only in particular towns and cities.

Barriers to entry: Low barriers to entry.

Bargaining Power of Buyers: The bargaining power is high with the customers.

Business Strategies -

Increase service offerings through addition of equipment – Cath lab Machines: The company intends to increase service offerings and number of patients treated and plans to purchase Cath Lab machines to provide Cardiac catheterisation and cardiologist diagnose and treat various heart disorders.

Medical Tourism and CRM software: The company plans to design web-based software for medical treatment and online consultation for basic disease. They shall provide the information and cost for various plan surgery to patient at hospital apart from booking and appointment. This software will also support data collection and create a base for patient history and records for their past treatment for future benefits.

Increasing association and empanelment: The Company strives to increase their association with insurance companies and empanelment with companies in and around Bharuch and Ankleshwar industrial belt.

Risk Factors –

Both the hospitals of the company are located at Gujarat. Any problems occurring there might have an affect on the entire business and operations of the company.

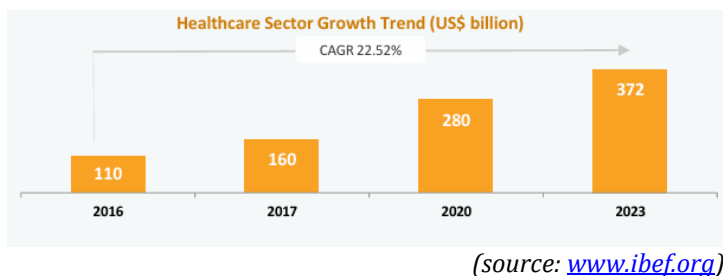
The company has had negative operating cash flow for FY 2024 and FY 2023.

PEER ANALYSIS

Particulars	Broach Lifecare Hospital Limited			Family Care Hospitals Limited			KMC Speciality Hospitals Limited			Global Longlife Hospital and Research Limited		
	FY 22	FY 23	FY 24	FY 22	FY 23	FY 24	FY 22	FY 23	FY 24	FY 22	FY 23	FY 24
NP Margin	42.0%	14.3%	26.8%	12.3%	10.9%	29.0%	17.2%	16.8%	16.8%	10.8%	7.7%	-16.1%
EBITDA Margin	47%	43%	39%	21%	19%	23%	29%	28%	28%	25.6%	18.2%	-1.8%
RoCE	27%	5%	17%	38%	15%	14%	30%	23%	19%	36.3%	4.6%	-5.1%
ROE	63%	12%	13%	37%	12%	21%	27%	24%	21%	21.1%	2.8%	-8.4%
EPS (INR)	-	-	1.92	1.49	1.18	2.32	1.46	1.64	1.86	5.11	2.09	-2.08
P/E	-	-	13.02	12.62	9.53	3.01	40.00	35.09	43.64	-	21.43	-18.77

Indian Healthcare Industry -

Healthcare has become one of India's largest sectors, both in terms of revenue and employment. The industry is growing at a tremendous pace owing to its strengthening coverage, service and increasing expenditure by public as well private players. The Indian healthcare market enjoyed a robust Compound Annual Growth Rate (CAGR) of 22.52% between 2016 and 2022, highlighting its rapid growth trajectory. The healthcare profit pools will grow at a 4% CAGR from US\$ 654 billion in 2021 to US\$ 790 billion in 2026.



Recent Trends -

- India's medical educational infrastructure has grown rapidly in the last few decades.
- By FY22, Indian healthcare infrastructure is expected to reach US\$ 349.1 billion.
- The Indian healthcare market, which was valued at US\$ 86 billion in 2016 is now projected to reach US\$ 638 billion by 2025.
- The Government of India's 2024-25 interim budget proposes expanding medical colleges using existing hospitals, building a stronger foundation for future healthcare professionals.
- The number of allopathic doctors, with recognised medical qualifications (under the I.M.C Act), registered with state medical councils/national medical council increased to 1.3 million in June 2022, from 0.83 million in 2010.
- As per information provided to the Lok Sabha by the Minister of Health & Family Welfare, Dr. Bharati Pravin Pawar, the doctor population ratio in the country is 1:834, assuming 80% availability of 12.68 lakh registered allopathic doctors and 5.65 lakh AYUSH doctors.

Medical Tourism -

- Presence of world-class hospitals and skilled medical professionals has strengthened India's position as a preferred destination for medical tourism.
- 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.
- Superior quality healthcare coupled with low treatment costs in comparison to other countries is benefitting Indian medical tourism, and in turn, has enhanced prospects for the Indian healthcare market.
- Treatment for major surgeries in India costs approximately 20% of that in developed countries.
- India also attracts medical tourists from developing nations due to the lack of advanced medical facilities in many of these countries.
- Indian medical tourism market was valued at US\$ 2.89 billion in 2020 and is expected to reach US\$ 13.42 billion by 2026.

