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PE, VC firms chase small hospital deals

Mumbai: Small speciality hospitals have become happy hunting grounds for private equity and venture capital investors in the past two years and have received funds from investors, mostly venture capital firms, to bankroll their expansion plans.

Mumbai's Beams Hospitals Pvt. Ltd, Chennai's Vasan Healthcare Pvt. Ltd, Delhi's Centre For Sight, Bangalore's Healthcare Global Enterprises and Kolkata's Glocal Healthcare Systems Pvt. Ltd are a sampling of such hospitals that have received investments from venture capital firms in the past few months.

The trend, say analysts, has been triggered by growing demand for modern health care and the capital efficiency of such small hospitals.

Interestingly, data suggests deal sizes have been becoming smaller even as the number of deals has increased.

There was one investment worth \$20 million (Rs. 90.8 crore) in 2008, according to data from Venture Intelligence, a research firm that tracks the private equity and mergers and acquisition space; five worth \$30 million in 2009; and at least six worth \$25 million in 2010.

“Speciality healthcare centres can operate in isolation without huge infrastructure or the need to be attached to a big hospital. So the model is asset light and the gestation period is shorter, which is an attractive proposition for investors,” said Rajesh Singhal, managing partner, Milestone Religare Investment Advisors Pvt. Ltd. Singhal added that the return on investment is usually in the range of 15% to 20%. Milestone Religare is a Rs. 600 crore fund, which focuses on investments on education and healthcare.

It has invested \$7 million in Healthcare Global Enterprise cancer hospitals and Rs. 60 crore in Krishna Institute of Medical Sciences, a Hyderabad-based multi-specialty hospital.

Most of the smaller hospitals are also very focused in their approach.

Beams Hospitals, for instance, which is looking to set up 10 new hospitals across India has already identified the locations (affluent neighbourhoods) for some of these and will continue to only deal with cases that require minimum surgical intervention.

The services offered by Beams include those in gynaecology, obstetrics and urology. "Patient satisfaction (combined) with unique features such as homely ambience and updated medical technologies are the key elements in this model," said Beams' chief executive officer S. Krishnamoorthy. Private equity firm Ambit Pragma Ventures Pvt. Ltd. is an investor in Beams Hospitals (amount undisclosed).

Rajeev Agrawal, partner at Ambit Pragma Ventures said: "We are helping create a chain of surgery centres for non critical surgeries. Today, these surgeries are performed in large hospitals, but there is a compelling case for them to be performed in smaller dedicated surgery centres."

Another healthcare company, Glocal Healthcare System, promoted by a former bureaucrat and the former chairman of Securities Exchange Board of India M. Damodaran, plans to set up a chain of small 30-bed hospitals in rural India focusing on primary and secondary healthcare.

Last month, it raised its first round of investment of \$3.36 million from Elevar Equity and Sequoia Capital.

"This project has the potential to meet its commitment to rural India and also raise the level of healthcare in general," Sandeep Farias, managing director and co-founder of Elevar was quoted as saying in a statement put out at the time.