

**Goodwill Hospital And Research Centre Ltd.****December 29, 2011**

<b>Price Band</b>	<b>: ₹175-185 per share</b>
<b>Minimum Bid Lot Size</b>	<b>: 35 Equity Shares</b>
<b>IPO opens during</b>	<b>: Dec 30, 2011 – Jan 09, 2012</b>
<b>Book Running Lead Manager</b>	<b>: SPA Merchant Bankers Ltd.</b>
<b>To list on</b>	<b>: NSE &amp; BSE</b>
<b>IPO Grading</b>	<b>: 3 / 5 (CARE)</b>
<b>PE</b>	<b>: 13.5x (based on base price)*</b>
	<b>: 14.3x (based on cap price)*</b>
<b>Market Cap post-listing</b>	<b>: ₹228.5Cr or \$43.11mn (based on the cap price)</b>
<b>Market Cap of Free Float</b>	<b>: ₹62Cr or \$11.7mn (based on the cap price)</b>

\*Based on post IPO earnings of FY11

**IPO of 3.35mn equity shares of ₹10each, aggregating to ₹62Cr or \$11.7mn (at the cap price).****Shareholding Pattern**

	Pre-Issue		Post-Issue*	
	No. of Shares	% Holding	No. of Shares	% Holding
Promoters	9000000	100.00%	9000000	72.87%
QIBs (excl. Mutual Funds)	0	0.00%	1591892	12.89%
Mutual Funds	0	0.00%	83784	0.68%
Non Institutional Investors	0	0.00%	502702	4.07%
Public	0	0.00%	1172973	9.50%
<b>Total</b>	<b>9000000</b>	<b>100.00%</b>	<b>12351351</b>	<b>100.00%</b>

\* Assuming issue price of ₹185 per share

**Executive Summary**

- Goodwill Hospital And Research Centre Ltd. (GHRCL) was incorporated in June 2000 and initially started free medical checkup with medical consultancy services. The company and its management was taken over by Ojjus Medicare Private Ltd. (OMPL) by acquiring 100% ownership in December 2007. The operations of the company were reorganised to create a multi specialty hospital at Noida called Ojjus Medicare.
- GHRCL is focus on core areas such as neurology and neuro surgery, cardiology and cardiac surgery and orthopaedics with emphasis on joint replacements and sports injuries. The hospital also provide healthcare services in area of minimally invasive surgeries, mother & child care, paediatrics, diagnostic, critical care medicine, oncology, gynaecology & obstetrics, nephrology, dermatology, gastroenterology, dental and ear care, etc.
- GHRCL is a state-of-the-art multi-specialty hospital providing a depth of expertise in complete spectrum of advanced medical and surgical interventions with a comprehensive mix of in-patient and out-patient services. The hospital has 220 beds, surgical ICU and medical ICU, four state-of-the-art operation theaters and state-of-the-art imaging facility with automatic laboratory support.

- The health industry has emerged as one of the most challenging sectors as well as one of the largest service sector industries in India with estimated revenue of US\$35bn, it constitutes 5.2% of India's GDP and employs 4mn people. The industry is expected to grow at 15% p.a. to \$78.6bn, reaching 8% of GDP by 2012. Over 40mn new jobs and \$200bn increased revenues are expected to be generated by the Indian healthcare sector till 2020. It is expected to become a \$280bn industry by 2020.
- The healthcare sector in India comprises of hospitals and allied sectors. During the period 2000-09, the sector has registered a growth of 9.3%. The share of private expenditure as to the total expenditure on health has grown from about 60% to almost 80% over the last decade. The current share of public expenditure on health is 20%. With a view to raise government expenditure on health as a proportion of GDP to 2-3% by 2012, the government launched the National Rural Health Mission (NRHM) in 2005.

## **Our View**

At the issue price of ₹185, company is valued at the PE of 14.3x (post issue) which is in line with the similar industry peers. The main growth driver is their new service Gamma Knife radiology which contributes to around 25% of the total revenues. Current only 10% of the capacity is utilized and it's among the few hospitals in Asia to have this facility. Higher utilization will lead to significant growth in the top-line as well as bottom-line on account of higher EBIDTA margins of around 85-90%. Apart from this, there would be one warrant attached to every equity shares which would be converted into equity after 13 months at 20% discount to the market price prevailing at that time. Considering the above facts we advise the investor to "**Subscribe**" the issue.