Government Initiatives -

- Under the Union Budget 2023-24, the Ministry of Health and Family Welfare has been allocated ₹. 89,155 crore (US\$ 10.76 billion), an increase of 3.43% compared to ₹. 86,200.65 crore (US\$ 10.4 billion) in 2021-22.
- Pradhan Mantri Swasthya Suraksha Yojana (PMSSY) was allocated ₹ 3,365 crore (US\$ 0.41 billion).
- In July 2022, the World Bank approved a US\$ 1 billion loan towards India's Pradhan Mantri-Ayushman Bharat Health Infrastructure Mission.
- In May 2022, the Union Government approved grants for five new medical colleges in Gujarat with a grant of ₹ 190 crore (US\$ 23.78 million) each. These colleges will come up in Navsari, Porbandar, Rajpipla, Godhra and Morbi.

Key Management -

Key Management Persons Name -	Dhyuti Krupesh Joshi
Age	45
Designation and No. of years of experience	Promoter, Chairman and Non-Executive Director, 5 Years of experience in the field of medical and healthcare
Qualification	Bachelor's degree in Ayurvedic Medicine and Surgery
Roles and Responsibility	-
Other Directorships	Sargam Multispeciality Hospital Private Limited and Nostros Beverages Private Limited

Key Management Persons Name -	Jaykumar Narendra Vyas
Age	38
Designation and No. of years of experience	Promoter and Managing Director, 10 years of experience in the field of cardiology
Qualification	Bachelor's of Medicine and Bachelor's of Surgery degree, Diploma of post graduate vocational training in cardiology
Roles and Responsibility	Currently responsible for overall management
Other Directorships	Sargam Multispeciality Hospital Private Limited and Nostros Beverages Private Limited

Key Management Persons Name -	Shachi Jaykumar Vyas
Age	38
Designation and No. of years of experience	Promoter and Whole-time Director, 10 years of experience in the field of radiology
Qualification	Bachelor's of Medicine and Bachelor's of Surgery degree, Diploma of post graduate vocational training in radiology
Roles and Responsibility	-
Other Directorships	Nostros Beverages Private Limited

Key Management Persons Name -	Mehul Narendrakumar Hingu
Age	40
Designation and No. of years of experience	Non-Executive Independent Director, 15 years of experience in the field of accounting
Qualification	B. Com degree
Roles and Responsibility	-
Other Directorships	Teja Engineering Industries Limited

Key Management Persons Name -	Shrikrishna Ramesh Chaudhari
Age	37
Designation and No. of years of experience	Non-Executive Independent Director, 9 years of experience in the field of operating laboratories
Qualification	B. Sc. (Medical Laboratory Technology)
Roles and Responsibility	-
Other Ventures	-

Statement of Profit and Loss			Amt in Lakhs.
Particulars	FY 22	FY 23	FY 24
Revenue from Operations	339.17	181.57	260.58
Other Income	8.49	10.92	-
Total Income	347.66	192.49	260.58
Expenses			
Cost of Services	-	-	24.70
Cost of Materials Consumed	110.32	33.71	43.56
Employee Benefit Expenses	47.49	37.92	50.65
Finance Cost	8.71	26.85	0.11
Depreciation and Amortisation	32.77	40.70	9.16
Other expenses	54.17	33.42	39.08
Total Expenses	253.46	172.60	167.26
EBITDA	95.03	75.36	102.59
EBITDA Margin	28.02%	41.50%	39.37%
Extraordinary Items	-32.16	-1.16	-
Profit/(Loss) before tax	62.04	18.73	93.32
Tax Expense			
Current tax	-16.13	-4.87	21.00
Deferred Tax	-	-	2.58
Total Tax	-16.13	-4.87	23.58
Profit/(Loss) for the year	45.91	13.86	69.74
Net Profit Margin	13.54%	7.63%	26.76%

Statement of Assets and Liabilities			Amt in Lakhs.
Particulars	FY 22	FY 23	FY 24
EQUITY AND LIABILITIES			
1. Shareholders' funds			
Share Capital	1.00	1.00	446.24
Reserves and surplus	224.14	215.32	100.68
Total Equity	225.14	216.32	546.92
3. Non-current liabilities			
Long-term borrowings	250.42	571.54	-
Deferred Tax Liabilities (Net)	-	-	2.58
Total Non-current liabilities	250.42	571.54	2.58
4. Current liabilities			
Short-term borrowings	5.00	22.12	-
Trade Payables			
(i) Total outstanding dues of MSME	-	-	-
(ii) Total outstanding dues of creditors other than MSME	103.12	0.77	1.03
Other Current Liabilities	6.95	6.78	-
Short-term provisions	0.89	0.51	21.09
Total Current liabilities	115.96	30.18	22.12
Total Liabilities	366.38	601.72	24.70
Total Equity and Liabilities	591.52	818.04	571.62
ASSETS			
1. Non-current assets			
Property, Plant & Equipment	490.77	638.15	129.59
Long term loans and advances	48.26	117.79	301.56
Other Non-current Assets	-	-	8.79
Total Non-Current assets	539.03	755.94	439.94
2. Current assets			
Inventories	-	-	28.19
Trade Receivables	1.85	12.30	30.54

