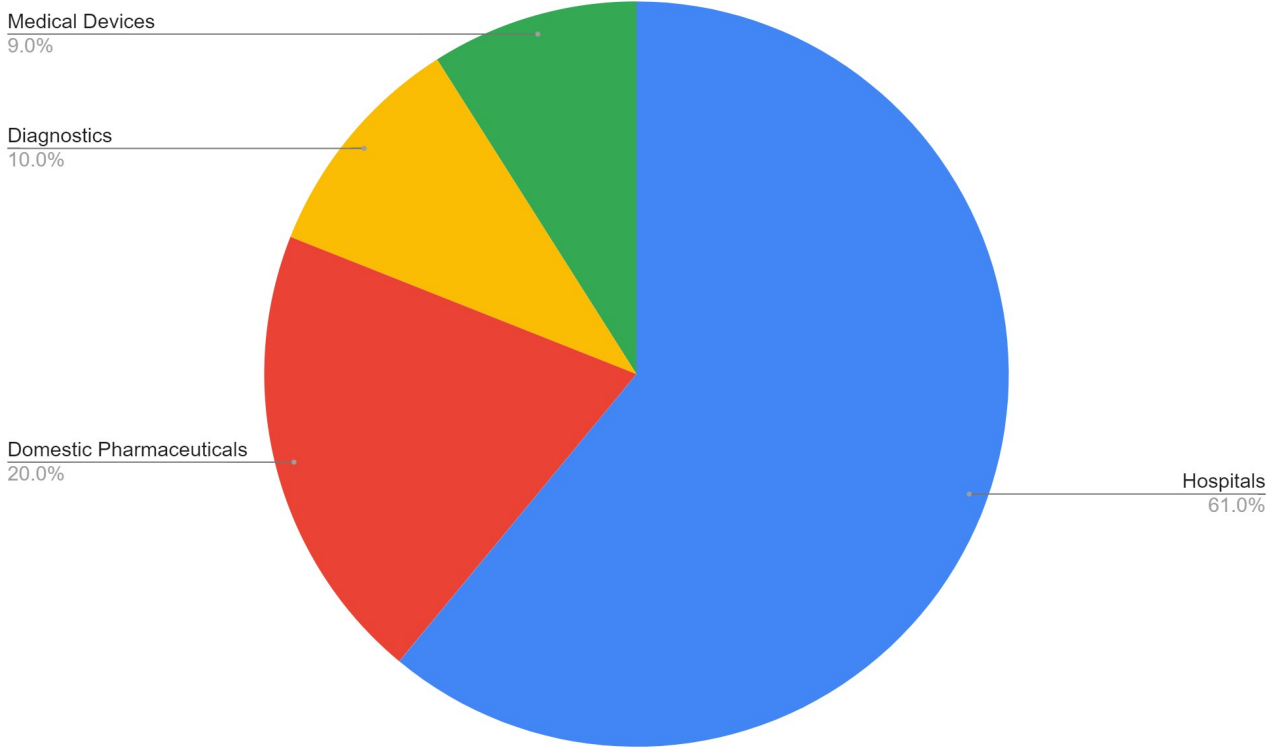


Overview of The Hospital Sector

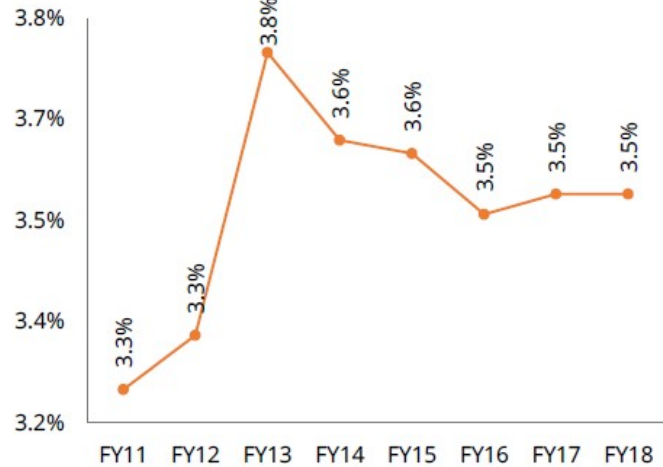
Share of Hospitals as part of Indian healthcare spent



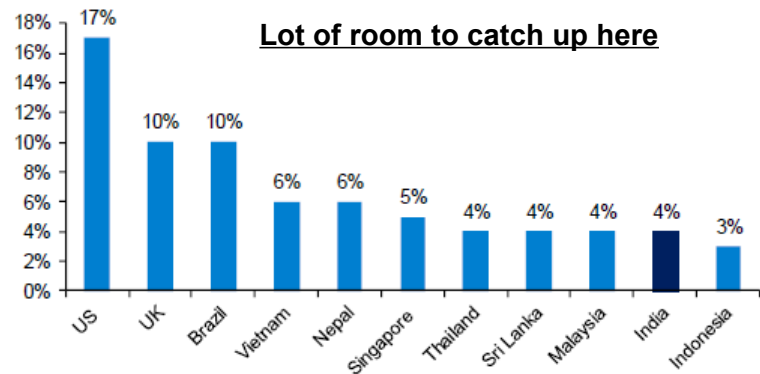
Indian healthcare industry, December 2021 (%)

Source: Company filing

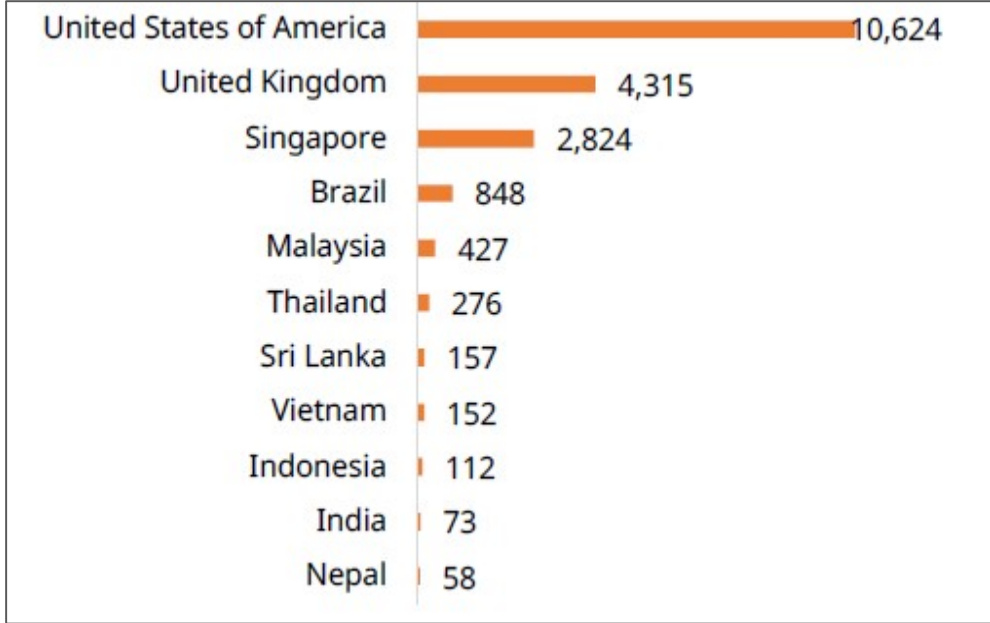
Total Healthcare expenditure as % of GDP (India)