## **Company Background**

Goodwill Hospital And Research Centre Ltd. (GHRCL) was incorporated in June 2000 and started free medical checkup with medical consultancy services on small scale at the site to promote the business of upcoming hospital. The company and its management was taken over by Ojjus Medicare Private Ltd. (OMPL) by acquiring 100% ownership in December 2007. The operations of the company were reorganised to create a multi specialty hospital at Noida called Ojjus Medicare. The hospital is focus on core areas such as neurology and neuro surgery, cardiology and cardiac surgery and orthopaedics with emphasis on joint replacements and sports injuries.

Ojjus Fidelity Healthcare Private Ltd. is wholly owned subsidiary of the company. It was incorporated in January 2006 as 'Fidelity Buildcon Private Ltd.' and later the name was changed to 'Ojjus Fidelity Healthcare Private Ltd.' in November 2008.

## **Promoters and Management**

**Mr. Kuldeep Rai Chawla** is the Chairman of GHRCL having 40 years of experience in civil, labour and corporate law, arbitration ad general litigation. He has been legal advisor to various institutions and corporate and gives valuable guidance on legal matters and also improving the services of the hospital.

**Mrs. Namrata Chawla** is the Managing Director of the company and has more than 10 years of experience in running ventures and advising on business development to corporates. She has been instrumental in strategic planning and business development of GHRCL and is also responsible for overall management and supervision of the business.

**Mr. Amanveer Singh** is the Whole Time Director and CEO of GHRCL having 12 years of experience in business development and implementation of projects including in health care industry, automotive industry and hospitality industry. He is responsible for operations and day to day management of the hospital.

**Mr. Sandeep Singhania** is the Whole Time Director of the company and has more than 27 years of experience in finance and operations and looks after the corporate affairs and finance of GHRCL.

## **Industry Overview**

India is perched to witness additional growth in its economy as a result of positive trends within the healthcare sector. The health industry has emerged as one of the most challenging sectors as well as one of the largest service sector industries in India with estimated revenue of US\$35bn, it constitutes 5.2% of India's GDP and employs 4Mn

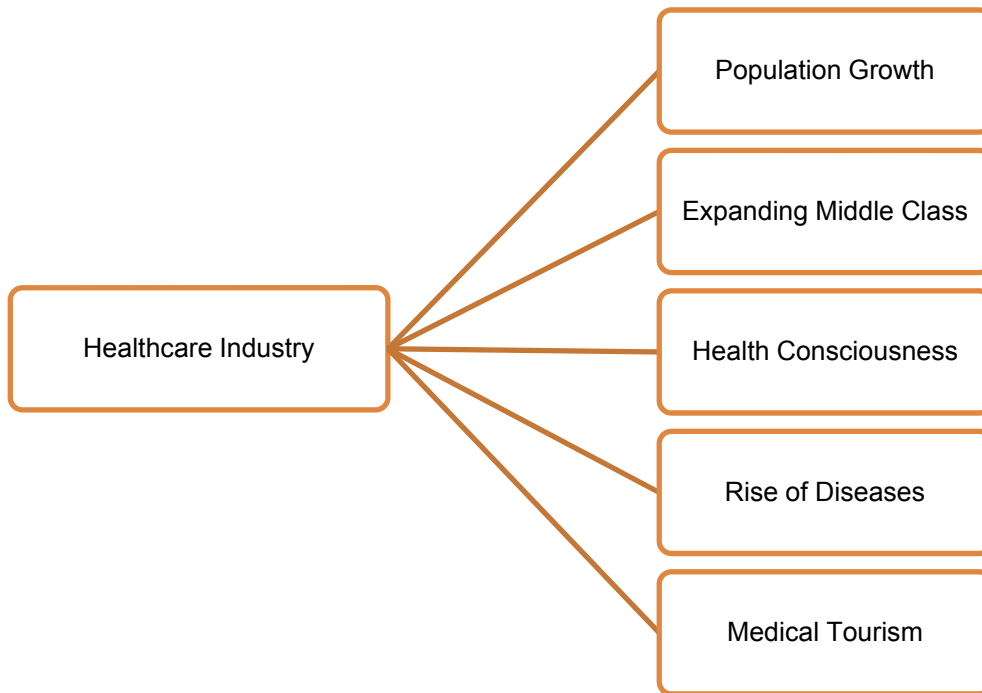
people. The Indian health industry is expected to grow at 15% per annum to \$78.6Bn, reaching 8% of GDP by 2012. Over 40Mn new jobs and \$200Bn increased revenues are expected to be generated by the Indian healthcare sector till 2020. It is expected to become a \$280bn industry by 2020.

