

Goodwill Hospital And Research Centre

Issue Details

Issue Price	: Rs. 175 – 185 per share
No. of Shares	: 3.35- 3.54 million shares
Issue Size	: Rs. 620 million
Issue Opens – Closes	: 30 th Dec – 09 th Jan, 2012
Listing	: BSE & NSE
Market Cap	: Rs. 2,195 - Rs. 2,285 million

Background

- Goodwill Hospital and Research Centre Ltd. (GHRL) operates a 220 bed multi-speciality hospital in Noida under the brand Ojjus Medicare.
- The company focuses on providing treatment in specialized areas such as neurology and neuro surgery, cardiology and cardiac surgery with emphasis on joint replacements and sports injuries. It also provides other services like paediatrics, diagnostic, critical care medicine, oncology and dermatology etc.
- GHRL proposes to raise Rs. 620 million. In addition to offering equity shares, the company is offering one detachable warrant with each equity share. This warrant will be tradable on the exchanges with the listed stock and are optionally convertible at a 20 per cent discount. However, the same will have to be compulsorily converted into equity shares after a period of 13 months.

Why is the company making the IPO ?

- Setting up a Diagnostic Centre at Faridabad
- Establishing 6 Polyclinics within 150 kms of Noida
- Repayment / Prepayment of loan facilities
- General corporate purposes & to meet issue expenses

From the Research Desk of theIPOguru.com

- The Operating Margin and Net Profit Margin of the company are relatively high at 66% and 21% as on 20th June, 2011. The margins are high as its operations are focused around providing treatment for specialized areas like Neurology and Cardiology.
- The Operating Income for Q1 FY12 and FY 2011 stood at Rs. 160.6 million and Rs. 535.3 million respectively. The Operating income has increased sharply by over 133 per cent over FY 2010.

- The Debt to Equity Ratio is flabby and stood at over 3 times for year ended FY 2011 and stood at 2.8 times for Q1 FY12. Post equity dilution, the same will decline but given GHRLs aggressive expansion plan, it merits watching.
- The company has installed state of the art 'Perfexion Gamma Knife' which is a fifth generation robotic machine that can be used for non-invasive treatment of brain tumors, vascular malformations, Parkinson's disease, trigeminal neuralgia and other psychiatric disorders with high precision using focused gamma rays.
- Revenues from Gamma Knife procedures which are super specialty treatments accounted for about 31% and 33% of the total income for fiscal ended FY 2011 and FY 2010 respectively.
- Occupancy rates are one of the key business indicators in the healthcare segment. Thus higher the average occupancy rates better the profitability. The average occupancy rates at its facility is 54% as at end of FY 2011 while for the three months ended 30th June, 2011 it stood at 58 per cent.
- Further, being a highly capital intensive business, there is typically a longer time lag between investments and profitability. Moreover, the company's diagnostic centre which it proposes to start will become fully functional only in FY13 and hence benefits will accrue with a lag effect.
- The success for any hospital depends on the skill, expertise, experience and established reputation of the Doctors. Moreover, most consulting doctors work on a referral or revenue sharing basis. Thus, inability to retain the top consulting doctors could have a material impact on the operational performance of GHRL.
- GHRL is present in the Delhi and NCR Region and has the intent to expand its presence into other Tier II cities around the NCR Region. However, there are already many well known hospitals in the Delhi and NCR region and hence the scenario is a competitive one.
- The company has not yet applied for any regulatory approvals required to set up diagnostic centre and polyclinics for which the funds are proposed to be raised. Further, it has not spent any amount on the projects for which it intends to raise funds.