Lot of room to catch up here

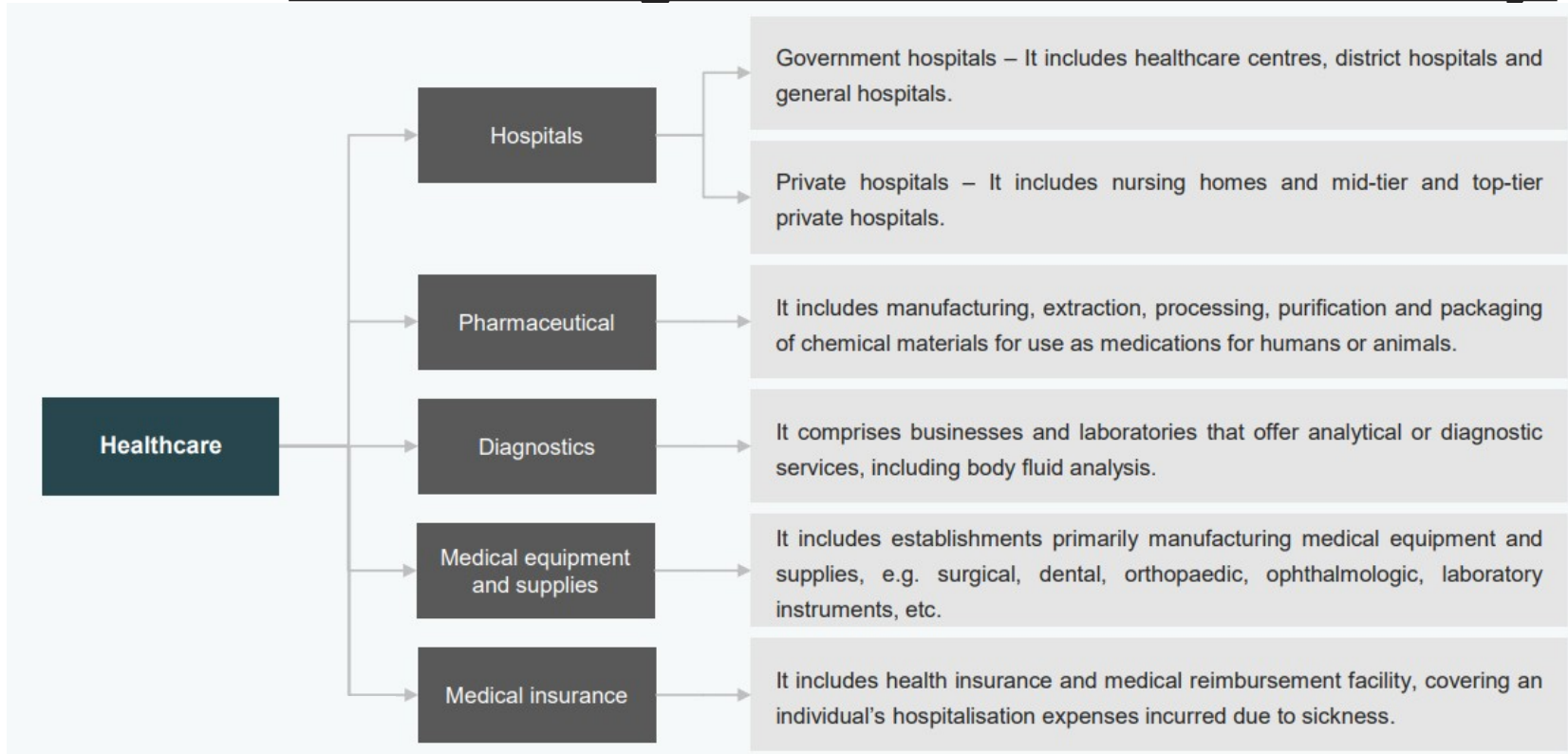


Per Capita expenditure on health in USD (2018)

