

# Entero Healthcare Solutions Ltd

Scaling healthcare, for a healthier tomorrow



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## Scaling healthcare, for a healthier tomorrow

Entero Healthcare Solutions has emerged as a significant player in India's healthcare distribution landscape, experiencing tremendous growth and building a robust network. Serving over 81,400 pharmacies and 3,400 hospitals, their reach is extensive, catering to both retail and institutional needs.

Entero Healthcare Solutions experienced the most rapid expansion in operational scale among healthcare product distributors in India between FY19 and FY22.

Further fueling their success is a dedicated workforce exceeding 3,000+ employees, bringing experience and expertise. This combination of extensive reach, diverse product portfolio, robust infrastructure, and skilled workforce positions Entero Healthcare Solutions as a key player in India's healthcare distribution, well-equipped to address the evolving needs of the market and contribute to improved healthcare access across the country.

Entero Healthcare Solutions manages a massive portfolio of 64,500 products through a well-distributed network of 73 warehouses, boasting a total storage capacity of 4.24 lakh square feet. This efficient infrastructure enables them to serve a vast geographical area, currently covering 495 districts and having physical presence in 37 key cities across the country. This impressive reach ensures convenient access to their diverse product range for pharmacies, hospitals, and clinics nationwide.

The company intends to use the money raised from the new shares (Fresh Issue) for several key purposes:

- Reducing debt
- Boosting working capital
- Expanding through acquisitions
- General business needs

### Key Financial Data (INR Cr, unless specified)

	Revenue	EBITDA	PAT	EBITDA (%)	PAT (%)	Adj. EPS (Rs.)	Adj BVPS (Rs.)	RoE (%)	RoIC (%)	EV/EBIT DA (X)	P/BV (X)
FY21	1,780	22	(15)	1.2	(0.9)	(6.5)	202.8	(3.2)	1.0	143.0	6.2
FY22	2,522	24	(29)	1.0	(1.2)	(12.5)	234.5	(5.3)	0.6	131.0	5.4
FY23	3,300	64	(11)	1.9	(0.3)	(4.8)	248.9	(1.9)	4.6	51.4	5.1

Industry	Healthcare
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#### Issue Details

Listing	BSE & NSE
Open Date	9 <sup>th</sup> Feb 2024
Close Date	13 <sup>th</sup> Feb 2024
Price Band	INR 1195-1258
Face Value	INR 10
Market Lot	11 shares
Minimum Lot	1 Lot

#### Issue Structure

Offer for Sale	37.5%
Fresh Issue	62.5%
Issue Size (Amt)	INR 1600 cr
Issue Size (Shares)	12,718,600
QIB Share (%)	≤75%
Non-Inst Share (%)	≥ 10%
Retail Share (%)	≥ 15%
Pre issue sh (nos)	16,066,886
Post issue sh (nos)	24,016,011
Post issue M Cap	INR 3021 cr

Shareholding (%)	Pre (%)	Post (%)
Promoter	77.1	52.4
Public	22.9	47.6
<b>TOTAL</b>	<b>100</b>	<b>100</b>

## Key Strengths

### Transforming Pharmacies' Buying Experience with Technology

Entero Healthcare goes beyond simply distributing healthcare products; they leverage technology to elevate the buying experience for their customers. Their Entero Direct B2B app ("Entero Direct") empowers pharmacies with real-time transparency into product range, pricing, inventory, orders, and more, accessible 24/7. Through Entero Direct, pharmacies can:

- Place and track orders with ease.
- Make online payments seamlessly.
- Initiate returns and claims conveniently.

### Scaling Up Through Smart Acquisitions

Entero Healthcare actively seeks strategic acquisitions to fuel its growth and solidify its position in the Indian healthcare distribution market. This "pan-India" approach focuses on acquiring smaller distributors, expanding geographic reach, and deepening customer relationships. Since its inception in 2018, Entero has acquired 32 entities, demonstrating its expertise in identifying and integrating acquisition targets. This success stems from a well-defined strategy:

Targeted acquisitions: A dedicated team identifies potential acquisitions in key markets.

- Targeted Acquisitions
- Post-acquisition growth
- Replicable approach

### Benefits to healthcare product manufacturers

- Access countless pharmacies, hospitals, and clinics across India.
- Access to a vast network of pharmacies, hospitals, and clinics across India.
- Warehouses and logistics services adhere to all relevant regulations.
- Leverage data intelligence and analytics for informed decision-making.
- Implement effective marketing and promotion strategies for various healthcare products.

