



Rainbow Children's Medicare Limited

IPO NOTE

ISSUE KEY HIGHLIGHTS

PRICE*:	Rs.516 – Rs.542	ISSUE OPENS:	27 th Apr 2022
ISSUE SIZE:	Rs.1,581 crores	ISSUE CLOSES:	29 th Apr 2022

Particulars	No. of Shares @ Lower Band (Cr)	No. of Shares @ Higher Band (Cr)	Rs. In Cr. @ lower Band	Rs. In Cr. @ Upper Band	% Of Issue
QIB	1.45	1.44	751	782	50%
NIB	0.43	0.43	225	235	15%
Retail	1.01	1.01	526	548	35%
Employee	0.03	0.03	15	16	-
S/h	-	-	-	-	-
Total Issue	2.94	2.91	1518	1581	100%

Employee Discount of Rs. 20/- Per Share

Issue Details:

Industry Healthcare

Promoters: Dr Ramesh Kancharla, Dr Dinesh Kumar Chirla Dr Adarsh Kancharla

Selling Shareholders: Dr Ramesh Kancharla, Dr Dinesh Kumar Chirla Dr Adarsh Kancharla and

Padma Kancharla (promoter group) British International Investment PLC (Formerly known as CDC Group PLC) CDC India

Capital Structure:

Fresh Issue (@Higher Band) Rs. 280 Cr

Offer for Sale (@Higher Band) Rs. 1,301 Cr

Total Issue as % of total capital (Post-Issue) (@Higher Band) 28.74%

Post Issue No. of Shares @ Higher Band (Cr.) 10.15

Post Issue Market Cap @ Higher Band (Rs. Cr.) 5,501

Face Value 10

Issue Route Book Build Issue

Bid Lot (Shares) 27

Lead Managers IIFL Securities, J P Morgan India, Kotak Mahindra Capital

Registered Office Hyderabad, Telangana

Registrar KFin Technologies Ltd

Listing BSE and NSE

Key Investment Details for Retail Investors: (UPI or ASBA)

Min No. of Shares Application 27

Amount on the Min. Application (Rs.) Rs. 14,634

An Indicative timetable post issue closing:

Particulars	On or about
Finalization of Basis of Allotment	5-May-2022
Refunds/un-blocking of ASBA Accounts	6-May-2022
Credit of Equity Shares to DP Ac	9-May-2022
Trading Commences	10-May-2022

Shareholding %:

Particulars	Pre-Issue	Post Issue
Promoters	62.19	49.81
Public	37.81	50.17
Total	100.00	100.00

Objects of the Offer:

- Early redemption of NCDs

Business Overview:

- **Rainbow Children's Medicare Limited ("RCML")** is a leading multi-specialty pediatric and obstetrics and gynecology hospital chain in India, operating 14 hospitals and 3 clinics in 6 cities, with a total bed capacity of 1,500 beds, as of December 31, 2021. RCML had the highest number of hospital beds amongst comparable players in the maternity and pediatric healthcare delivery sector, as of March 31, 2021. Their core specialties are pediatrics, which includes newborn and pediatric intensive care, pediatric multi-specialty services, pediatric quaternary care (including multi organ transplants); and obstetrics and gynecology, which includes normal and complex obstetric care, multi-disciplinary fetal care, perinatal genetic and fertility care.
- Rainbow Children's Medicare Limited ("RCML") was incorporated on August 7, 1998. RCML is a leading multi-specialty pediatric and obstetrics and gynecology hospital chain in India, operating 14 hospitals and 3 clinics in 6 cities, with a total bed capacity of 1,500 beds, as of September 30, 2021.
- Their core specialties are **pediatrics**, which includes newborn and pediatric intensive care, pediatric multi-specialty services, pediatric quaternary care (including multi organ transplants); and **obstetrics and gynecology**, which includes normal and complex obstetric care, multi-disciplinary fetal care, perinatal genetic and fertility care.
- RCML had the highest number of hospital beds amongst comparable players in the maternity and pediatric healthcare delivery sector, as of March 31, 2021.
- As of December 31, 2021, they had 641 full-time doctors and 1,947 part time/visiting doctors.
- RCML follows a hub-and-spoke model in Hyderabad, with their Banjara Hills hospital (comprising 250 beds) being the hub and 4 spokes at 4 locations in Hyderabad, namely Secunderabad, LB Nagar, Kondapur and Hydernagar.
- Currently, 5 of their hospitals are accredited by NABH and 3 of their hospitals are certified by EDGE.
- They have also increased the scale of their reach to patients through a robust digital ecosystem. In the period from April 1, 2020 to March 31, 2021, they conducted over 125,000 outpatient video consultations through their video consultation platform.

Brief Financial Details*:

(Rs. In Cr.)

