

India Healthcare / life-sciences

Decoding the Sector's IPO Trends

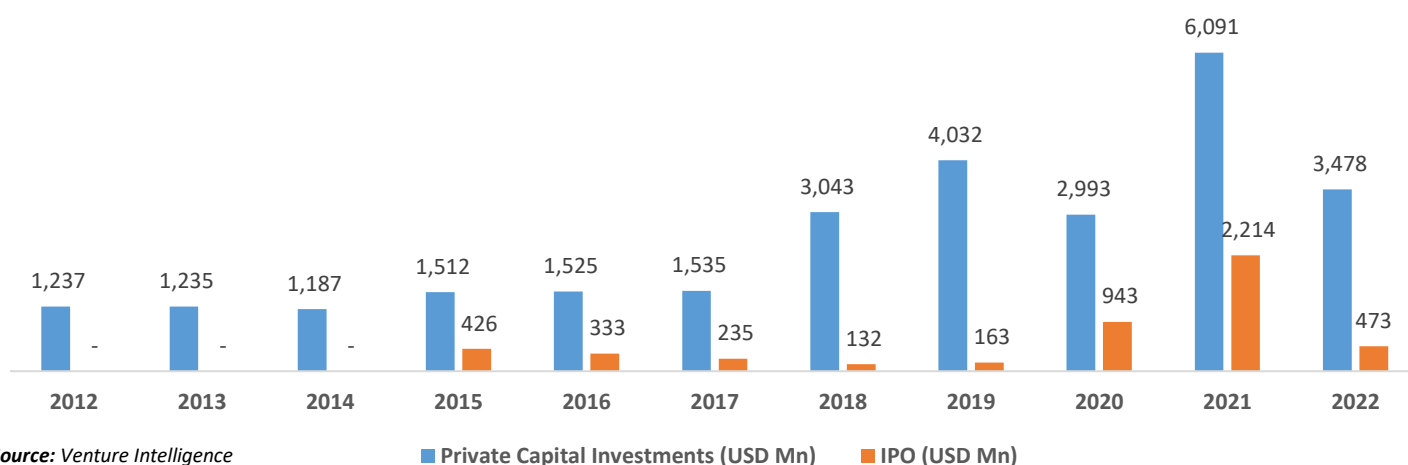
The record levels of IPO activity seen in 2021 (US\$2.2Bn IPO capital raised) has fallen sharply in 2022 (US\$473Mn IPO Capital raised) which can be primarily attributed to the macroeconomic environment. Healthcare as a sector was in focus throughout COVID which translated into buoyant IPO market for companies operating in the space.

The drop in investments was not just in the IPO market but the overall private capital investments as well, the total private capital investment in the Healthcare sector in 2022 stood at US\$3.4Bn in 2022 vs US\$6.1Bn in 2021. This trend was not just limited to the Healthcare sector but extended across sectors in the private capital market.

The market performance of the companies raising IPO capital in 2021 deteriorated in 2022, ~75% of the companies (7 of the 9 healthcare IPOs) are trading well below their IPO price. During this period (Jan 2021 till Dec 2021), the BSE Healthcare index was down (-12%) vs. Sensex rising by ~4%. This is significant underperformance of the Healthcare industry in comparison to the pandemic period where the sector significantly outperformed the market (Jan 2020 till July 2021), the BSE Healthcare index was up 53% vs. Sensex at 18%.

Despite a poor year for the healthcare industry, the established track record of value creation, combined with attractive growth fundamentals and recession proof nature of the sector will continue to fuel investor confidence and increase investment activity. We expect IPO activity to improve in the next two years which can be seen in the DRHP's filed by several companies.