### Benefits to Pharmacies, Hospitals, and clinics

- Manage orders, track inventory, and make payments seamlessly through B2B app and web platforms.
- real-time visibility, 24/7 accessibility, and efficient order fulfillment.

## Key Risks & Concerns

- The anticipated benefits of past or future acquisitions may not be realized successfully, posing a risk to the company's business, financial condition, results of operations, cash flows, and prospects. Additionally, challenges in identifying expansion opportunities or experiencing delays in implementing the strategy of inorganic growth could further impact the company adversely.
- If the company fails to efficiently operate, maintain, or expand its supply chain and distribution infrastructure, managing its growth may become challenging.
- Risks associated with the company's information technology systems have the potential to negatively affect its business and results of operations.
- The company's operations entail high working capital requirements and substantial indebtedness. Inability to maintain an optimal level of working capital or secure required financing could adversely impact its operations.
- Failure to maintain optimal inventory levels may result in increased operating costs or unfulfilled customer orders, thereby adversely affecting the company's business, financial condition, results of operations, and prospects.
- Competition and industry consolidation pose potential adverse impacts on the company.
- The company has submitted applications for late submissions and compounding, as well as paid late submission fees, for delayed compliance with certain provisions of FEMA related to reporting downstream investments.

## Issue Structure and Offer Details

The proposed issue size of Entero Healthcare Solutions is INR 1600 cr (INR 600 cr OFS and 1000 cr fresh issue) and the price band for the issue is in the range of INR 1195-1258 and the bid lot is 11 shares and multiples thereof.

Issue Structure	
Investor Category	Allocation
QIB	Not more than 75% of the Net Issue
NIB	Not less than 10% of the Net Issue
Retail	Not less than 15% of the Net Issue

*Number of shares based on a higher price band of INR 1258*

*Source: Company Reports*

Details of the selling shareholders		
Promoter Selling shares	Amount offered	No of shares
Prabhat Agrawal	Not more than 67.18 Cr	5,34,082
OrbiMed Asia III Mauritius Limited	Not more than 943.5 Cr	75,00,000
Prem Sethi	Not more than 44.44 Cr	353,302