Recognizing the significant potential and challenges in the health sector, the government has prioritized it in the Eleventh Five Year Plan. The private sector plays a significant role by contributing 4.3% of GDP and 80% share of healthcare provision. However, deficiencies persist with respect to access, affordability, efficiency, quality and effectiveness, despite the high level of overall private and public expenditure on health.

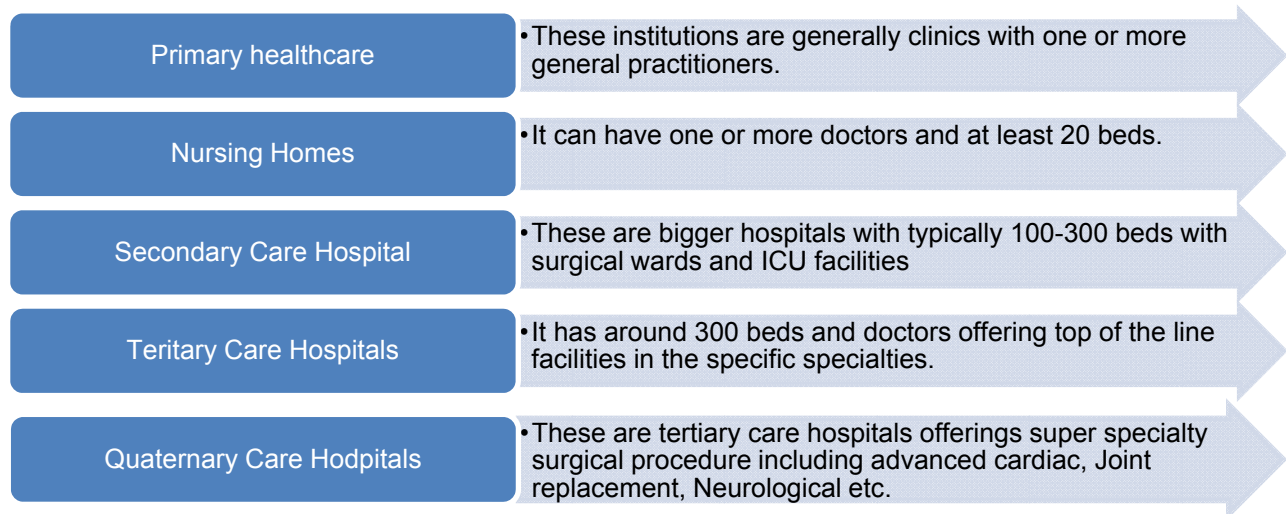
**The Indian Healthcare Industry**

The healthcare sector in India comprises of hospitals and allied sectors such as diagnostics and pathology, medical equipments and supplies, medical tourism and private medical insurance. During the period 2000-09, the sector has registered a growth of 9.3%. The share of private expenditure as to the total expenditure on health has grown from about 60% to almost 80% over the last decade. The current share of public expenditure on health is 20%. With a view to raise government expenditure on health as a proportion of GDP to 2-3% by 2012, the government launched the National Rural Health Mission (NRHM) in 2005. There are an increasing number of private players changing the nations' health delivery landscape. New hospitals are mushrooming even in Tier II and Tier III cities and leading healthcare entrepreneurs with deep pockets are expanding. At the root is the new age patient who is ready to undertake the best possible treatment that money can buy. Currently the industry employs over 4Mn people making one of the largest service industries in the economy.

**The key issues driving growth in the healthcare industry have been identified as follows:**



## Structure of the Healthcare Delivery Industry



## Major Private Players in Healthcare Sectors

- Apollo Hospitals
- Max Healthcare
- Wockhardt
- Fortis Healthcare
- Manipal Group

## Business Operations

GHRCL initially started free medical checkup with medical consultancy services on small scale at the site to promote the business of upcoming hospital. Later, when it was acquired by OMPL the hospital focused on core areas such as neurology and neuro surgery, cardiology and cardiac surgery and orthopaedics with emphasis on joint replacements and sports injuries. The hospital also provide healthcare services in area of minimally invasive surgeries, mother & child care, paediatrics, diagnostic, critical care medicine, oncology, gynaecology & obstetrics, nephrology, dermatology, gastroenterology, dental and ear care, etc.