Total Capital Invested in India Healthcare (Private Capital & IPO): 2012-2022



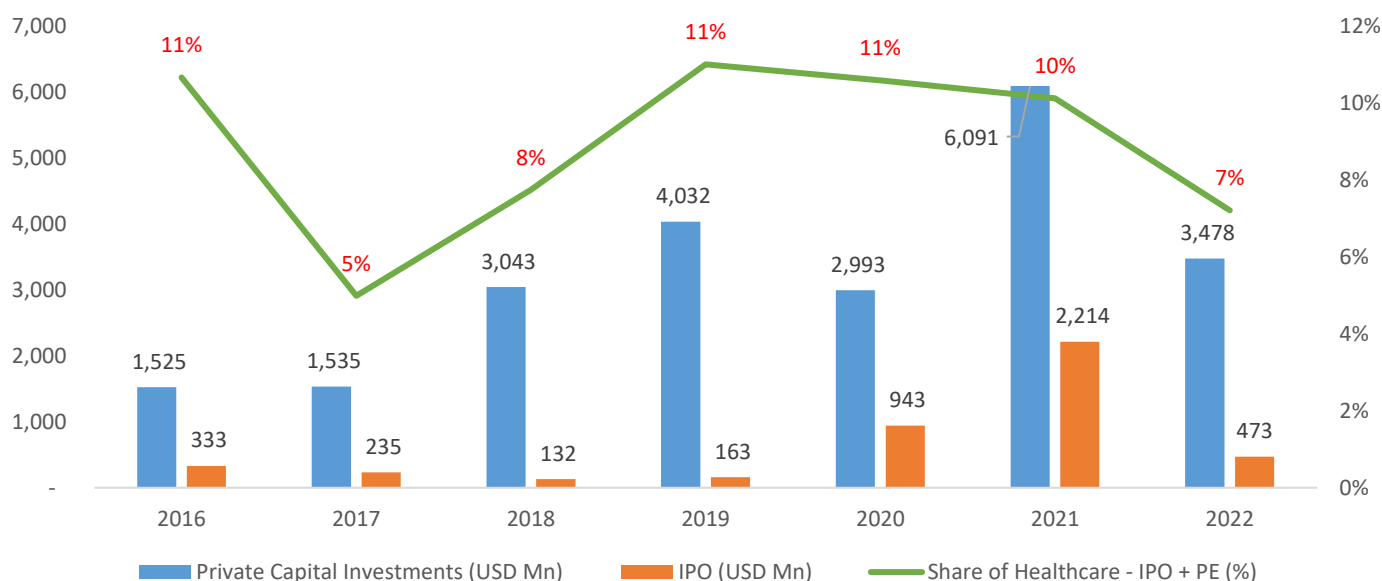
Source: Venture Intelligence

Key IPO Trends in the Sector

1. India Healthcare Private Capital & IPO fund raising at significant ~USD 33Bn since 2012

Since 2012, the Indian Healthcare and Life Sciences sector has garnered USD 33Bn for investments across both private capital and IPOs. The sector is today the fifth-largest in terms of attracting capital accounting for 9.3% of the total India deal value in the last ten years. This is a reflection of not just the sector's potential but also the value creation track record and we expect that deal activity will continue to gather pace in the present decade as well.

