

India Healthcare / life-sciences

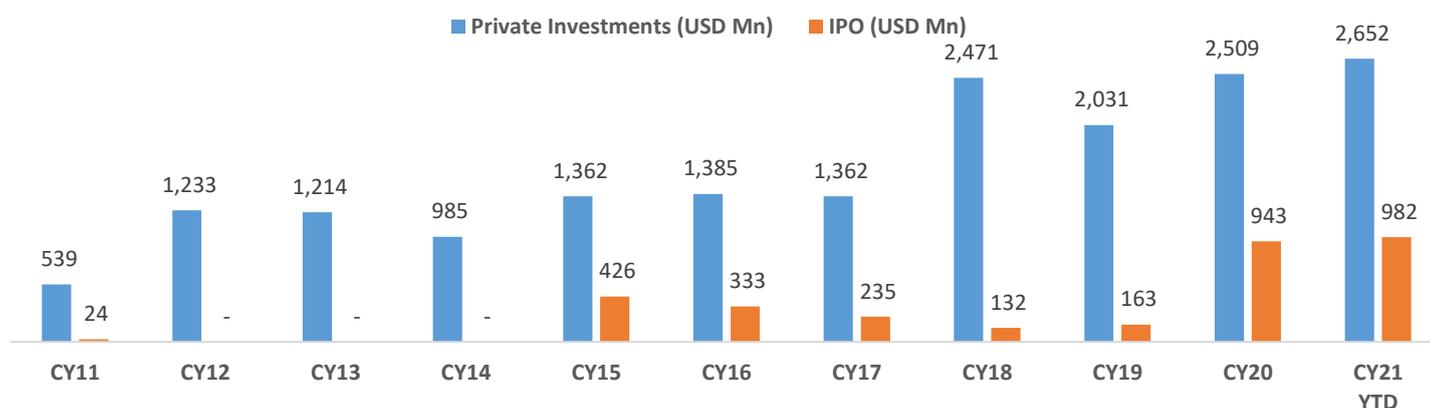
Decoding the Sector's IPO Trends

The ongoing pandemic has brought to centre-stage the attention for healthcare and life-sciences sector as a central investing theme for the present decade. The COVID legacy has already resulted in record USD 5.2Bn private capital inflow in the sector in 2020 and YTD2021. Secondly, the listed pharma and healthcare universe too has seen significant investor interest with the BSE HC index having significantly outperformed the broader indices since the start of the COVID outbreak in early 2020. During this period (Jan 2020 till July2021), the BSE Healthcare index was up 53% vs. Sensex at 18%. The forward P/E valuation of NSE Pharma index which has traded consistently at a premium to the P/E of the broader Nifty 50 index.

Finally, the third lever that has added momentum to the tremendous investor activity is the spate of IPOs witnessed in 2020 and YTD2021. Nearly 60% of the USD 3.2Bn IPO capital flow since 2010 have been raised in the last two years. In volume terms we have witnessed 8 healthcare life-sciences IPOs since 2020 which is 40% of all IPO volumes since 2010. We estimate that nearly USD 3.4Bn IPOs are slated for launch in the coming months.

Overall as a sector, the established track record of value creation, combined with attractive growth fundamentals and recession proof nature of the sector has continued to fuel investor confidence and heightened investment activity. The enhanced IPO interest is also a good reflection of the market maturity in terms of room for exploring newer product and delivery models that have the ability to scale.

