

Healthcare Global Enterprises Ltd: Average Issue

IPO Note: Negative EPS - Expensive Issue :Ranking**



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Issue details

Price band (Rs)	Rs. 205-218
IPO Opening Date	16-03-2016
IPO Closing Date	18-03-2016
Issue Size	Rs. 610.90-649.64 Cr.

Recommendation

For the eight months ended 30.11.15 of the current fiscal, the company has posed loss of Rs 3.71 cr. on the revenue of Rs 381.28 cr. It is currently at negative P/E. Book Value (BV) has improved year on year along with top line growth. However, the bottom line has continued to bleed. With increasing debt to fund top line growth, the Debt to Equity Ratio is 1.27, which is the highest among the peer group. The operating margin is decent, but debt servicing is putting the dent on PAT growth. Overall, this is very expensive issue which seems to be aimed mostly at providing exit to the existing investors. With other investment opportunities in the health services sector like Apollo Hospitals and Narayana Hrudayalaya, we believe one should avoid investing in this IPO from the listing gain as well as long-term perspective.

Highlights

- Healthcare Global Enterprises Ltd (HCG) is Bangalore India based provider of speciality healthcare in India focused on cancer and fertility.
- HCG operates the largest cancer care network in India in terms of the total number of private cancer treatment centres licensed. HCG also operates fertility centres under the 'Milann' brand
- High quality cancer care provided at a competitive price
- Entry into high potential fertility business
- Strong management team with successful track record
- Investment in IT software, services and hardware
- It operates at 0.79% of PATM and NAV at 36.

Company Introduction

Company Profile

HCG is a provider of speciality healthcare in India focused on cancer and fertility. Under the "HCG" brand, the company operates the largest cancer care network in India in terms of the total number of private cancer treatment centres licensed by the AERB as of May 31, 2015. Under the "Milann" brand, it operates fertility centres. As of December 31, 2015, HCG network consisted of 14 comprehensive cancer centres, including its centre of excellence in Bengaluru, three freestanding diagnostic centres and one day care chemotherapy centre across India. Each of HCG's comprehensive cancer centres offers, at a single location, comprehensive cancer



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Financial Summary (Rs. In Crore)

Particulars	Eight month ended 30 Nov. 2015	FY2015	FY2014	FY2013
Total Income	381.28	524.19	455.30	340.68
Net Profit	-3.71	0.54	-35.55	-10.51
EPS (Rs)	-	-	-	0.07

Source:RHP

RANKING METHODOLOGY

WEAK	*
AVERAGE	**
GOOD	***
VERY GOOD	****
EXCELLENT	*****

diagnosis and treatment services (including radiation, medical oncology and surgical treatments). Its freestanding diagnostic centres and day care chemotherapy centre offer diagnosis and medical oncology services, respectively.

Objects of the Issue:

Company proposes to utilise the Net Proceeds towards funding the following objects:

1. Purchase of medical equipment;
2. Investment in IT software, services and hardware;
3. Pre-payment of debt; and
4. General corporate purposes.

IPO Issue Proceed

To part finance its IT software services and hardware, to add medical equipments, repayment of debts (around Rs. 170 crore) and to raise corpus fund, the company is coming out with its maiden IPO of around 29.80 cr equity shares of Rs. 10 each via book building route having a price band of Rs. 205-218. The issue consists of fresh issue up to 1.16 cr and offer for sale from existing stakeholders to the tune of 18.20. Thus the fresh funds coming to company for about Rs. 252.88 crore and the overall size of the issue is about Rs. 649.64 based on the higher price band

Comparison with Peer companies (Rs. In Crore For FY15)

Particulars	Sales	PAT	Debt	Debt equity ratio	PATM	EPS	Book Value	CMP	PE	Price to Book Value
HCG	520	4.12	348.67	1.27	0.79%	0.08	39.32	218	2725	5.7
Apollo Hospital	5215	325	1992	0.63	6.28%	24.43	227.86	1412	60	6.19
Fortis Healthcare	4061	-164	1784	0.38	-4.14%	-	87.46	167	-	1.9
Narayana Hrudra	1373	11.83	362	0.47	0.87%	0.59	38.24	288	488	7.5

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