GHRCL is a state-of-the-art multi-specialty hospital providing a depth of expertise in complete spectrum of advanced medical and surgical interventions with a comprehensive mix of in-patient and out-patient services. The hospital has 220 beds, surgical ICU and medical ICU, four state-of-the-art operation theaters and state-of-the-art imaging facility with automatic laboratory support. The hospital provides all facility under one roof like 24 hour emergency, out patient department, complete diagnostic, modular OTs, cathlab, perfexion gamma knief, dialysis centre, cardiac ambulances for patient transportatio, 24 hour pharmacy, cashless facility for insured patients, specialised clinics and preventative health checks.

## Services

**Neurology and Neuro Surgeries** department treat disorders of the brain, spinal cord, nerves and muscles. It has state-of-the-art equipments, neuroradiology including MRI 1.5 Telsa, CT Multislice, Digital Subtraction Angiography and Interventional Neuroradiology, Perfexion Gamma Knife and a complete range of spinal instrumentation for stabilizing the spine using metal implants.

**Gamma Knife Radiosurgery** is a non-invasive treatment for treating brain diseases. The gamma rays are precisely aimed in such a way that maximum concetration of radiation is directed at the diseased part of the brain while surrounding tissues remains unharmed. The major conditions being treated by Gamma Knife at GHRCL are Trigeminal Neuralgia, Arteriovenous Malformations, Essential Termors, Benign Tumors, Malignant Tumors, Parkinson's disease and other functional disorders.

**Cardiac Care** service is offered to the patients at GHRCL. In non-invasive cardiology the hospital provide services for Echoes, TMT, Pulmonary Function Test on a regular basis. Open heart surgery includes Coronary Artery Bypass Graft (CABG), Coronary Angiography (CAG), Percutaneous Transluminal Coronary Angioplasty (PTCA).

**Orthopaedics & Joint Replacement Centre** provide services such as joint replacement & arthroscopy, knee & hip clinic, sports medicine, shoulder & hand, pediatric orthopedic and orthopedic trauma.

**Nephrology** department is a professionally managed unit, equipped with a team of skilled and dedicated doctors and paramedical staff. It is equipped with the latest computerised dialysis machines, reverse osmosis water palnt to provide pure and trace element free water supply. The nephrology team also performs hemodialysis, other procedures includes insertion of catheters into blood vessels in and around kidney, kidney biopsies and permanent urinary catheter insertion and removal.

**Minimally Invasive Surgery/ Micro Surgical Techniques** are performed using minimally invasive techniques characterised by faster recoveries for patients, minimal blood loss, fewer post-surgical complications and minimal surgical trauma and risk of infection. Minimally Invasive Surgeries require advanced facilities, high technology equipment and a high level of surgical skills.

**Mother and Child Care** department provide exclusive srevices to mother and child. Gynecology procedures includes hysterectomy, which is surgical removal of uterus, abdominal cervicopexy, which corrects proplapse of uterus and ovarian cystectomy, which corrects cyst formation in the ovaries. Obstetrics and Neonatology procedures include antenatal care, normal deliveries, caesarian section deliveries, painless labor and management of high-risk pregnancies, incubation of newborn premature babies, intensive care for critically ill newborns, etc.

**Critical Care** at Goodwill Hospital exists to provide acute care for those patients who are generally unstable, critically ill and those in urgent need of advanced monitoring and intensive treatments of an ICU. The team provides a full spectrum of medical, cardiac surgery and taruma critical care services to the sickest of the patients.

**Diagnostics** department is fully complete with High End Imaging facilities for Computerised Tomogarphy (CT-64 Slice), Magnetic Resonance Imaging (MRI-1.5 Telsa), Pathology lab and Mixed Lab to carry out Interventions for cardiac, neuro and others. All X-rays and ultrasound investigations are carried out and digital imaging is available for quick and precise reporting.

**Emergency and Trauma Centre** at GHRCL has state-of-the-art accident and emergency unit with facilities of international standards and the wing is open for 24 hrs, 365 days a year. This department has facilities for providing ambulances which are well equipped with advance life support systems like high end transport monitors and ventilators to transport critically ill or injured patients to the centre.