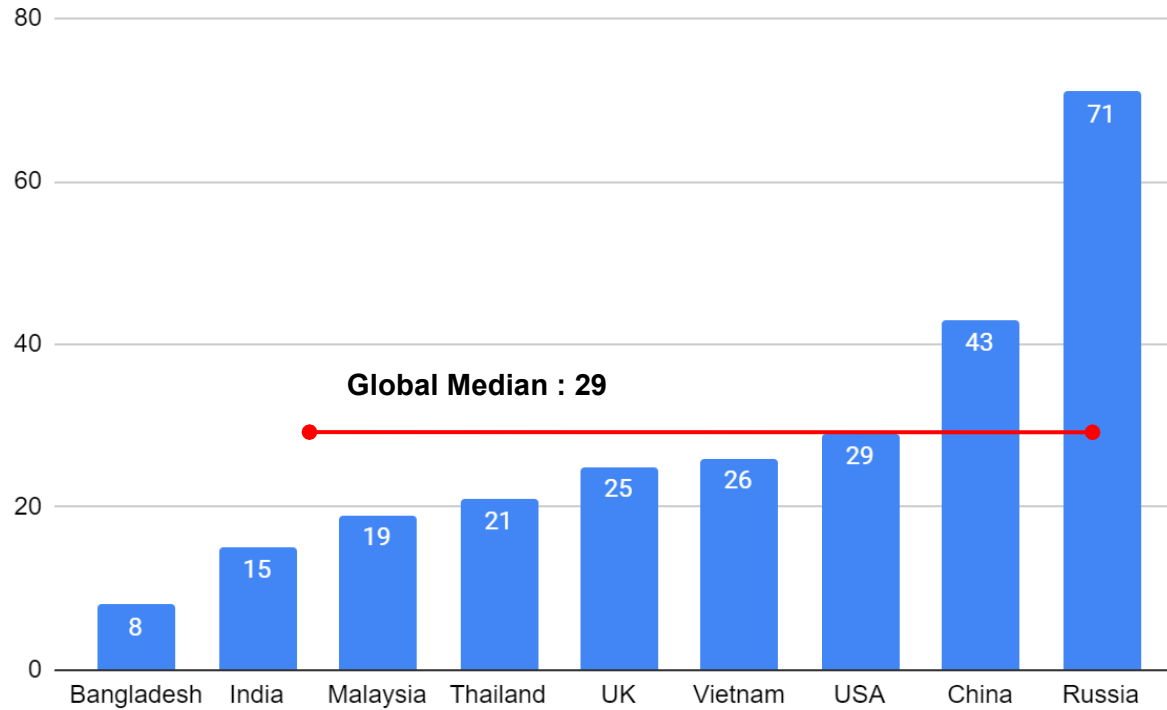


Source : CRISIL

Five sub-segments of healthcare industry

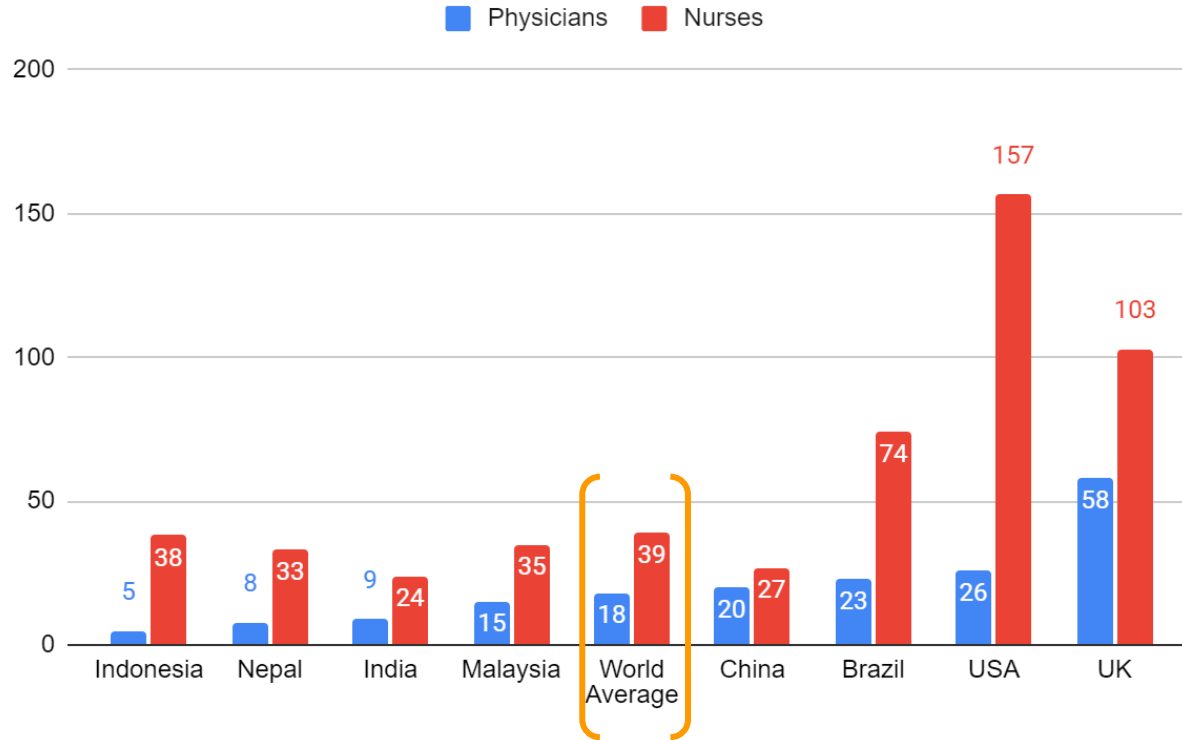


Bed density in India Vs developed & emerging economies



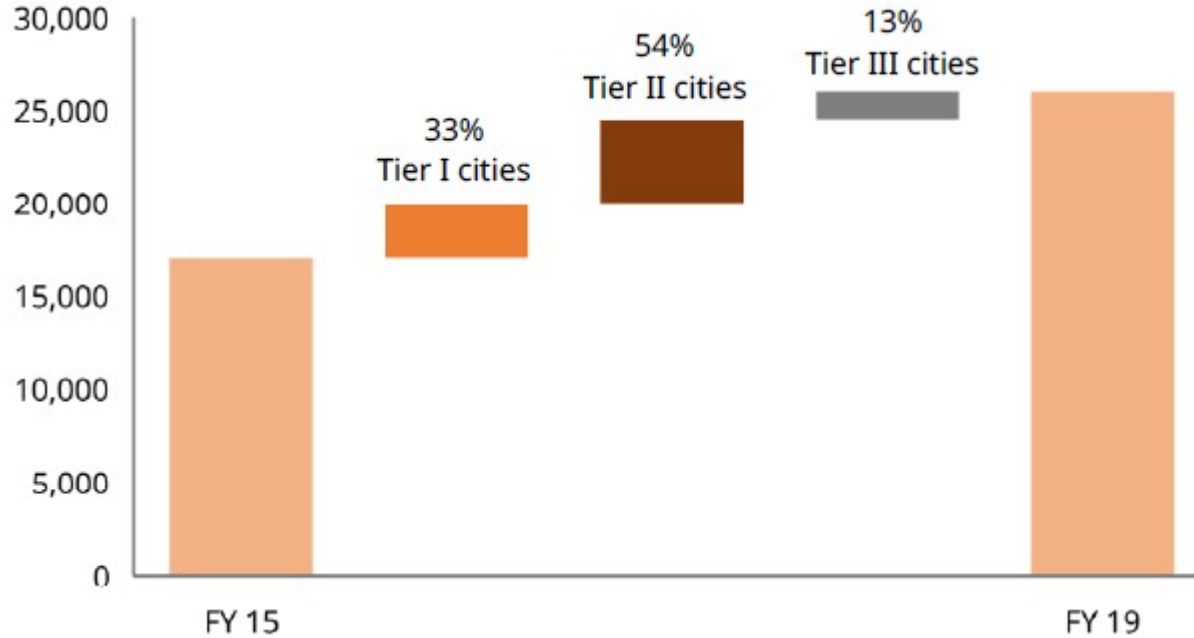
Beds per 10,000 population, December, 2021