Total Capital Invested in India Healthcare (Private Capital & IPO): 2011-2021



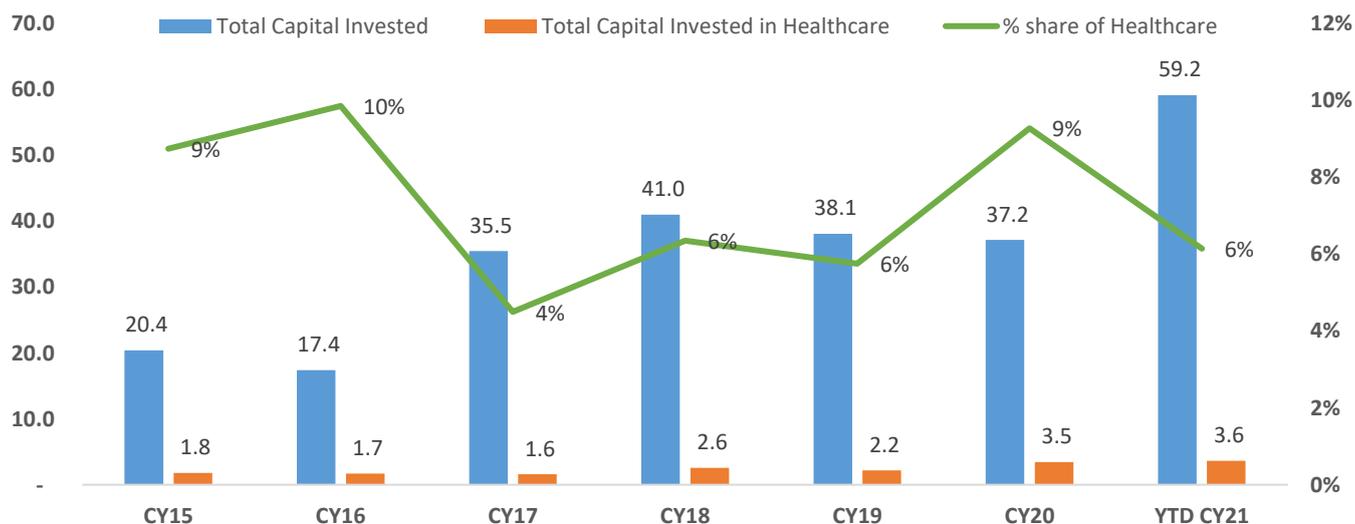
Source: Venture Intelligence

Key IPO Trends in the Sector

1. India Healthcare Private Capital & IPO fund raising at significant USD 21Bn since 2011

Since 2011, the Indian Healthcare and Life Sciences sector has garnered USD 21Bn for investments across both private capital and IPOs. The sector is today the fifth-largest in terms of attracting capital accounting for 7.1% 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): 2015-2021