**Preventative Healthcare** services are provided at reasonable cost in order to build a long term relationship as patients who come for health checkups generally come back to the same hospital if they require any treatment. Growing health consciousness among middle and high-income families in India is heralding a new business opportunity – preventative healthcare checkups is increasing day by day.

## **Strengths**

- **Quality patient care**

Goodwill hospital offers quality care to the patient. It provides facilities such as attractive architectural and design features, the use of special lighting and color and the reduction of 'Hospital odors' also enhance the patient experience. It has upgrade hospital as per the standards prescribed by NABH and applied for NABL and NABH accreditation. NABH is the accrediting agency in India that prescribes "Standards For Hospitals" operating in India. NABH is a constituent board of 'Quality Council of India' which is set up to establish and operate accreditation program for Healthcare organization.

- **Specialty Focus**

Goodwill healthcare has focus on neurology along with other clinical areas such as cardiology and cardiac surgery, orthopedics, urology and nephrology and critical care. It has installed "Perfexion" Gamma Knife Machine for the treatments of brain tumor. Goodwill healthcare is amongst the few hospitals in South and South East Asia to have this facility. It is investing significantly in the technology, equipment and infrastructure required to perform the most advanced procedures and to strengthen the specialty focus.

**Objects of the Issue****The objects of the issue are:**

1. Setting up of Diagnostic Centre at Faridabad
2. Establishment of six polyclinics
3. Repayment/prepayment of loan facilities
4. General Corporate Purposes

**Utilization of net proceeds**

<b>Particulars</b>	<b>(₹Cr)</b> <b>Amount</b>
Setting up of Diagnostic Centre at Faridabad	16.22
Establishment of Polyclinics	33.97
Repayment/Prepayment of loan facilities	10
General Corporate Purpose #	[•]
Expenses for the Issue #	[•]
<b>Total</b>	<b>[•]</b>

# will be incorporated at the time of filing of prospects

**Investment Risks**

(Please refer to the RHP for a complete listing of risk factors)

- There are two cases pending against the two of the company's director worth ~₹42Cr filed by Income Tax and Central Excise. However, there is no litigation outstanding against the company
- There has been delay in implementation of the proposed projects for which funds are proposed to be raised through the current issue. This has resulted in increase in cost of the proposed expansion. Any further delay is subject to risk of cost and time overrun.
- Very high Debt-Equity ratio of 2.8x as on June 30, 2011. The capacity to service debt depends on the continued profitability as demonstrated in the past. However, post issue the Debt-Equity ratio would come down to 1.1x
- The company has not applied for any regulatory approval required for setting up of diagnostic centre and polyclinics for which the funds are raised. The company requires number of approvals, licenses, registrations and permits for its business and failure to apply for such approvals or rejections of the application may adversely affect expansion plans.
- The company and its subsidiaries have availed unsecured loans from promoters and group entities which are interest free and are repayable on demand. Repayment of these loans, if called at short notice, may affect the company's cash flow adversely.
- The public issue is of equity shares aggregating to ₹62Cr along with one detachable warrant per equity share. If the warrant holder does not exercise his option to convert the warrant into equity, the same will lapse and the company may not be able to raise funds on such lapsed warrants. This may adversely affect cash flows and growth of the business.

## Restated Profit & Loss Statements

(₹ mn)

Particulars	FY07	FY08	FY09	FY10	FY11
<b>Total Revenues</b>	<b>36.01</b>	<b>54.90</b>	<b>104.61</b>	<b>228.97</b>	<b>535.34</b>
<b>Total Expenditure</b>	<b>26.53</b>	<b>41.73</b>	<b>50.19</b>	<b>57.88</b>	<b>150.90</b>
Raw Materials Expenses	5.35	9.12	11.06	9.66	27.96
Employees Expenses	3.43	9.08	11.24	16.02	29.98
Operating Expenses	13.55	20.32	23.83	25.75	56.67
Selling & Admin Expenses	4.12	3.13	3.97	6.41	36.29
Preliminary Expenses Written Off	0.09	0.09	0.09	0.04	0.00
<b>Gross Profit</b>	<b>9.47</b>	<b>13.16</b>	<b>54.42</b>	<b>171.09</b>	<b>384.44</b>
Other Income	0.26	0.05	0.06	0.13	0.49
<b>EBIDTA</b>	<b>9.73</b>	<b>13.21</b>	<b>54.48</b>	<b>171.22</b>	<b>384.93</b>
Depreciation	5.62	5.40	11.01	78.10	108.29
Interest	3.87	3.71	5.19	37.46	45.17
<b>EBT</b>	<b>0.24</b>	<b>4.10</b>	<b>38.29</b>	<b>55.66</b>	<b>231.46</b>
Tax	0.15	3.16	16.50	28.16	72.20
<b>Profit After Tax</b>	<b>0.09</b>	<b>0.94</b>	<b>21.79</b>	<b>27.50</b>	<b>159.26</b>