Availability of medical personnel is lower than global average



Per 10,000 population, December, 2021

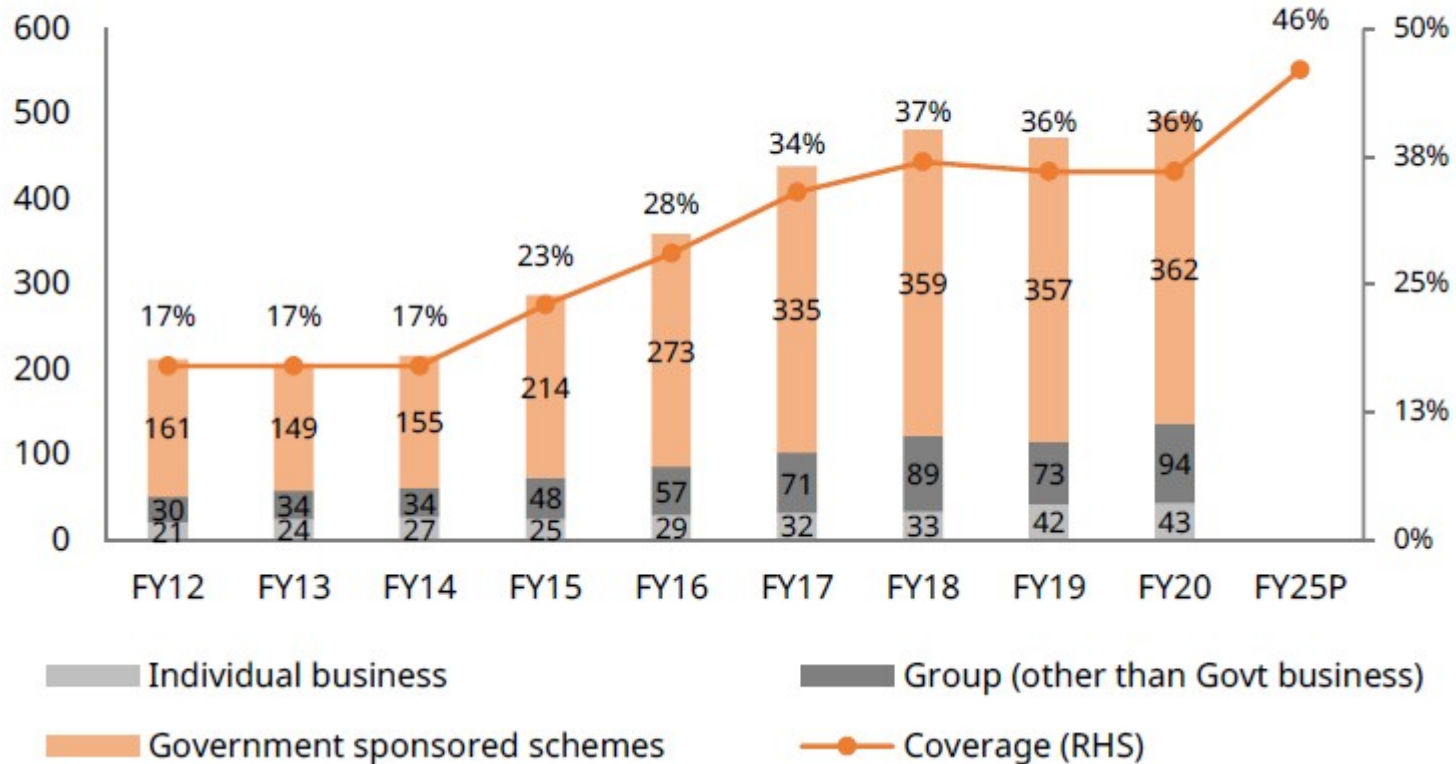
Region-wise incremental bed addition



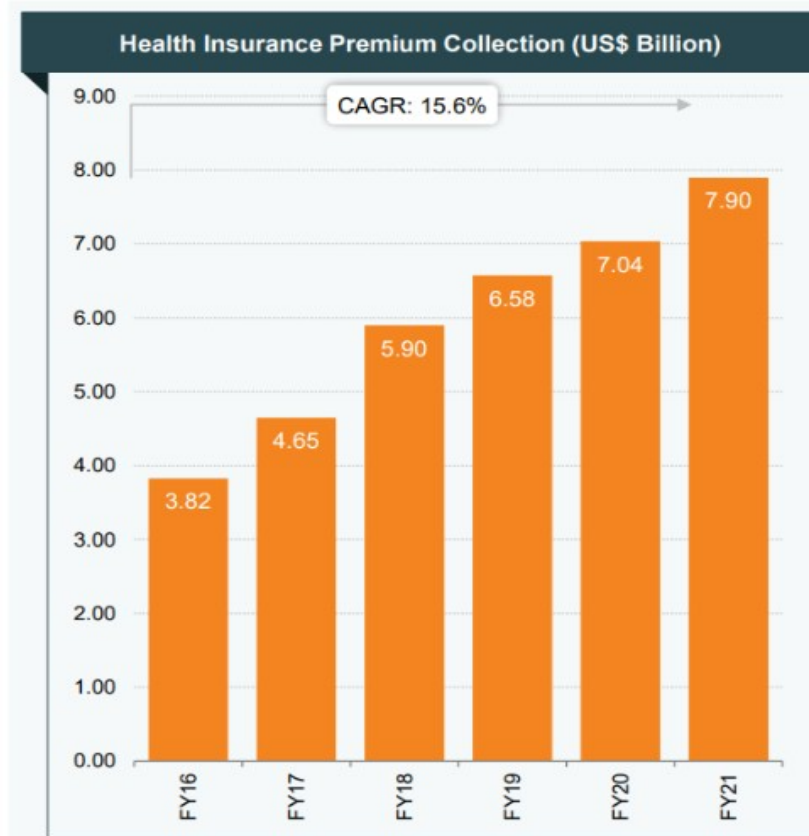
Source: Company filing

Population wise distribution of insurance

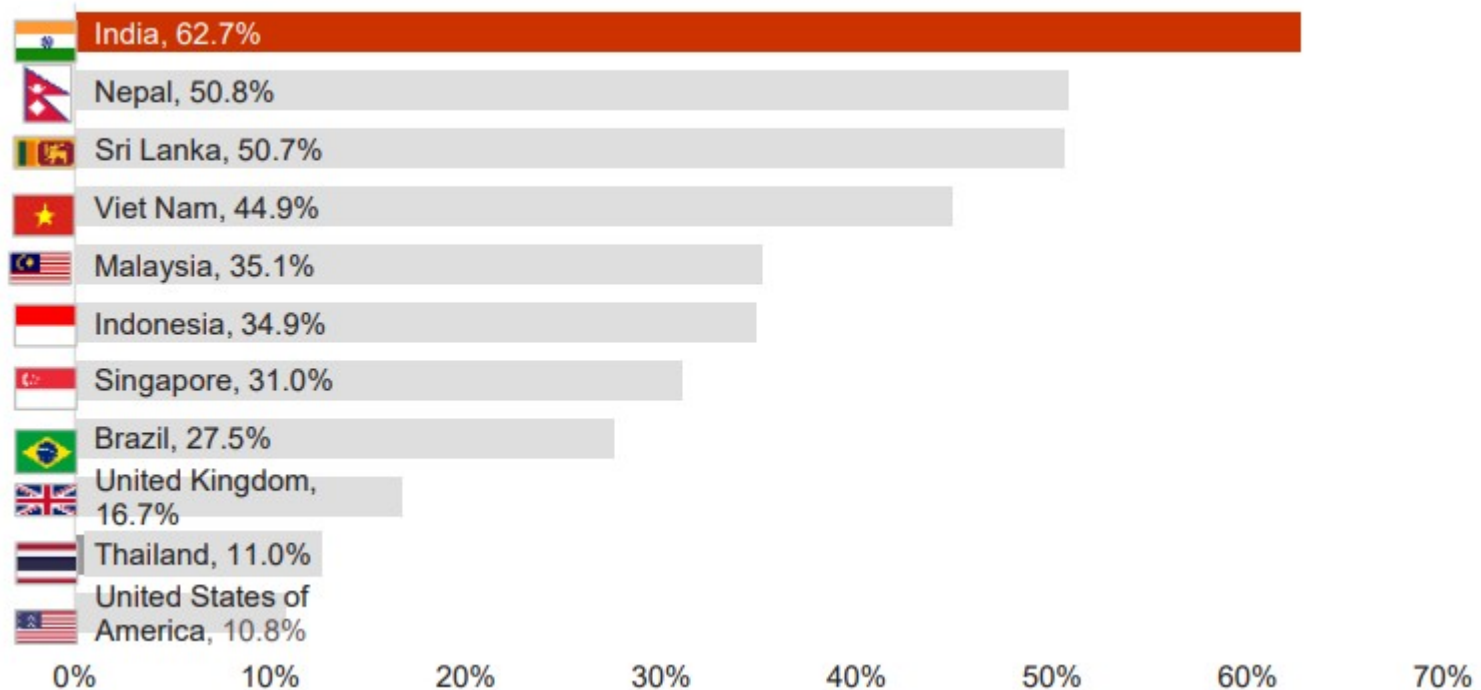
(INR mn)



