

# Health care firms check market pulse with IPOs after pandemic

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There has been a noticeable uptick in initial public offerings (IPOs) from the health care sector after the waning of the pandemic amid rising awareness and increased expenditure by the government as well as the private sector.

Since 2020, about 24 companies in the sector have mobilised ₹32,400 crore from maiden share sales in the domestic market. In comparison, a similar number of companies raised less than ₹12,000 crore between 2007 and 2019.

The share of health care IPOs in the total after Covid is about 13 per cent, up from just 4 per cent during the preceding 12 years. A large number of hospital chains have tapped the public markets. Some of them are Yatharth Hospital, Jupiter Life Line, and Global Healthcare.

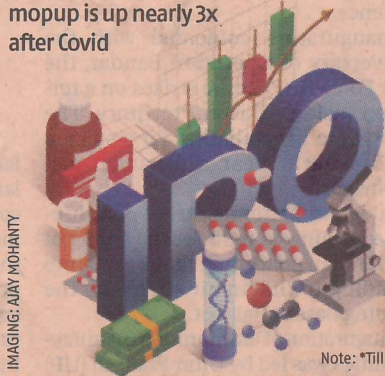
More than six more health care firms have filed their offer documents in the past one year. Bankers expect more firms to follow suit.

Investment bankers say traditionally

## MARKET PILL

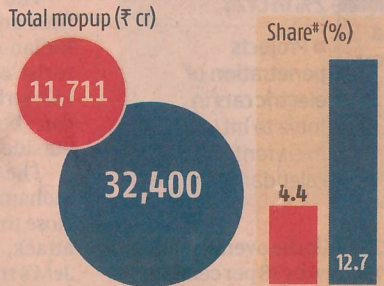
Share of health care in IPO mopup is up nearly 3x after Covid

Between ■ 2007 and 2019 ■ 2020 and 2024\*



IMAGING: AJAY MOHANTY

No. of IPOs 24 (2007 and 2019) / 23 (2020 and 2024\*)



Note: \*Till Feb 26; #Share in overall IPO mopup Source: PRIME Database

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there have been very few IPOs from the sector because expenditure on health care in India is low compared to global standards. Also, a large part of the market is in the unorganised space.

Until FY20, expenditure on health by the Centre and state governments as a percentage of gross domestic product (GDP) was less than 1.4 per cent.

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## Health care...

However, post-Covid the government has given it a renewed focus. In FY22, about 2.2 per cent of GDP was spent on health care, while the National Health Policy Target aims to increase it to 2.5-3 per cent by FY25. Since the pandemic, general awareness about health care has increased, and this is helping in the unlocking of better valuation, said Atul

Tantia, group chief financial officer, GPT Healthcare, an eastern India-based chain of hospitals that runs the ILS Hospitals brand. Its IPO closed on Monday, giving an exit to Mauritius-based private equity firm BanyanTree Growth Capital II LLC.

"After the pandemic broadly there has been better general awareness of health care, and this is helping to unlock better valuation. Also, there is a gen-

eral consensus that companies in health care service delivery are an integral part of the value chain, and these need investment," Tantia said.

He added the eastern part of the country was underserved and under-penetrated. "We want to expand in this zone. Part of the IPO proceeds would go towards retiring debts (of around ₹30 crore). We have debts of around ₹45 crore. The remaining debt we will retire by

the end of this calendar year. Part of the proceeds would also be used in expansion, especially our Raipur project," Tantia told Business Standard.

There is a dearth of quality beds in major cities of India, the industry says, thereby giving scope for expansion.

Ankit Thakker, chief executive officer, Jupiter Life Line Hospitals, a western India-focused hospital chain, said. "There is a shortage of quality beds even in metro cities and so there is room for expansion. Our first hospital came up in 2007 and the second one in 2017. The third hospital happened much faster — in 2020. Therefore, once a hospital reaches a scale, and has a good team in place, it's easier to scale up." Thakker said Jupiter Life Line Hospitals did not wish to leverage its balance sheet too much to fund its expansion.

"After the IPO we have cash on our books and the expansion plan is easier to execute -- from cash and internal accruals."

Occupancies in hospitals are going up, and so are average revenue per occupied bed and margins, credit rating agency ICRA has said. Mythri Macherla, assistant vice-president and sector head, ICRA, said the average revenue per occupied bed (under coverage) had gone up from ₹34,000 per day in FY20 to around ₹50,000 per day now (as of H1FY24).

ICRA analysis shows hospital occupancies have steadily risen -- from 60 per cent in FY20 to 66 per cent in H1FY24.

Since the pandemic, some of the major pharma IPOs like that of Mankind Pharma have hit the markets. The fourth-largest company in the domestic market had its IPO last year. It was an offer for sale, which means it did not receive any proceeds from the issue.

India's health care industry — hospitals, pharma companies, medical devices, diagnostic companies, telemedicine, etc -- is booming.

Health-tech and hospitals have cornered a large part of the share of private equity-venture capital (PE-VC) investment. According to rough estimates, hospitals have got 60-62 per cent of all PE-VC investment in the past few years.