

Shalby Limited

IPO note

Shalby Limited is Ahmedabad based leading multi-specialty hospital chain offering healthcare services in orthopaedics, complex joint replacements, cardiology, neurology, etc. Currently it has total 11 hospitals. The company operates an asset light model and generates most revenue from Gujarat.

Rich footprint Orthopaedic segment, strong promoter background: Shalby Hospitals has developed rich expertise in the orthopaedic surgeries with its total capacity of 2,012 beds and 841 operating beds. It reported a total 15% market share of all joint replacement surgeries conducted by private corporate hospitals in India in 2016. It's promoter Dr. Vikram Sharma is an orthopaedic surgeon with more than 25 years of professional experience.

Expanding its presence outside Gujarat, 3.0x growth in bed capacity: While Shelby Hospitals derives most of its revenues from Gujarat, it is also gradually expanding its presence outside the Gujarat. It has opened hospitals in Jabalpur, Mohali, Indore and Jaipur and has indicated its plan to open its hospital in Nashik. Company also has healthcare centers in Ethiopia, Kenya, Tanzania, and Uganda in Africa, and two SACE in Ras al-Khaimah and Dubai. Owing to its expansion of hospitals company has seen ~3.0x growth in its total beds from 674 in FY13 to 2012 in FY17.

Strong financial profile, healthy return profile: Owing to its leadership in the joint replacement and asset light model, company has witnessed 9.6% growth in revenue (FY13-FY17). With the strong focus on the cost control, its PAT has grown at a CAGR of 42.3% between FY13-FY17. Average EBITDA margins during this period have been more than 20% indicating superior profitability than peers. Operating ratios such as average length of stay (~4 days), Average revenue per operating bed (~₹33,000) have been consistent while due to the commencement of 9 new hospitals between FY12-FY18, its occupancy rate has declined from 49% in FY13 to 34% in FY17. In FY17, company reported ROE of 23.5% and has been consistently improving. We believe that there is strong room for improvement with 6 hospitals maturing over next two years

Outlook and valuation: At the upper end of the price band (₹245-₹248), the issue is priced at 42.8x of its FY2017 earnings vs. Apollo hospitals (73.7x) and Healthcare Global (121.2x). On EV per bed, it is available on 3.8x vs Apollo (2.3x) and Healthcare Global at 2.1x. **We like its growth story, better returns profile than peers and strong growth prospects ahead.**

Key Financials

Y/E March (₹ cr)	FY2014	FY2015	FY2016	FY2017
Net Sales	259	275	290	325
% chg		6.4	5.4	12.0
Net Profit	39	26	38	63
% chg		-34.1	46.0	66.5
OPM (%)	24.2	24.5	19.1	22.2
EPS (Rs)	3.6	2.4	3.5	5.8
P/E (x)	68.6	104.1	71.3	42.8
P/BV (x)	15.6	13.1	10.7	8.3
Adj. RoE (%)	27.7	15.3	18.3	23.5
RoCE (%)	30.1	18.5	10.6	9.6
EV/Sales (x)	10.4	9.9	9.9	9.1
EV/EBITDA (x)	43.1	40.4	51.8	41.1

Source: Company, Angel Research

Please refer to important disclosures at the end of this report

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Issue Open: December 05, 2017
 Issue Close: December 07, 2017

Issue Details

Face Value: ₹10

Present Eq. Paid up Capital: ₹88.7cr

Offer for Sale: *10lakh shares (*₹24.5cr - **₹24.8cr)

Fresh issue: ₹480cr

Post Eq. Paid up Capital: ₹108.01cr

Issue size (amount): *₹504.5cr -**₹504.8cr

Price Band: ₹245-248

Lot Size: 60 shares and in multiple thereafter

Post-issue implied mkt. cap: *₹2,652cr - **₹2,679cr

Promoter and promoter group holding Pre-Issue: 79.9%

Employee reservation: 1.21 lakh shares (₹3cr)

Promoter and promoter group holding Post-Issue: 79.4%

*Calculated on lower price band

** Calculated on upper price band

Book Building

QIBs	50% of issue
Non-Institutional	15% of issue
Retail	35% of issue

**Post Issue Shareholding Pattern

Promoters Group	79.4
DII's/FII's/Public & Others	20.6

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