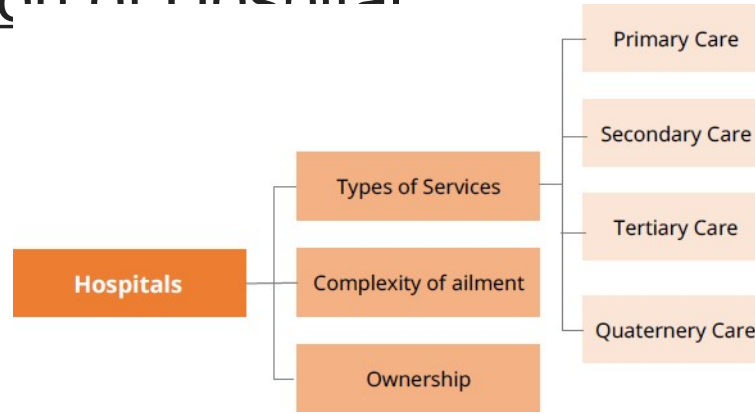
Growth in Medical premium collection



Out-of-pocket spend as % of Healthcare Expenditure (2018)



Classification of Hospital



	Primary Care	Secondary Care	Tertiary / Quaternary
<u>Services</u>	Provides basic services	Services + medical research	Organised research in specialties
<u>Type of Services</u>	Only medical services	Medical & Surgical Services	Complex surgical services with sophisticated equipments
<u>Type of Patient</u>	Outpatient	Inpatient & Outpatient	Primarily In-Patient
<u>No of beds</u>	0	50-200	>200
<u>Investment</u>	Very low	Medium	High

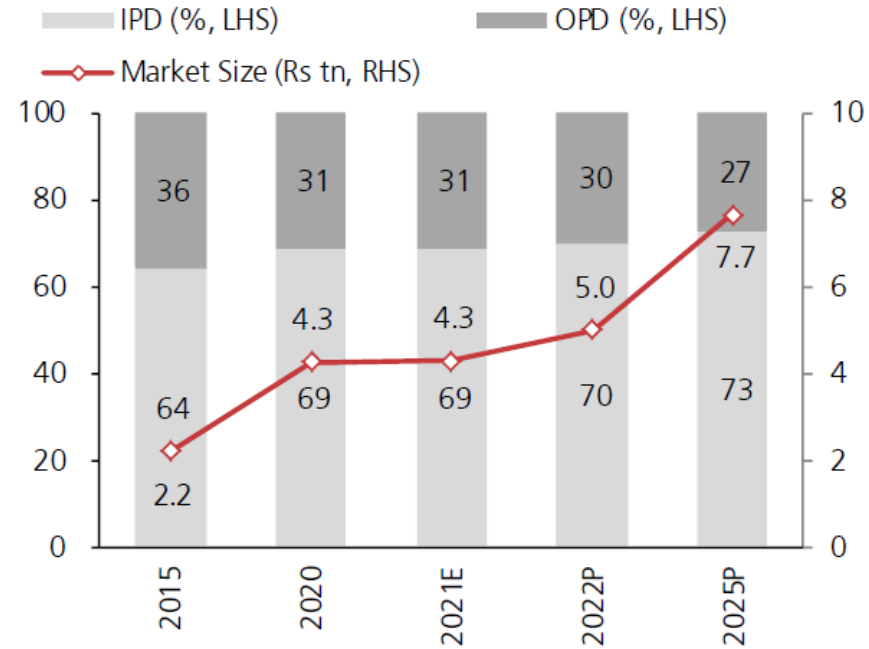
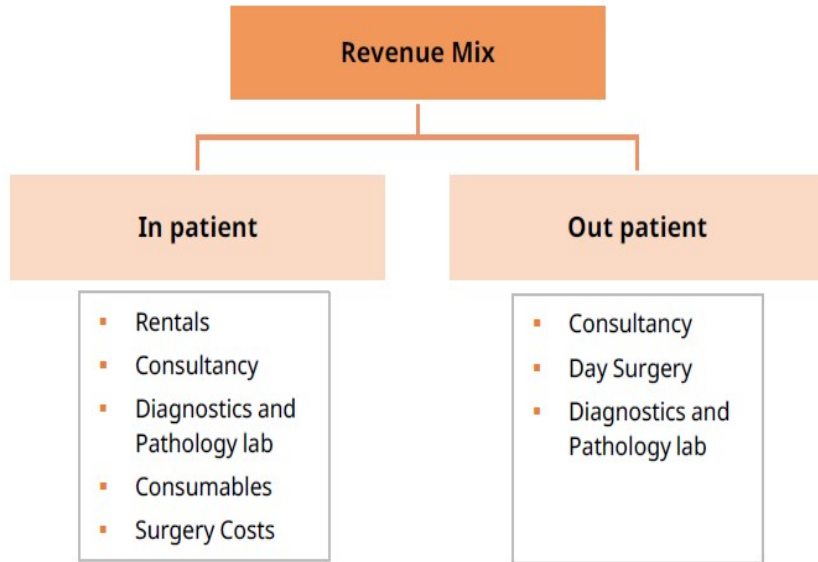
Classification by Ownership

Government	BMC hospitals, KEM Hospital, Cooper Government Hospital (Mumbai)
Private	Asian Heart Institute, Apollo Hospitals, Fortis, Max Healthcare
Trust	Lilavati, Hinduja Hospital
Trust owned but managed by private party	Max Hospital in NCR, Balabhai Nanavati Hospital in Mumbai
Owned by one private player, managed by another	East coast hospital in Puducherry managed by Fortis

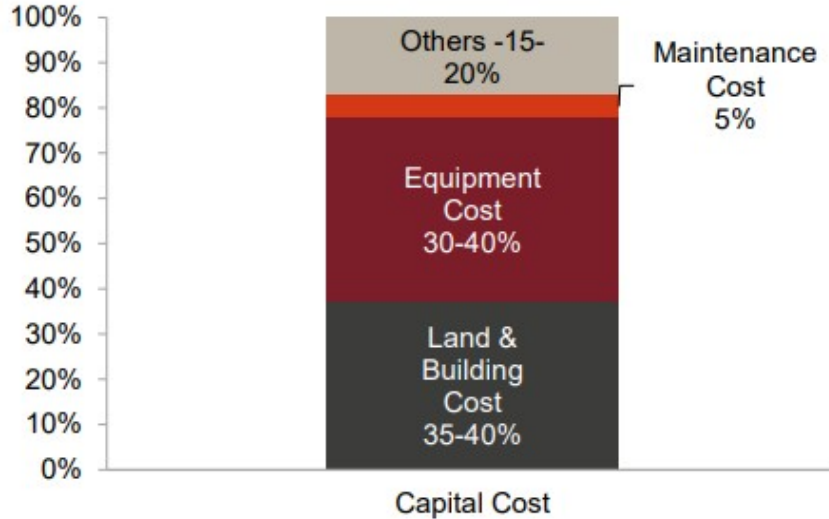
Revenue and Cost structure

-

Revenue split of patient



Cost structure of hospital



<u>Capital Cost / bed</u>	<u>Secondary Care</u>	<u>Tertiary / Quaternary</u>
Tier - I	Rs 50-80 Lacs	Rs 1-1.5 Crore+
Tier - II	Rs 25-50 Lacs	Rs 50-80 Lacs
Tier - III	Rs 10-25 Lacs	Rs 25-50 Lacs

