

Healthcare entities to raise funds through IPOs

Laxmi Yadav, Mumbai, Friday, January 12, 2018, 08:00 Hrs [IST]

The Indian healthcare sector which holds tremendous investment potential is under represented on stock bourses. With the healthcare sector likely to reach USD 372 billion by 2022, there is potential for many healthcare companies to come up with initial public offerings (IPOs).

IPOs can help companies expand their footprint in uncharted areas in India and abroad, consolidate their position in the market and become bigger players. They can use stocks as currency during expansions or mergers and acquisitions.

The healthcare industry, especially hospitals, has witnessed significant consolidation in the past few years. Clearly, economies of scale are significant for the industry. The demands of the public for quality healthcare has also gone up. This has made the business of healthcare capital intensive. Therefore companies in the healthcare space are seeking finance. IPOs are very enticing at present as mode of financing because of the buoyant market and the advantages listed above, says Anay Shukla from Nishith Desai Associates.

A company has to reach a certain scale before it took call to go public. While there are very few players, it is a high-growth and, in some way, a recession-proof sector, he said.

Over the last couple of years a number of healthcare companies went public including diagnostics companies Dr Lal PathLabs Ltd raising ₹630 crore through IPO in December 2015 and Thyrocare Technologies Ltd generating ₹480 crore through IPO in April 2016. Hospital chains Narayana Hrudayalaya Ltd raised ₹613 crore through IPO in December 2015 and Bangalore based cancer chain Healthcare Global Enterprises Ltd entered primary market in March 2016 with ₹650 crore IPO. Ahmedabad-based multi-specialty hospital chain Shalby Ltd entered the market in December 2017 with ₹504 crore IPO.

In July 2015 biotech firm Biocon Ltd's contract research services arm Syngene International Ltd entered the capital market. Alkem Laboratories Ltd, the country's fifth-largest drugmaker by domestic sales raised ₹1,350 crore through IPO in December 2015. Warburg Pincus-backed Laurus Labs tapped the capital market in November 2016. Drug company Eris Lifesciences went public in June 2017 with ₹1,741 crore IPO.

Their successful listing on stock exchange and positive market outlook have encouraged several healthcare companies to go to public. Aster DM Healthcare Limited which operates as a healthcare company in the Middle East, India, and the Far East, is planning ₹775 crore IPO in 2018 as it seeks to take advantage of improved market sentiment for the Persian Gulf. The IPO proceeds will be used to settle debt and expand, including through acquisition.

Founded in 1971 Mumbai-based Bharat Serum and Vaccines plans to enter the market in 2018 with its ₹2,000 crore IPO. The pharma company plans to sell its 30 per cent stake in the primary market. The vaccine maker has appointed investment bank Jefferies & Co. to arrange the share sale. The share sale is likely to be conducted in the first quarter of 2018.

Maharashtra-based super-specialty hospital chain Krishna Institute of Medical Sciences Ltd (KIMS Hospitals) is also set to enter the primary market this year with ₹600 crore IPO.