Source: RHP

## Restated Balance Sheets

(₹ mn)

Particulars	FY07	FY08	FY09	FY10	FY11
Gross Block	76.85	80.23	297.49	614.62	1294.64
Less: Accumulated Depreciation	13.26	18.66	29.67	107.15	214.72
Net Block	63.59	61.56	267.82	507.47	1079.91
Capital WIP	0.00	0.25	374.93	220.97	35.17
<b>Total Fixed Assets (A)</b>	<b>63.59</b>	<b>61.81</b>	<b>642.76</b>	<b>728.44</b>	<b>1115.09</b>
<b>Investments(B)</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>61.35</b>	<b>99.54</b>
Inventories	2.41	2.90	1.93	4.48	5.66
Sundry Debtors	3.42	4.96	4.19	5.46	41.70
Cash & Bank Balance	2.28	0.50	0.85	1.63	12.51
Loans & Advances	1.45	23.35	40.06	65.14	65.68
<b>Total Current Assets (C)</b>	<b>9.56</b>	<b>31.71</b>	<b>47.03</b>	<b>76.70</b>	<b>125.54</b>
Secured Loans	31.44	28.77	451.64	415.05	635.28
Unsecured Loans	0.00	0.00	96.34	190.11	237.90
Current Liabilities	2.55	5.34	11.44	24.56	32.99
Provisions	0.03	0.63	4.67	15.39	51.28
Share Application Money	15.94	31.66	9.40	49.40	0.00
<b>Total Liabilities (D)</b>	<b>49.96</b>	<b>66.40</b>	<b>573.50</b>	<b>694.51</b>	<b>957.45</b>
Net Deferred Tax	3.83	0.92	-11.42	-39.58	-54.30
<b>Net-Worth(A+B+C-D-E)</b>	<b>27.02</b>	<b>28.05</b>	<b>104.87</b>	<b>132.41</b>	<b>328.42</b>
1.ShareCapital	37.19	37.19	50.00	50.00	90.00
2.Reserves&Surplus	0.62	0.62	54.91	82.41	241.66
3.Debit P&L Balance	-10.58	-9.64	0.00	0.00	0.00
4.Micellaneous Expenditure	0.21	0.12	0.04	0.00	3.25
<b>Net-Worth (1+2+3-4)</b>	<b>27.02</b>	<b>28.05</b>	<b>104.87</b>	<b>132.41</b>	<b>328.42</b>

Source: RHP

# KEYNOTE

## Ratios

Particulars	FY07	FY08	FY09	FY10	FY11
EBIDTA Margins	27.0%	24.1%	52.1%	74.8%	71.9%
EBT Margins	0.7%	7.5%	36.6%	24.3%	43.2%
PAT Margins	0.3%	1.7%	20.8%	12.0%	29.7%
RONW %	0.3%	3.4%	20.8%	20.8%	48.5%
ROCE %	7.0%	13.7%	6.7%	12.6%	23.0%
Book Value	7.27	7.54	20.97	26.48	36.49
EPS	0.02	0.25	4.36	5.50	17.70
PE	7477.82	731.09	42.46	33.64	10.45
BV/Price	25.46	24.53	8.82	6.99	5.07

Source: RHP

## Peer Analysis

	Face Value	EPS	PE	RONW	NAV	CMP
Fortis Malar Hospitals Ltd	10.0	2.9	9.4	21.0	13.9	27.6
Kovai Medical Centre & Hospital Ltd	10.0	10.8	10.0	24.0	46.1	108.0
Regency Hospital Ltd	10.0	2.4	15.5	8.8	27.2	37.0

Source: RHP

**Keynote Capitals Ltd.**

**Member**

Stock Exchange, Mumbai (INB 230930539)  
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