	As at Dec' 31,		As at Mar' 31,		
	2021(09)	2020(09)	2021(12)	2020(12)	2019(12)
Share Capital	105.00	54.90	54.90	54.90	54.90
Reserves#	484.41	388.73	390.57	349.61	316.36
Net worth as stated	589.40	443.63	445.47	404.51	371.26
Revenue from Operations	761.31	486.17	650.05	719.39	542.79
Revenue Growth (%)	56.59%	-	(9.64)%	32.54%	-
EBITDA	269.49	138.67	173.1	207.37	156.87
Adj. EBITDA	256.74	130.54	162.83	197.03	148.51
Profit before Tax	171.59	54.2	55.7	93.36	57.53
Profit for the period	126.41	38.53	39.57	55.34	44.59
Net Profit Margin (%)	16.6%	7.93%	6.09%	7.69%	8.21%
EPS - Basic (Rs.)	13.39^	4.22^	4.36	5.98	4.83
EPS - Diluted (Rs.)	13.12^	4.12^	4.25	5.92	4.74
RoNW (%)	21.45%^	8.68%^	8.88%	13.68%	12.01%
Net Asset Value (Rs.)	61.63	48.8	48.82	44.57	40.52

Source: RHP, *Restated Consolidated, ^not annualized

For additional information & risk factors please refer to the Red Herring Prospectus.

OBJECTS OF THE ISSUE

The net proceeds of the Fresh Issue are proposed to be utilised as:

Objects	Amount (Rs. Cr)
• Early redemption of NCDs issued by the company, in full;	40
• Capital expenditure towards setting up of new hospitals and purchase of medical equipment for such new hospitals; and	170
• General Corporate Purposes	[·]
Total	[·]

PROPOSED SCHEDULE OF IMPLEMENTATION AND UTILIZATION OF NET PROCEEDS:(Rs. IN CR)

Particulars	from the Net Proceeds	Estimated deployment of the Net Proceeds		
		Fiscal 2023	Fiscal 2024	Fiscal 2025
• Early redemption of NCDs issued by the company, in full	40	40	-	-
• Capital expenditure towards setting up of new hospitals and purchase of medical equipment for such new hospitals	170	106.5	43.5	20
• General Corporate Purposes	[•]	[•]	[•]	[•]

OFFER DETAILS

The Offer	No. of Shares	
Fresh Issue (Rs. 280 Cr)	Approx. upto 5,426,357~ - 5,166,052^ Equity Shares	
Offer for Sale : Name of Selling Shareholder	Upto 24,000,900 Equity Shares	Weighted Average Cost of Acquisition per Equity Share on a fully diluted basis (Rs.)
The Promoter Selling Shareholder:		
Dr Ramesh Kancharla	Upto 5,354,630 Equity Shares	7.32
Dr Dinesh Kumar Chirla	Upto 1,926,690 Equity Shares	0.91
Dr Adarsh Kancharla	Upto 1,445,020 Equity Shares	Nil
The Promoter Group Selling Shareholders:		
Padma Kancharla	Upto 608,448 Equity Shares	Nil
The Investor Selling Shareholders:		
British International Investment PLC (Formerly known as CDC Group PLC)	Upto 9,632,876 Equity Shares	54.5
CDC India	Upto 5,033,236 Equity Shares	110.29

Size and Nature of Business

RCML operates a total of 14 hospitals and 3 clinics, 5 of which are NABH-accredited and 3 of which have received EDGE certification.

RCML offers comprehensive healthcare services across their core specialties of (i) pediatrics, including newborn and pediatric intensive care, pediatric multi-specialty care services and pediatric quaternary care, where they also perform multi-organ transplants in children, and (ii) obstetrics and gynecology, including normal and complex obstetric care, multi-disciplinary fetal care and perinatal genetic care, as well as fertility treatment, where they offer a wide range of assisted reproduction treatments. Other services primarily include :-

Pediatric services (including secondary, tertiary and quaternary care)

Hospitals/Healthcare

Fertility care services

COMPETITIVE STRENGTHS

- Ability to conceptualize, create and operate specialized children's hospitals
- Leading pediatric multi-specialty healthcare chain with strong clinical expertise in managing complex diseases
- Comprehensive perinatal care provider, with synergies between pediatric and obstetrics and gynecology services
- Hub-and-spoke model that provides synergies and ensures better care and access for patients
- Proven ability to attract, train and retain high-caliber medical professionals
- Strong track record of growth, operational and financial performance
- Experienced senior management team with strong institutional shareholder support

KEY BUSINESS STRATEGIES

- *Strengthen tertiary and quaternary pediatric services in the existing hospitals*
- *Further grow the comprehensive perinatal services offered under "Birthright by Rainbow"*
- *Grow the presence through hub and spoke networks across key geographic clusters and new locations*
- *Initiatives to drive performance efficiencies*
- *Digital healthcare initiatives to address patient convenience, operational efficiencies and expand reach*