Total India Invested Capital (Private Capital & IPO): 2016-2022

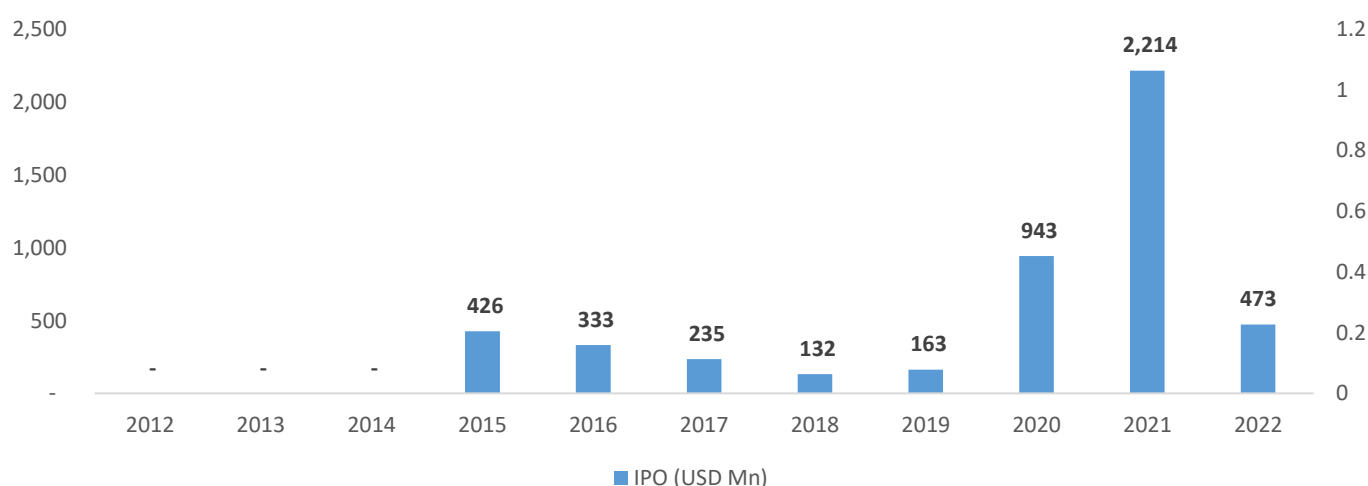


Source: Venture Intelligence, TCHF Internal Estimates

2. Low IPO activity in 2022 post the record year of 2021

The IPO activity in the sector has dropped drastically post the record spate of IPOs witnessed in 2020 and 2021. Only \$473Mn was raised across 2 IPOs in 2022 vs \$2.2Bn in 2021 in 9 IPOs. Nearly 60% of the USD 4.9Bn IPO capital flow since 2011 have been raised in 2020 and 2021. In volume terms we have witnessed 13 healthcare & life-sciences IPOs since 2020 which is 50%+ of all IPO volumes since 2011.

Healthcare IPOs (2012-2022) - Value (USD Mn) and Volume

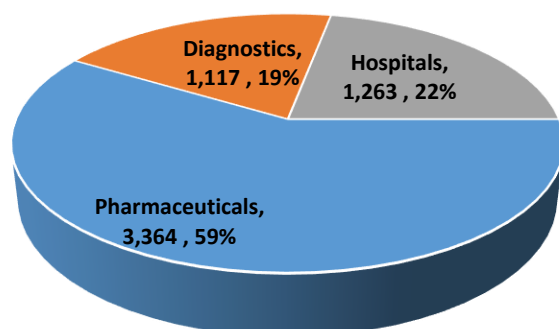


Source: TCHF Internal Estimates

3. Sector now has well diversified IPO issuances across pharma, delivery and diagnostics

If we take note of the healthcare sub-sector IPO issuances in the last five years (since 2017), it reflects a good diversification across the three core segments viz. pharmaceuticals, hospital delivery and diagnostic services. This reflects a fair corroboration of the fact that within the sector, investors are willing to pick focused strategies (like diagnostics, hospitals etc) each of which have an ability to deliver scale. The sector today houses a vast array of 25+ business segments each of which are industries by themselves with vastly different business drivers and economics. Going forward we believe few more focused sector strategies (e.g. health-tech, medical devices) may also attract public market interest.

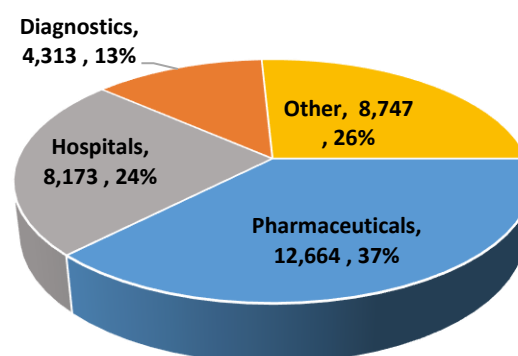
Fund Raise Healthcare IPOs - (2010-2016) (USD Mn)



- **Pharma** - Brooks Labs, Alkem, Syngene, Laurus
- **Diagnostics** - Dr Lal Pathlabs, Thyrocare
- **Hospitals** - Narayana Hrudayalaya, HCG