Particulars	FY 22	FY 23	FY 24
Cash & Cash equivalents	7.06	20.01	7.34
Short term loans and advances	36.12	25.10	65.62
Other Current Assets	7.46	4.69	-
Total Current assets	52.49	62.10	131.69
Total Assets	591.52	818.04	571.63

Cash Flow Statement Amt in Lakhs.

Particulars	FY 22	FY 23	FY 24
Net Cash Flow from Operating Activities	111.41	-95.13	-322.28
Net Cash Flow from Investing Activities	-279.22	-178.38	-147.54
Net Cash Flow from Financing Activities	162.59	286.46	477.16

Key Ratios

<u>Per Share Data</u>	FY 22	FY 23	FY 24	<u>Valuation Ratios (x)</u>	FY 22	FY 23	FY 24
Diluted EPS	-	-	1.92	EV/EBITDA	4.98	10.48	5.26
BV per share	5.05	4.85	12.26	Market Cap / Sales	4.47	8.36	5.82
<u>Operating Ratios</u>				P/E	-	-	13.02
EBITDA Margins	28.02%	41.50%	39.37%	Price to Book Value	4.96	5.16	2.04
PAT Margins	13.54%	7.63%	26.76%	<u>Solvency Ratios</u>			
Inventory days	-	-	39.49	Debt / Equity	1.13	2.74	0.00
Debtor days	1.99	24.73	42.78	Current Ratio	0.45	2.06	5.95
Creditor days	341.18	8.34	5.24	Quick Ratio	0.45	2.06	4.68
<u>Return Ratios</u>				Asset Turnover	0.57	0.22	0.46
RoCE	13.09%	4.40%	17.00%	Interest Coverage Ratio	7.15	1.29	849.36
RoE	20.39%	6.41%	12.75%				

The lead manager to the issue is Fedex Securities 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 –

Fedex Securities Private Limited –

Sr. No.	Company Name	Issue Size in Cr.	Issue Price/Share (In INR)	Listing Date	CMP* (INR)
1.	Magenta Lifecare Limited	7.00	35.00	July 12, 2024	37.00
2.	Finelistings Technologies Limited	13.53	123.00	May 14, 2024	50.99
3.	Vruddhi Engineering Limited	4.76	70.00	April 03, 2024	262.50
4.	GConnect Logitech and Supply Chain Limited	5.60	40.00	April 03, 2024	76.00
5.	Mukka Proteins Limited	224.00	28.00	March 07, 2024	50.01
6.	Deem Roll Tech Limited	29.26	129.00	Feb 27, 2024	119.00
7.	Polysil Irrigation Systems Limited	17.44	54.00	Feb 16, 2024	31.75
8.	Baweja Studios Limited	97.20	180.00	Feb 06, 2024	92.40
9.	Docmode Health Technologies Limited	6.71	79.00	Feb 02, 2024	99.20
10.	IBL Finance Limited	33.41	51.00	Jan 16, 2024	53.65

The company has handled 25 mandates in the past three years (including the current year).

*CMP for the above-mentioned companies is taken as of 12th Aug 2024.

As per the offer document, from the above-mentioned mandates 1 has opened at discount and remaining all have opened at a premium on the listing day.

Recommendation -

Broach Lifecare Hospital Limited has been in the industry since 2023 and doesn't have enough experience in the industry. The management overview of the company is decent.

The P/E on a post-IPO basis is around 21.76 times which makes it slightly highly priced by looking at the performance of the company and sector. The Sector P/E is 14.92 times.

The company has seen inconsistency in the top line of their financials over the years. The company had a decrease in top line for FY 2023 because the patients treated during FY 2022 was high because of COVID-19 pandemic and it reduced during FY 2023. Again, an increase can be seen in the top line for FY 2024 which was due to increase in number of in-patient and out-patient flow. The bottom line and profitability margins also have remained inconsistent over the years for the above reason mentioned.

The company has negative cash flow from operations for FY 2023 and 2024. If this continues in the future then it will adversely affect the results of operations, liquidity and financial condition of the company.

The healthcare industry is highly fragmented and there are many players in this industry.

The company's peers have also seen a dip in their profitability margins for FY 2023 and also, they are not comparable on an apple-to-apple basis as all the peers mentioned provide various services whereas Broach Lifecare Hospital Limited is specialized in providing cardiology services.

Thus, knowledgeable investors can **AVOID** this IPO.

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