SHAREHOLDING PATTERN

Shareholders	Pre-offer		No. of Shares offered	Post-offer	
	Number of Equity Shares	% of Total Equity Share Capital		Number of Equity Shares	% of Total Equity Share Capital
Promoter and Promoters Group					
Promoter	52964736	54.98%	8726340	44238396	43.58%
Promoters Group	6947648	07.21%	608448	6339200	06.25%
Total for Promoter and Promoter Group	59912384	62.19%	9334788	50577596	49.83%
Public - Selling Shareholders	29332224	30.45%	14666112	14666112	14.45%
Public - Other	7089400	07.36%	-	36256352	35.72%
Total for Public Shareholder	36421624	37.81%	14666112	50922464	50.17%
Total Equity Share Capital	96334008	100.00%	24000900	101500060	100.00%

THE KPIs FOR THE PERIOD INDICATED:

KPIs	9 Months ended Dec'31	Financial Year Ended March 31,		
	2021	2021	2020	2019
Bed capacity	1,500	1,475	1,296	1,162
Operational beds	1,150	1,132	1,001	931
Occupancy rate (%)	46.18%	34.23%	56.27%	54.13%
Inpatient volume	51,075	51,165	66,871	53,422
Outpatient volume	6,15,438	6,24,111	9,41,049	7,87,345
Number of full-time doctors	641	593	596	498
Number of nurses	1,586	1,169	1,485	1,401
ARPOB (Rs.)	1,26,36,661	1,49,25,896	1,07,15,405	97,44,124
ARPOB/Day (Rs. per day)	45951	40893	29,277	26,696
ALOS (days)	2.85	2.57	3.05	3.2
Basic EPS (Rs.)	13.39	4.36	5.98	4.83
RoE	21.29%	8.82%	13.52%	11.98%
RoCE	22.06%	10.48%	16.32%	11.68%

REVENUE FROM OPERATIONS

Customer Verticals	9 months ended Dec'31,		Year Ended March 31,		
	2021	2020	2021	2020	2019#
	Revenue (Rs. in Cr)	Revenue (Rs. in Cr)	Revenue (Rs. in Cr)	Revenue (Rs. in Cr)	Revenue (Rs. in Cr)
Income from medical and healthcare services	753.75	479.65	639.99	707.21	532.62
- Revenue from hospital services	669.74	403.03	538.01	596.93	456.56
- Revenue from pharmacy Sales	70.66	64.44	85.85	94.02	69.37
- Revenue from Medical Service fee	13.34	12.19	16.13	16.26	6.69
Other Operating income	7.57	6.52	10.06	12.19	10.17
Total Revenue from Operations	761.31	486.17	650.05	719.39	542.79

KEY FINANCIAL RATIOS OF MAJOR PLAYERS

Key Financial Ratios (FY20)	OPBDIT margin (%)	Net profit margin (%)	RoCE (%)	Gearing (times)	Interest coverage (times)	Current ratio	Net cash accruals to debt	Working capital day	OPBDI T/ CFO
Rainbow Children's Medicare Ltd	27.4%	7.7%	29.8%	0.2	4.6	1.6	1.6	-128.6	1.6
Apollo Health & Lifestyle Ltd	9.4%	(11.1)%	(10.9)%	NM	1.2	0.8	0	-394.2	1.6
Kids Clinic India Ltd	13.9%	(6.4)%	3.1%	0.2	1.7	0.4	0.8	-197.5	1.9
Rhea Healthcare Private Ltd	(9.9)%	(18.9)%	(28.8)%	NM	-0.6	0.3	-0.2	-213.6	0.8
Neonatal care & Research Institute Pvt Ltd	(9.6)%	(16.3)%	(34.1)%	0.2	-23.3	1.1	-1.3	-240.5	1.1
Surya Hospitals Pvt Ltd	21.9%	12.4%	24.8%	1.2	10.8	0.6	0.3	-84.2	0.8
Lineage Healthcare Ltd	(8.0)%	(70.7)%	NM	NM	-0.1	0.1	-0.2	-2374.3	0.1

COMPARISON WITH LISTED INDUSTRY PEERS (AS ON 31ST MARCH 2021)

Name of the Bank	Consolidated/ Standalone	Face Value	Total Income FY 2021 (Rs. Cr)	EPS (Diluted)	NAV	P/E	RoNW (%)
Rainbow Children's Medicare Ltd	Consolidated	10	660.31	4.36	48.82	[·]	8.88%
Peer Group							
Apollo Hospitals Enterprise Ltd	Consolidated	5	10605	10.74	320.1	428.88	3.30%
Fortis Healthcare Ltd	Consolidated	10	4076.68	-1.45	81.06	NA	(0.75)%
Narayana Hrudalaya Ltd	Consolidated	10	2610.52	-0.7	54.82	NA	(1.46)%
Max Healthcare Institute Ltd	Consolidated	10	2619.41	-1.59	58.37	NA	(2.47)%
Krishna Institute of Medical Sciences Ltd	Consolidated	10	1340.1	26.87	111.32	54.19	23.74%

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