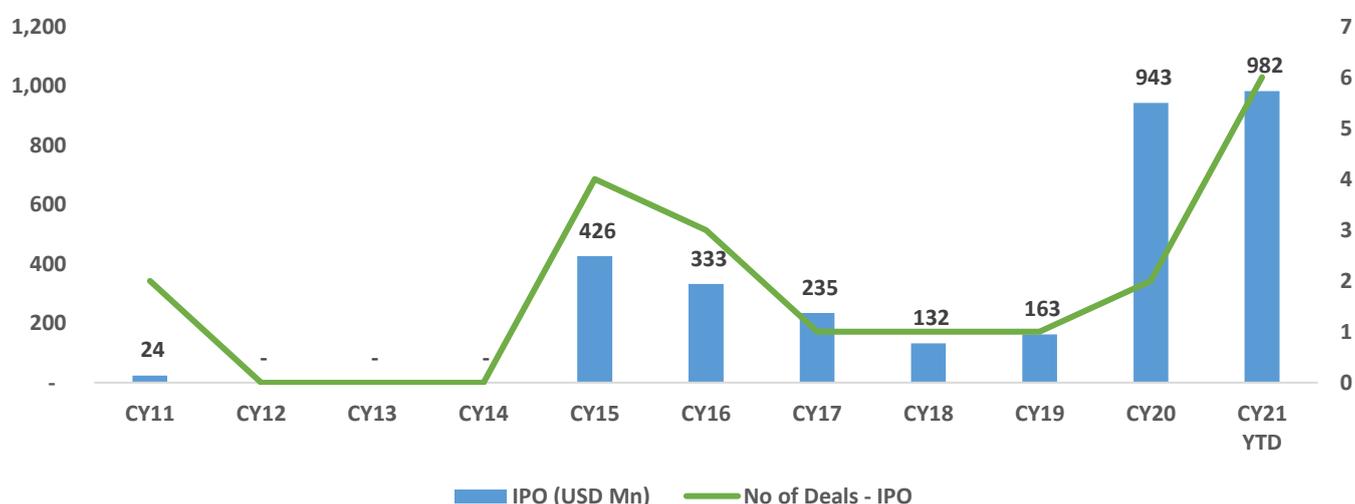


Source: Venture Intelligence, TCHF Internal Estimates

2. Record number and value of healthcare IPO transactions in 2020 and 2021

The added momentum to the sector's tremendous investor activity has been the spate of IPOs witnessed in 2020 and YTD2021. Nearly 60% of the USD 3.2Bn IPO capital flow since 2011 have been raised in the last two years. In volume terms we have witnessed 8 healthcare & life-sciences IPOs since 2020 which is 40% of all IPO volumes since 2011.

Healthcare IPOs (2011-2021) - Value (USD Mn) and Volume

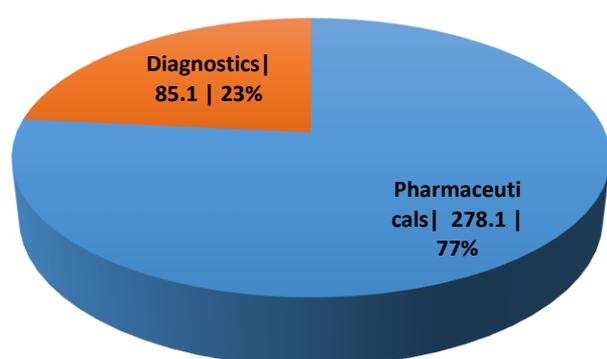


Source: TCHF Internal Estimates

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 2016), 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 - (2010-2015) (USD Mn)

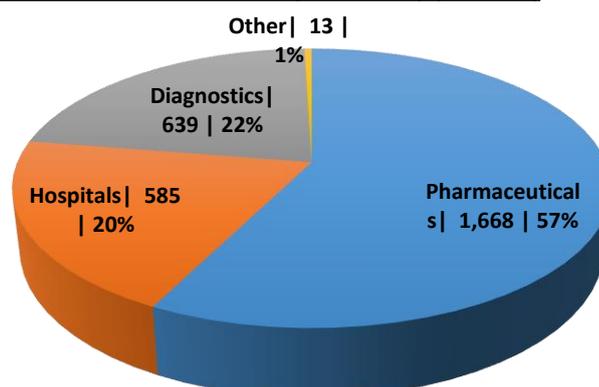


- **Pharma** – Brooks Labs, Alkem, Syngene
- **Diagnostics** – Dr Lal Pathlabs

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

Source: Venture Intelligence

Fund Raise Healthcare IPOs - (2016-2021) (USD Mn)

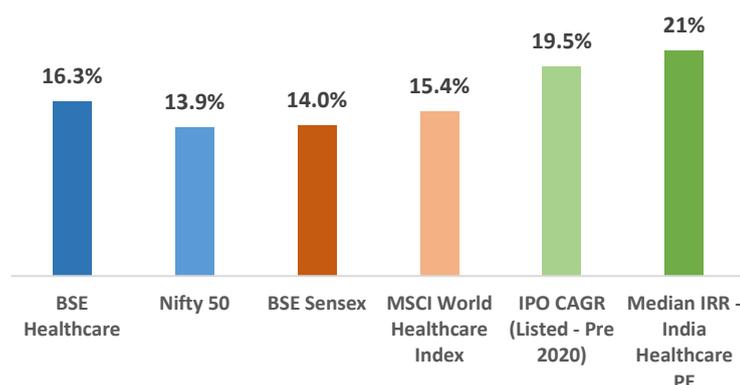


- **Pharma** – Laurus, Eris, Gland, Rossari, Windlas, Glenmark
- **Diagnostics** – Thyrocare, Metropolis, Vijaya, Krsnaa
- **Hospitals** – Narayana, Healthcare Global, Aster DM, KIMS
- **Others** - Nureca

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 16.3% returns for BSE healthcare index. In Comparison to both these asset classes, the performance of healthcare IPOs (listed between 2011-19) has been at 19.5%.

