

Details of the Issue	
Price Band	₹ 516 - ₹542
Issue Size	₹ 1580.8 Cr
Face Value	₹ 10
Bid Lot	27
Listing on	BSE, NSE
Post Issue Implied Mcap -Upper Price	Rs. 5,501 Cr
Investment Range	Rs.13,932 - 14,634

Important Indicative Dates (2022)	
Opening	27-Apr
Closing	29-Apr
Basis of Allotment	05-May
Refund Initiation	06-May
Credit to Demat	09-May
Listing Date	10-May

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

No of shares	
Fresh Issue of Shares	51,66,051
Offer for Sales	24,000,900
Total No of Shares	29,166,951

Offer Details	
Offer Size	Rs.1580.85 Cr.
Fresh Issue	Rs. 280 Cr (0%)
OFS	Rs 1300.85 Cr (0%)

Type	No. of shares (k)	In Rs Cr		% of Issue
		Lower	Upper	
QIB	14,443	751	782	50%
NIB	4,330	225	235	15%
Retail	10,103	526	548	35%
Empl.	300	15	16	
Total	47,950	1518	1581	100%

Type	Pre-Issue		Post-Issue	
	No. Shares (k)	% of Total	No. of Shares	% of Total
Promoter	52,964	54.9%	44,238	43.6%
P. group	6,947	7.21%	6,339	6.25%
Public	36,421	37.8%	50,922	35.7%
Total	96,334	100%	101,500	100%

Source: RHP, GEPL Research

Company Background

Rainbow Children's Medicare Limited ("RCML") was incorporated on 1999. 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.

Company's Highlights

RCML's 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, multidisciplinary fetal care, perinatal genetic and fertility care.

Utilization of IPO/FPO Proceeds:

Out of Fresh Issue size of INR 280 Cr company will utilize proceeds in following way.

- Early redemption of NCDs issued by Company to CDC Emerging Markets Limited ("CDCEML"), one of RCML's Group Companies, in full (INR 40 Cr)
- Capital expenditure towards setting up of new hospitals and purchase of medical equipment for such new hospitals (INR 170 Cr)

Capacity Expansion:

In recent years, RCML has expanded their hospital network and increased their bed capacity from 1,162 beds as of March 31, 2019 to 1,500 beds as of December 31, 2021. Over the same period, they increased the number of hospitals from 10 to 14. Going forward, they may seek to expand their hospital network through the acquisition of brownfield assets or development of greenfield assets.

Promoters:

- Dr Ramesh Kancharla is the Promoter, Chairman and Managing Director of the company. He has over 23 years of experience with the company. Prior to setting up the company, he was associated with King's College Hospital and Dr Dinesh Kumar Chirla is the Promoter and Whole-time Director of the company. He has over 18 years of experience in the healthcare industry.
- Dr Anil Dhawan, Sundari Raviprasad Pisupati, Santanu Mukherjee are also forms board of directors of the company.

Key Managerial Persons:

- Mahesh Madduri is the Head of Strategy of the company. He has been associated with the company since September 1, 2021.
- R Gowrisankar is the Chief Financial Officer of the company. He has been associated with the company in his current position since June 14, 2019. He has over 21 years of professional experience.

Company's Strength

- 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.
- Experienced senior management team with strong institutional shareholder support.

Strategies for Growth

Strengthen tertiary and quaternary pediatric services in existing hospitals

Company plan to develop similar cardiac capabilities in Bengaluru, Karnataka, Chennai, Tamil Nadu and New Delhi-NCR, by hiring reputed, experienced and skilled cardiac specialists in these cities. It also plans to invest in specialized medical infrastructure such as path labs, pediatric cardiac OT and echocardiogram machines.

Grow presence through hub & spoke networks

It has successfully created a hub and spoke model in Hyderabad, Telangana through network of a hub hospital in Banjara Hills, Hyderabad, Telangana supported by four spokes spread across the city. This model provides patients access to multidisciplinary level 4 neonatal and pediatric intensive care and pediatric subspecialty care at the hub hospital while at the same time providing access to 24/7 emergency, pediatric secondary and tertiary care and full spectrum of obstetrics and gynecology closer to home at the spokes.

Digital healthcare initiatives to address patient convenience, operational efficiencies

Their digital strategy is focused on to provide customized healthcare services for target customers as well as to digitize processes to significantly improve the in-hospital customer experience. As it operates in children and women care, their customers include young independent professionals who are technology savvy.

Financial Snapshot

Particulars	As of 31 Dec -21	2021	2020	2019
Equity Share Capital	105	54.90	54.90	54.90
Reserves	484.41	390.57	349.61	316.36
Net worth as stated	589.40	445.47	404.51	371.26
Revenue from Operations	761.31	650.05	719.39	542.79
EBITDA as stated	269.49	173.10	207.37	156.87
EBITDA (%) as stated	35%	27%	29%	29%
Profit Before Tax	171.59	55.70	93.63	57.33
Net Profit for the period	126.41	39.57	55.34	44.59
Net Profit (%) as stated	16.60%	6.09%	7.69%	8.21%
EPS (₹)	13.29	4.36	5.98	4.83
RoNW (%)	21.45	8.88%	13.68%	12.01%
Net Asset Value (₹)	61.63	48.8	44.5	40.52

View and Recommendation

- Company's annualized Post tax earnings arrives at -Rs 168 Cr. which makes an Earnings multiple of 32.7(x) (on basis of Post Issue Implied Mcap). Which is at par with the peer companies valuations which ranges from earnings multiple of 34x to 145X.
- Rainbow Children's Medicare operates 14 hospitals and three clinics in six cities, with a total bed capacity of 1,500 beds. Furthermore it plans to expand its Hospital chains via IPO proceeds
- We assign **SUBSCRIBE** rating to the Issue.

NOTES :

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