Operating cost structure

1. Cost of Material Consumed (20-25%)

- Consumables, drugs & day to day primary tools / accessories etc_

1. Manpower Expenses (~40%)

- Staff Cost + Nurses Salary + Prof. Fees paid to doctors

1. Other Expenses (Overheads) (~20%)

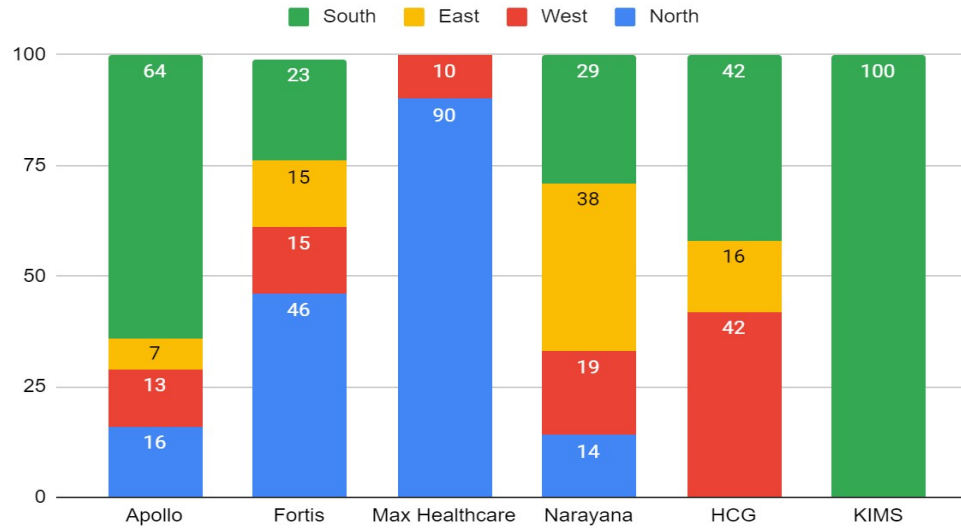
- Operating Rent / Revenue Share, Repairs & Maintenance, Power & Fuel, Mktg & Advts

-

Competitive Mapping of Key Players

Company	Year of Incorporation	Geographic Presence	Key Specialities
Apollo Healthcare	1979	Pan India	Cardiology, Neurology, Oncology
Fortis	1996	Pan India	Cardiology, Orthopaedics, Neurology
Max Healthcare	2000	North india	Oncology, Pulmonology, Cardiology
Narayana Hrudayalaya	2000	Pan India	Cardiology, Gastro, Oncology
HCG Ltd	1998	Pan India	Oncology
KIMS Ltd	2000	South India	Cardiology, Neurology, Renal
Shalby	2004	North West India	Orthopaedic, Cardiology, Oncology

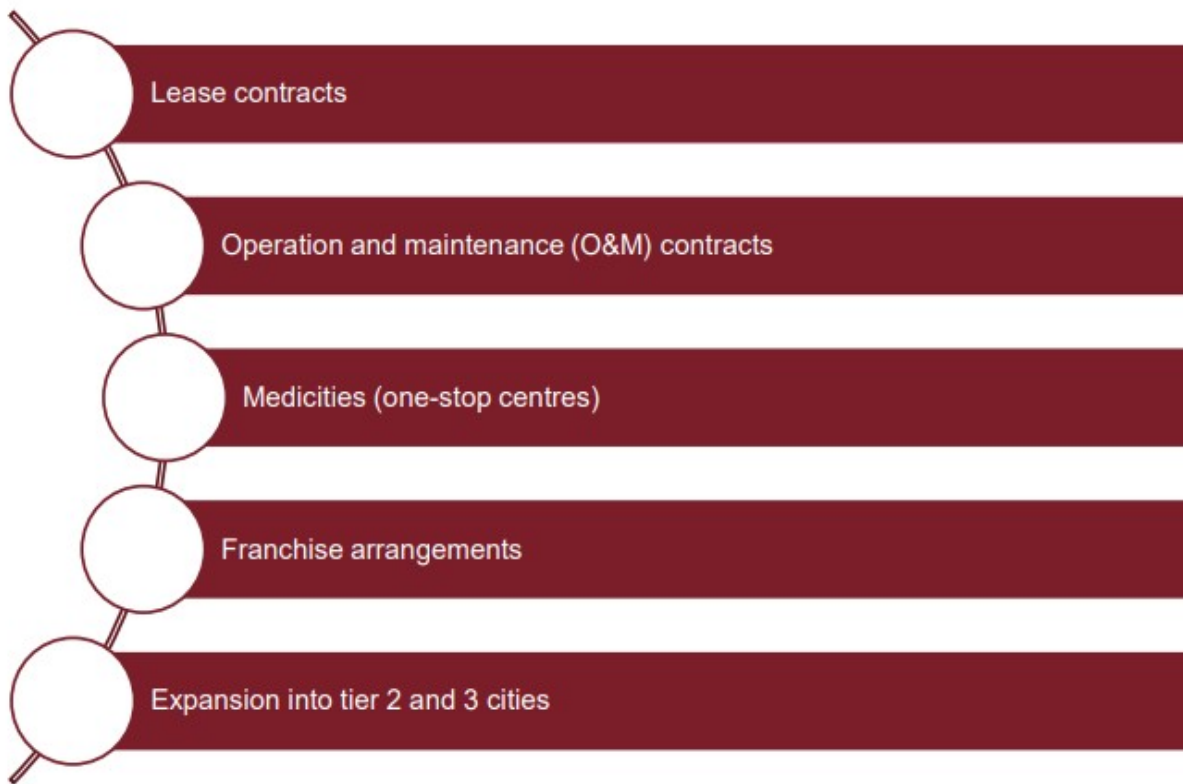
Regional revenue mix of key listed players (Year 2020)



- Key advantages :

- (A) Understanding the mentality of patients
- (B) Understanding the mentality of doctors
- (C) Integrating talent from well-established allied workforce

Emerging business models



Narayana Hrudayalaya (NH)

Model	No of Hospitals	Remarks
Owned	4	Owned and operated by NH
Leased	7	Some leases are taken from Govt on a perpetual basis
PPP	2	Involves nominal investment in partnership with public entities
Revenue Share	6	Pays revenue share to owner of the hospital
Managed	4	Mgmt services provided to 3rd parties for a fee. NH doesn't own P&L responsibility.