* Delisted companies not considered (Claris, Parabolic, Syncom, Dr Datson)

Fund Raise Healthcare IPOs - (2017-2022) (USD Mn)



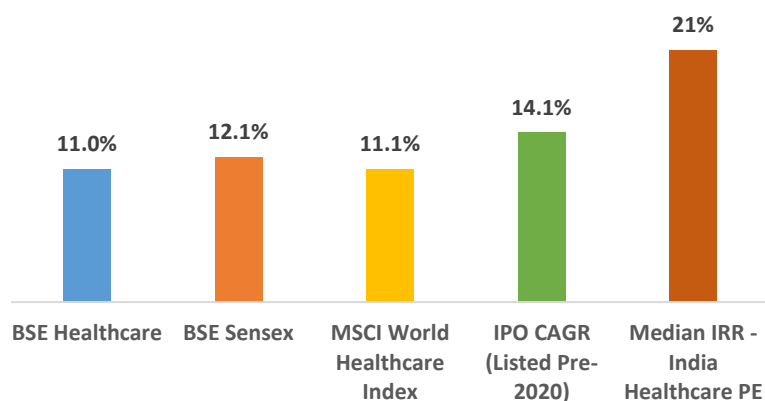
- **Pharma** - Eris, Gland, Rossari, Windlas, Glenmark, Supriya
- **Diagnostics** - Metropolis, Vijaya, Krsnaa
- **Hospitals** - Rainbow, Medanta, Aster DM, KIMS
- **Others** - Star Health, Medplus, Nureca

Source: Venture Intelligence

4. Long term returns from healthcare IPOs and PE has outperformed benchmark indices

The enhanced investment activity in the sector is not surprising given the value creation for investors in the recent past. Firstly in terms of private capital exits, healthcare investors have garnered USD 5.7Bn from 250 PE exits in the last decade and 70% of these exits have occurred in the last five years. A select sample of the sector's PE exits reveals that over a 10-year period, the sector has delivered superior returns (median 21% IRR) compared to 11.0% returns for BSE healthcare index. In Comparison to both these asset classes, the performance of healthcare IPOs (listed between 2012-19) has been at 14.1%.

Historical CAGR (%) returns (Dec 2012- Dec 2022)



Source: Venture Intelligence, BSE, NSE, Investing.com, TCHF Internal estimates

Absolute % returns - Companies listed post 2019

Company	Absolute returns	Listing Date
Gland Pharma	6%	20-11-2020
Rossari Biotech	68%	23-07-2020
Vijaya Diagnostics	-19%	14-09-2021
Krsnaa Diagnostics	-53%	16-08-2021
Windlas Biotech	-46%	17-08-2021
Glenmark Lifesciences	-42%	06-08-2021
KIMS	80%	28-06-2021
Nureca	25%	25-02-2021
Medplus	-20%	23-12-2021
Star Health	-36%	10-12-2021
Supriya Lifesciences	-14%	28-12-2021
Rainbow Children's Medicare	33%	10-05-2022
Global Health	37%	16-11-2022

5. Valuations re-rating in most companies since listing across segments of Healthcare

Analysing the P/E ratios of companies listed between 2011-22, we observe that on a segment aggregate, there has been a fair downward re-rating of the stocks in the pharmaceutical and diagnostics space since listing. Meanwhile, the Hospitals subsegment has seen upward re-rating on P/E and this can be attributed to growing investor allocation to the sub-sector and interest in this segment. Despite the weak performance in the past 12 months, we believe that given the present demand-supply gap in the country's healthcare systems we expect investor interest to remain strong in the long term. Key macro trends like the dual disease burden profile, dominant 'out of pocket' payor model that can change with rapid penetration of insurance, growing urbanization and internet adoption are prime enablers to drive awareness and which can result in higher healthcare spending thereby further fueling investor interest.

