

Thyrocare Technologies Ltd.

26th Apr, 2016

Rating:



Issue Summary:

Price band (Rs)	420-446
Face Value (Rs)	10
Opens	27 th April, 2016
Closes	29 th April, 2016
Issue Size (Rs)	451-480 cr
OFS	1.07 cr shares
Listing	BSE, NSE

Issue Break Up:

QIB portion	50%
NIB portion	15%
Retail portion	35%

Book Running Lead Managers:

➤ JM Financial Institutional Securities
➤ Edelweiss Financial Services
➤ ICICI Securities

REGISTRAR

➤ Linktime India Private Ltd

Company & Business Profile

The company was established as Thyrocare Technologies Ltd on January 28, 2000 at Mumbai and received certificate of commencement of business on March 7, 2000. The company is one of the leading pan-India diagnostic chains and conducts an array of medical diagnostic tests & profiles of tests that focus on early detection and management of disorders and diseases. It has India's 1st fully automated diagnostic laboratory with presence in more than 2000 cities/towns in India & overseas. The company offers 192 tests & 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. Profiles of tests include 17 profiles tests- administered under its brand 'Aarogyam', which offers patients a suite of wellness & preventive health care tests. It primarily operates its testing services through a fully-automated CPL and has recently expanded its operations to include a network of RPLs. Through its wholly owned subsidiary, NHL, the company operates a network of molecular imaging centers in New Delhi, Navi Mumbai and Hyderabad, focused on early and effective cancer monitoring. Through NHL, the company is developing a growing network of molecular imaging centers, which focuses primarily on early and effective cancer monitoring. Each of its imaging centers use PET-CT scanners to assist in cancer diagnosis, staging, monitoring of treatment, and efficacy and evaluation of disease recurrence. Its CPL, which is located in Navi Mumbai, is equipped with automated systems, diagnostic testing instruments and processes from leading international and Indian healthcare brands. The CPL is fully automated and driven by a barcoded and bi-directionally-interfaced system & an LIS. The CPL meets international standards of quality and has received global accreditations from CAP, the NABTCL and the ISO.

Objects of the Issue

The objects of the Offer are to achieve the benefits of listing the Equity Shares on the BSE and the NSE and to carry out the sale of up to 10,744,708 Equity Shares by the Selling Shareholders. The listing of the Equity Shares will enhance brand name and provide liquidity to the existing Shareholders. Company will not receive any proceeds from the Offer.

Investment Positives

- The company offers a wide range of biochemistry based and preventive healthcare related tests, which allows it to cater to the differing needs of its patients. Diversified product offering and markets with significant cross-selling opportunities
- The company's multi-lab model is comprised of a fully automated CPL supported by its network of RPLs that conduct routine tests conducive to high volume testing.
- The company has built a nation-wide network of authorized service providers that source samples for processing and testing by the RPLs and CPL.
- The company's test volumes and strong relationships with its vendors has allowed it to develop an equipment leasing model for the CPL that results in minimal capital expenditures for diagnostic equipment.

Concern

- The company offers 192 tests and 54 profiles of tests; however, a considerable portion of its revenue is derived from a few specific tests.
- The diagnostic healthcare services industry in India is highly competitive and fragmented, with low-barriers to entry.

**Outlook & Valuations:**

The company intends to strengthen and grow its coverage of regions across India through its network of RPLs and authorized service providers. By expanding this network, the company plans to simultaneously increase its customer base, generate higher volumes of samples for processing, improve its turnaround time and optimize its logistics costs. In order to sustain its future growth and client base, it is also focused on increasing the number and quality of the authorized service providers in the upcoming Fiscals. It intends to develop long-term relationships with authorized service providers with the goal of maintaining consistency of quality of services across its network and reducing churn. Going forward, in a bid to bolster brand visibility and increase the accessibility of its services, the company intends to use the expanded network of RPLs and authorized service providers. The company shall continue to focus on growth of its wellness and preventive offerings and expansion of its test offering and offers a good value despite compared to peers. The issue has been offered in a price band of Rs 420-446 per equity share. At the upper price band the stock is available at P/E of 38 (x) on FY15 financials. The issue looks overvalued. We have “2 star” rating for the issue.

Peer Group Comparison (Rs. in Crs)

Company Name	Year End	Net Sales	PBDIT	PAT	EPS	PBIDTM %	PATM %	ROCE %	RONW %
Apollo Hospital Ent.	201503	4592.79	678.07	346.59	24.91	14.76	7.55	13.15	11.32
Wockhardt Hospitals	201503	317.55	-20.44	135.90	17.16	-6.44	42.80	-6.28	27.28
Dr Lal Pathlabs	201503	636.61	150.87	87.96	15.35	23.70	13.82	45.79	32.88
Kovai Medical Center	201503	401.62	94.27	38.69	35.37	23.47	9.64	29.90	32.16
Thyrocare Technologies	201503	180.07	73.57	48.45	9.59	40.86	26.91	27.32	19.97

Financials (Rs. in Crs)

Particulars	Mar 2015	Mar 2014	Mar 2013	Mar 2012	Mar 2011
Net Sales	180.07	149.97	134.26	109.07	77.86
Total Income	189.12	156.55	151.98	114.18	81.20
PBIDT	82.62	75.41	81.28	54.17	39.00
PBT	71.61	68.89	77.87	52.01	37.62
PAT	48.45	46.15	56.81	34.94	24.82
Reserves and Surplus	227.56	195.34	149.18	91.66	56.72
Net Worth	278.10	206.26	160.10	102.47	67.53
Total Debt	0.00	25.00	25.00	25.00	25.00
ROCE	28.19	33.17	49.89	47.35	55.99
RONW	20.01	25.20	43.28	41.11	45.28
PATM(%)	26.91	30.78	42.32	32.04	31.88
CPM(%)	32.85	35.02	44.79	33.95	33.56
CEPS	11.71	12.03	13.77	8.57	6.04
Enterprise Value	46.25	24.01	18.38	-23.22	-4.23

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Stock Rating Scale

	Absolute Return
BUY	>20%
ACCUMULATE	12% to 20%
HOLD	5% to 12%
NEUTRAL	-5% to 5%
REDUCE	<-5%

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