Historical CAGR (%) returns (Sep 2011- Sep 2021)



Absolute % returns – Companies listed post 2019

Listing Date	Company	Absolute Returns (%)
20-11-2020	Gland Pharma	145%
23-07-2020	Rossari Biotech	236%
14-09-2021	Vijaya Diagnostics	8%
16-08-2021	Krsnaa Diagnostics	-27%
17-08-2021	Windlas Biotech	-28%
06-08-2021	Glenmark Lifesciences	-13%
28-06-2021	KIMS	35%
25-02-2021	Nureca	362%

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

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

Analysing the P/E ratios of companies listed between 2011-21, we observe that on a segment aggregate, there has been a fair re-rating of the stocks since listing. This can be attributed to growing investor allocation to the sector and interest in newer subsectors like Diagnostics. 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.

Median Segment P/E ratios (at listing and current) of companies listed between 2011-21

Segments	Median P/E - Listing (x)	Median P/E - Current (x)
Pharmaceuticals	28.73	39.33
Diagnostics	51.68	63.83
Hospitals	34.07	47.61

Source: BSE, NSE, SEBI Filings, Moneycontrol

P/E ratios (at listing and current) of companies listed between 2011-21 (*current refers to market-cap as of 30/09/21)

Company	Segment	P/E ratio - P/E ratio -	
		at listing	current
Brooks Laboratories	Pharmaceuticals	23.53	NA
Narayana Hrudayalaya	Hospitals	NM	61.86
Alkem Laboratories	Pharmaceuticals	28.7	26.3
Dr Lal Pathlabs	Diagnostics	51.7	75.2
Syngene International	Pharmaceuticals	26.0	54.5
Laurus Labs	Pharmaceuticals	6.3	26.0
Thyrocare Technologies	Diagnostics	59.9	35.7
Healthcare Global	Hospitals	NM	NM
Eris Lifesciences	Pharmaceuticals	61.5	28.1
Aster DM Healthcare	Hospitals	36.0	35.3
Metropolis Healthcare	Diagnostics	49.8	63.8
Gland Pharma	Pharmaceuticals	78.1	53.3
Rossari Biotech	Pharmaceuticals	33.8	88.6
Vijaya Diagnostics	Diagnostics	63.8	68.4
Krsnaa Diagnostics	Diagnostics	16.2	13.1
Windlas Biotech	Pharmaceuticals	64.4	50.5
Glenmark Lifesciences	Pharmaceuticals	25.1	23.7
KIMS	Hospitals	32.1	47.6
Nureca	Health & Wellness	11.1	45.0

Source: BSE, NSE, SEBI Filings, Moneycontrol

6. Continued IPO momentum with an additional USD 3.5B issuances on the anvil

We estimate an additional USD 3.5Bn of IPO issuances in the next 12-18 months. Interestingly, newer sub-segments of the industry like Medical Devices, Pharmacy, etc are expected to hit the market depicting the opportunity and maturity of the Indian healthcare industry. The expected IPO of Pharmeasy, an e-pharmacy will mark the entry of a digital native healthcare focused company to the Indian public markets.

Upcoming Healthcare IPOs – DRHP filed with SEBI

Company	Segment	Fund raise estimate (USD Mn)
Skanray Technologies	Medical Devices	NA
Sahajanand Medical Tech	Medical Devices	200.0
Healthium	Medical Devices	333.3
GPT Healthcare	Hospitals	66.7
Wellness Forever	Pharmacy	200.0
Medanta	Hospitals	NA
Veeda Clinical Research	CRO	106.7

Source: SEBI Filings, TCHF Internal estimates

Company	Segment	Fund raise estimate (USD Mn)
Emcure Pharmaceuticals	Pharmaceuticals	600.0
Medplus	Pharmacy	218.7
VLCC Healthcare	Hospitals	NA
Star Health and Allied	Insurance	733.3
Supriya Lifescience Ltd	Pharmaceuticals	160.0
Pharmeasy	E-pharmacy	833.3



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.