P/E ratios (at listing and current) of companies listed between 2011-22 (*current refers to market-cap as of 27/12/22)

Company	Segment	P/E ratio (trailing)- at listing	P/E ratio (trailing)- current
Brooks Laboratories	Pharmaceuticals	23.53	NA
Alkem Laboratories	Pharmaceuticals	28.7	33.3
Dr Lal Pathlabs	Diagnostics	51.7	76.8
Syngene International	Pharmaceuticals	26.0	53.7
Narayana Hrudayalaya	Hospitals	NM	35.05
Laurus Labs	Pharmaceuticals	6.3	23.2
Thyrocare Technologies	Diagnostics	59.9	41.3
Healthcare Global	Hospitals	NM	NM
Eris Lifesciences	Pharmaceuticals	61.5	22.5
Aster DM Healthcare	Hospitals	36.0	23.5
Metropolis Healthcare	Diagnostics	49.8	43.8
Gland Pharma	Pharmaceuticals	78.1	25.3
Rossari Biotech	Pharmaceuticals	33.8	64.4
Vijaya Diagnostics	Diagnostics	63.8	51.7
Krsnaa Diagnostics	Diagnostics	16.2	20.1
Windlas Biotech	Pharmaceuticals	64.4	11.9
Glenmark Lifesciences	Pharmaceuticals	25.1	12.1
KIMS	Hospitals	32.1	49.1
Nureca	Health & Wellness	11.1	NM
Medplus	Pharmacy	NM	NM
Star Health	Insurance	NM	NM
Supriya Lifesciences	Pharmaceuticals	33.4	14.8
Rainbow Children's Medicare	Hospitals	40.3	48.9
Global Health	Hospitals	45.9	45.9

Source: BSE, NSE, SEBI Filings, Moneycontrol

Median Segment P/E ratios (at listing and current) of companies listed between 2011-22

Segment	Median P/E - Listing (x)	Median P/E - Current (x)
Pharmaceuticals	31.1	23.2
Diagnostics	51.7	43.8
Hospitals	38.2	45.9

Source: BSE, NSE, SEBI Filings, Moneycontrol

6. IPO momentum to improve with an additional USD 4.9B issuances on the anvil

We estimate an additional USD 4.9Bn of IPO issuances in the next 24 months. Several companies such as Sahajanand Medical Technologies, Pharmeasy, Veeda Clinical Research, Macleods Pharma, Healthium, Wellness Forever have temporarily halted their IPO plans primarily on account of valuations. We expect their plans to be reinitiated in the next 24 months. The expected IPO of Indegene and Pharmeasy (plans shelved as of date) will mark the entry of a digital native healthcare focussed company to the Indian public markets.

Upcoming Healthcare IPOs – DRHP filed with SEBI

Sno	Company	Segment	Fund raise estimate (USD Mn)
1	Skaranay Technologies	Medical Devices	NA
2	Sahajanand Medical Technologies	Medical Devices	200.0
3	Healthium	Medical Devices	333.3
4	GPT Healthcare	Hospitals	66.7
5	Wellness Forever	Pharmacy	200.0
6	Veeda Clinical Research	CRO	106.7
7	Emcure Pharmaceuticals	Pharmaceuticals	600.0

Sno	Company	Segment	Fund raise estimate (USD Mn)
8	Pharmeasy	E-pharmacy	833.3
9	Macleods Pharma	Pharmaceuticals	725.0
10	Portea	Home Healthcare	125.0
11	Yatharth Hospital	Hospitals	150.0
12	Indegene Limited	Healthcare BPO	400.0
13	Mankind Pharma	Pharmaceuticals	687.5
14	Bluejet Healthcare	Pharmaceuticals	225.0
15	Concord Biotech	Pharmaceuticals	281.3

Source: SEBI Filings, TCHF Internal estimates



This thematic has been conceptualized and written by the investment team at Tata Capital Healthcare Fund (TCHF), a growth oriented private equity fund primarily focused on the healthcare and life Sciences sector in India. The investment team of TCHF can be contacted at info.tchf@tatacapital.com.