Model : Owned Vs Leased

Company	Particulars	Remark
Apollo	Most properties are owned	Prefers to own land; 70% of hospitals are owned by Apollo
Aster DM	Mix of owned, leased and O&M basis	13 Hospitals in GCC & 19 hospitals in India
Fortis	Owned model	Post buy out of stake - Fortis now owns 100% of property
HCG	Only 4 (out of 25) is on owned land	Cancer center are on lease basis; HCG investing only in equipment
Max Health	Mix of owned, leased and O&M basis	10 owned/ leased hospitals, 4 partnered facilities, 2 Radiant hospitals on O&M basis
Narayana	Only 4 (out of 20) are on owned land	Tie-up with trust

Source : Company data

Medical Tourism

-

Prices of Common Medical Procedures Across Major Destinations (USD)

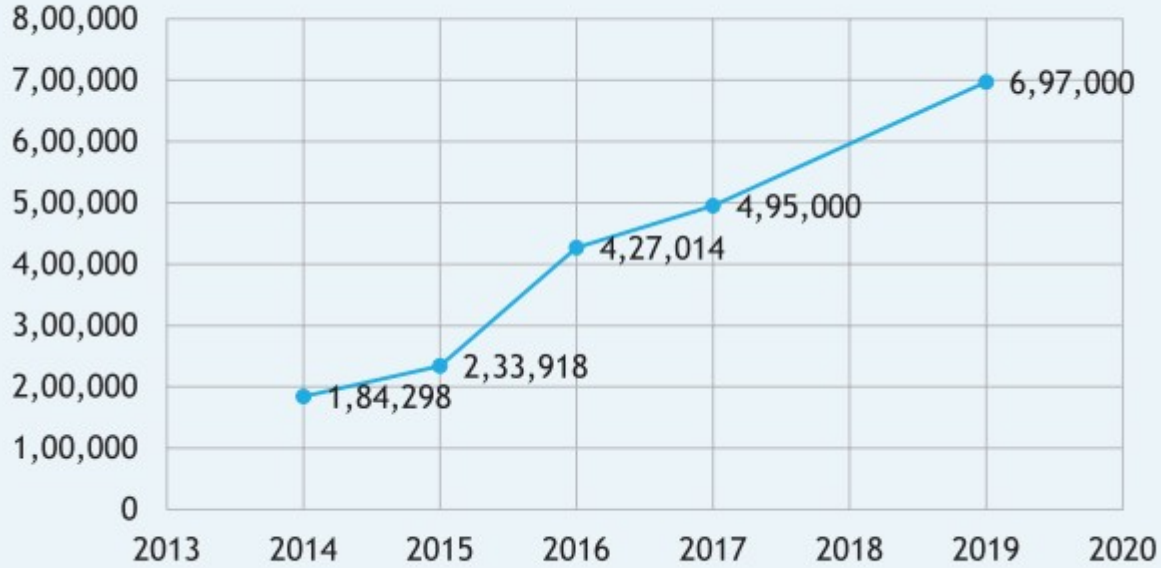
Medical Procedure	India	Thailand	Malaysia	Singapore	Turkey	South Korea
Heart Bypass	7,900	15,000	12,100	17,200	13,900	26,000
Angioplasty	5,700	4,200	8,000	13,400	4,800	17,700
Heart Valve Replacement	9,500	17,200	13,500	16,900	17,200	39,990
Hip Replacement	7,200	17,000	8,000	13,900	13,900	21,000
Hip Resurfacing	9,700	13,500	12,500	16,350	10,100	19,500
Knee Replacement	6,600	14,000	7,700	16,000	10,400	17,500
Spinal Fusion	10,300	9,500	6,000	12,800	16,800	16,900
Dental Implant	900	1,720	1,500	2,700	1,100	1,350
Lap Band	7,300	11,500	8,150	9,200	8,600	10,200
Gastric Sleeve	6,000	9,900	8,400	11,500	12,900	9,950
Gastric Bypass	7,000	16,800	9,900	13,700	13,800	10,900
Hysterectomy	3,200	3,650	4,200	10,400	7,000	10,400
Breast Implant	3,000	3,500	3,800	8,400	4,500	3,800

Low Price

Moderate Price

High Price

Number of Foreign Tourist Arrivals in India on Medical Visa




Source : Niti Aayog Report


Notable Trends



Electronic Health Records




Artificial Intelligence, Blockchain



Radiology information system



Clinical decision support system



Mobile-based applications



Telemedicine



Robotic surgery



Wearables and sensors

Growing focus towards Health-Tech

- India ranks 4th in attracting VC funding to the health-tech sector
- Foray of major players - Tata Group, Flipkart, Amazon
- Start-up Healthifyme

Policy support & Govt initiatives

- Ayushman Bharat (PMJAY)
- National Health Insurance Mission to cover entire population
- National Digital Health Mission (NDHM)
- Various Tax incentives
- Encouraging policies for FDI in the private sector

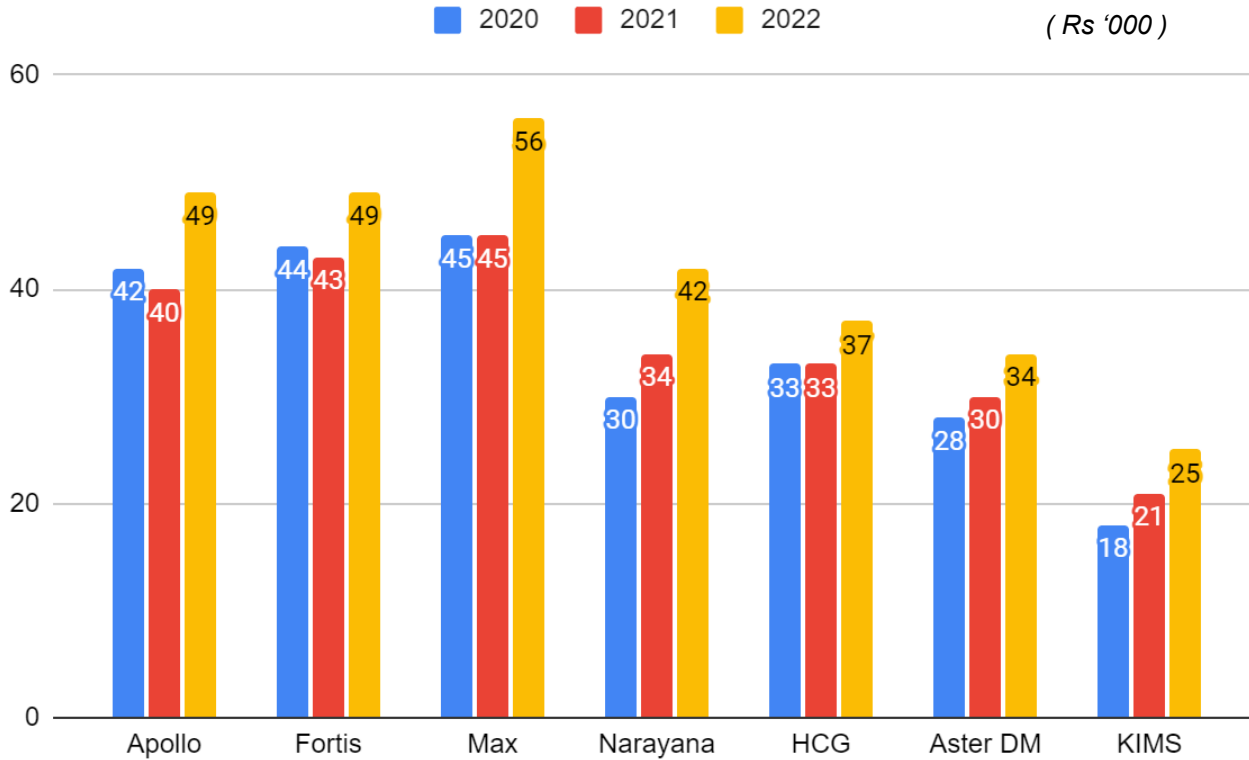
Private Equity Deals over the last few years