*The amount is based on a higher price band of INR 1258*

*Source: Company Reports*

## Entero Healthcare Solutions Ltd. Financial Summary and Analysis

Fig in INR Cr (unless specified)	FY21	FY22	FY23	Fig in INR Cr (unless specified)	FY21	FY22	FY23
<b>Income Statement</b>				<b>Per share data &amp; Yields</b>			
Revenue	1,779.7	2,522.1	3,300.2	Adjusted EPS (INR)	(6.5)	(12.5)	(4.8)
<b>YoY Growth (%)</b>		<b>41.7</b>	<b>30.9</b>	Adjusted Cash EPS (INR)	0.3	(4.2)	5.3
Raw Material Cost	1,638.1	2,312.4	3,031.9	Adjusted BVPS (INR)	202.8	234.5	248.9
<b>RM Cost to Sales (%)</b>	<b>92.0</b>	<b>91.7</b>	<b>91.9</b>	Adjusted CFO per share (INR)	(28.6)	(14.7)	(18.9)
Employee Cost	75.9	114.8	128.1	CFO Yield (%)	(2.3)	(1.2)	(1.5)
<b>Employee Cost to Sales (%)</b>	<b>4.3</b>	<b>4.6</b>	<b>3.9</b>	Adjusted FCF per share (INR)	(20.7)	(0.9)	40.2
Other Expenses	44.1	70.4	76.2	FCF Yield (%)	(1.6)	(0.1)	3.2
<b>Other Exp to Sales (%)</b>	<b>2.5</b>	<b>2.8</b>	<b>2.3</b>	<b>Solvency Ratio (X)</b>			
EBITDA	21.5	24.4	64.0	Total Debt to Equity	0.3	0.5	0.6
<b>Margin (%)</b>	<b>1.2</b>	<b>1.0</b>	<b>1.9</b>	Net Debt to Equity	0.1	0.3	0.4
<b>YoY Growth (%)</b>		<b>13.4</b>	<b>161.9</b>	Net Debt to EBITDA	2.7	7.4	4.2
Depreciation & Amortization	16.3	19.8	24.2	<b>Return Ratios (%)</b>			
EBIT	5.3	4.7	39.8	Return on Equity	(3.2)	(5.3)	(1.9)
<b>Margin (%)</b>	<b>0.3</b>	<b>0.2</b>	<b>1.2</b>	Return on Capital Employed	1.2	0.8	12.4
<b>YoY Growth (%)</b>		<b>(11.1)</b>	<b>749.1</b>	Return on Invested Capital	1.0	0.6	4.6
Other Income	3.9	4.5	5.5	<b>Working Capital Ratios</b>			
Bill discounting & other charges	20.0	29.0	49.0	Payable Days (Nos)	20	20	23
Fin Charges Coverage (X)	0.3	0.2	0.8	Inventory Days (Nos)	50	45	38
Exceptional Item	0.0	0.0	0.0	Receivable Days (Nos)	50	54	57
PBT	(10.8)	(19.8)	(3.7)	Net Working Capital Days (Nos)	80	79	71
<b>Margin (%)</b>	<b>(0.6)</b>	<b>(0.8)</b>	<b>(0.1)</b>	Net Working Capital to Sales (%)	21.9	21.6	19.6
<b>YoY Growth (%)</b>		<b>82.8</b>	<b>(81.4)</b>	<b>Valuation (X)</b>			
Tax Expense	4.5	9.6	7.4	P/E	(194.5)	(101.0)	(261.4)
<b>Tax Rate (%)</b>	<b>(41.7)</b>	<b>(48.6)</b>	<b>(201.1)</b>	P/BV	6.2	5.4	5.1
PAT	(15.4)	(29.4)	(11.1)	EV/EBITDA	143.0	131.0	51.4
<b>Margin (%)</b>	<b>(0.9)</b>	<b>(1.2)</b>	<b>(0.3)</b>	EV/Sales	1.7	1.3	1.0
<b>YoY Growth (%)</b>		<b>91.7</b>	<b>(62.3)</b>	<b>Cash Flow Statement</b>			
Min Int/Sh of Assoc	(0.2)	(0.5)	(0.5)	PBT	(10.8)	(19.8)	(3.7)
Net Profit	(15.5)	(29.9)	(11.6)	Adjustments	42.7	149.8	66.8
<b>Margin (%)</b>	<b>(0.9)</b>	<b>(1.2)</b>	<b>(0.4)</b>	Change in Working Capital	(95.9)	(155.6)	(101.0)
<b>YoY Growth (%)</b>		<b>92.6</b>	<b>(61.4)</b>	Less: Tax Paid	(4.5)	(9.6)	(7.4)
<b>Balance Sheet</b>				Cash Flow from Operations	(68.6)	(35.3)	(45.3)
Share Capital	517.2	622.8	667.7	Net Capital Expenditure	(9.5)	(9.9)	(5.5)
Total Reserves	(30.2)	(59.6)	(70.1)	Change in Investments	(21.3)	(151.9)	(43.1)
Shareholders Fund	487.1	563.2	597.7	Cash Flow from Investing	(30.9)	(161.7)	(48.6)
Long Term Borrowings	0.0	37.1	31.1	Change in Borrowings	30.4	134.5	76.9
Deferred Tax Assets / Liabilities	1.3	1.1	(1.3)	Less: Finance Cost	(20.0)	(29.0)	(49.0)
Other Long Term Liabilities	53.2	57.7	50.0	Proceeds from Equity	78.4	105.6	44.9
Long Term Trade Payables	0.0	0.0	0.0	Buyback of Shares	0.0	0.0	0.0
Long Term Provisions	2.7	4.4	5.4	Dividend Paid	0.0	0.0	0.0
Total Liabilities	544.3	663.5	682.8	Cash flow from Financing	88.7	211.2	72.8
Net Block	188.6	262.0	267.7	Net Cash Flow	(10.8)	14.2	(21.1)
Capital Work in Progress	0.0	0.6	0.0	Forex Effect	0.0	0.0	0.0
Intangible assets under develop	2.2	0.1	0.0	Opening Balance of Cash	43.1	32.3	46.5
Non Current Investments	0.0	0.0	0.0	Closing Balance of Cash	32.3	46.5	25.4
Long Term Loans & Advances	9.7	11.8	14.4				
Other Non Current Assets	0.0	0.0	1.4				
Net Current Assets	343.8	389.1	399.2				
Total Assets	544.3	663.5	682.8				

Source: Ventura Research

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