Company	Amount (USD Mn)	Investors
Fortis	575	IHH Healthcare
Radiant Life care	200	KKR
Condis Healthcare	200	India Value Fund
Manipal Health Enterprise	171	TPG Capital
HCG Enterprise	150	CVC Capital
Medanta	114	Temasek
Max Healthcare Institute	75	IFC
Cloud Nine	61	India Value Fund

Peer Comparison

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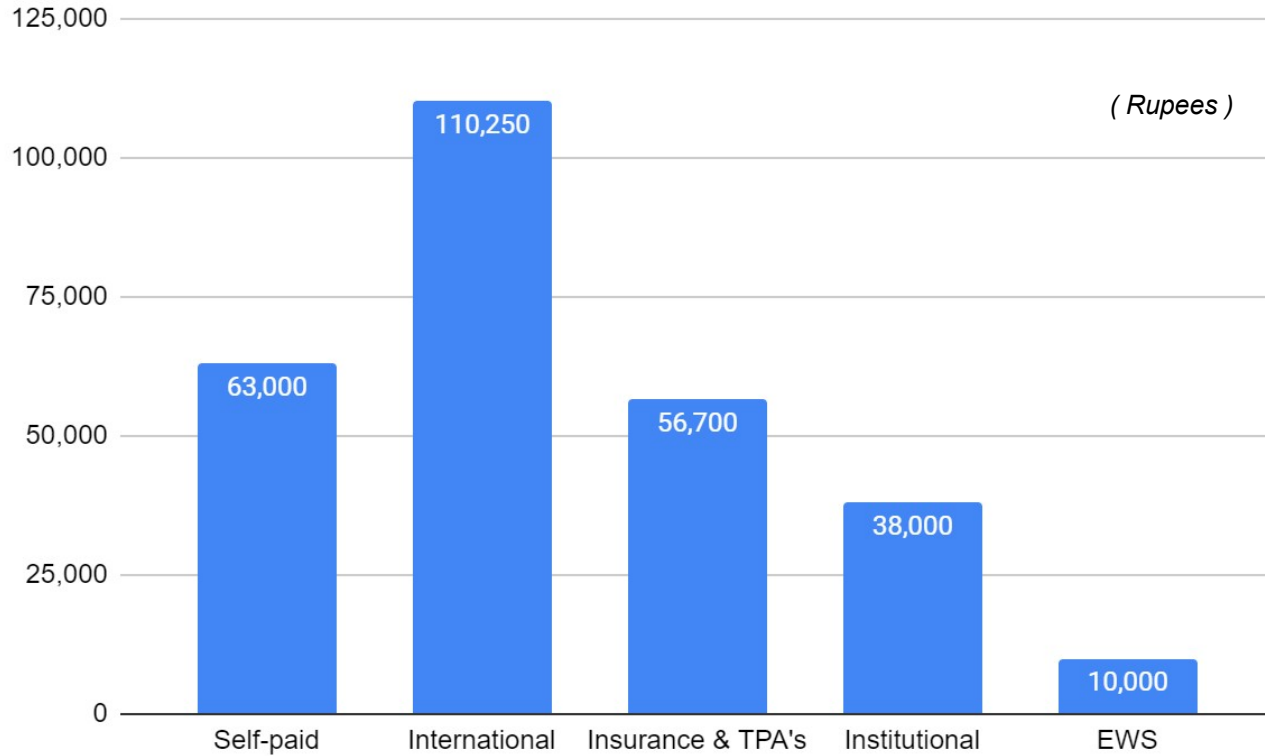
ARPOB among listed Indian peers



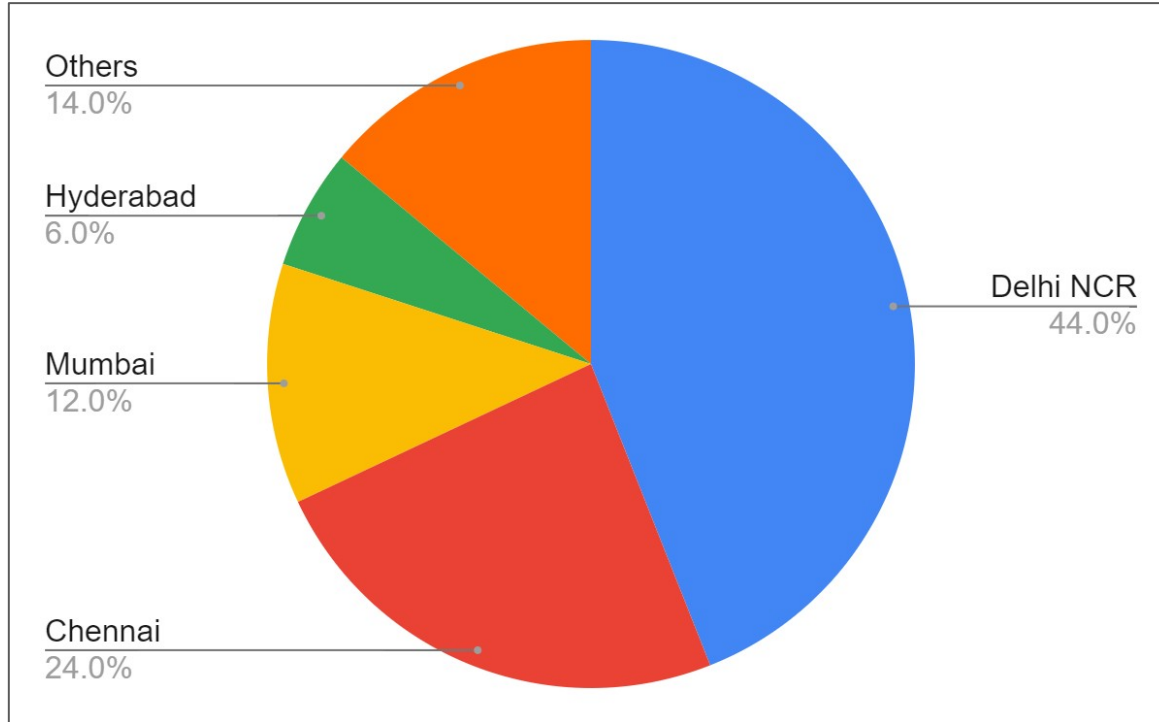
ARPOB - Average Revenue per Occupied Bed

Source: Company data

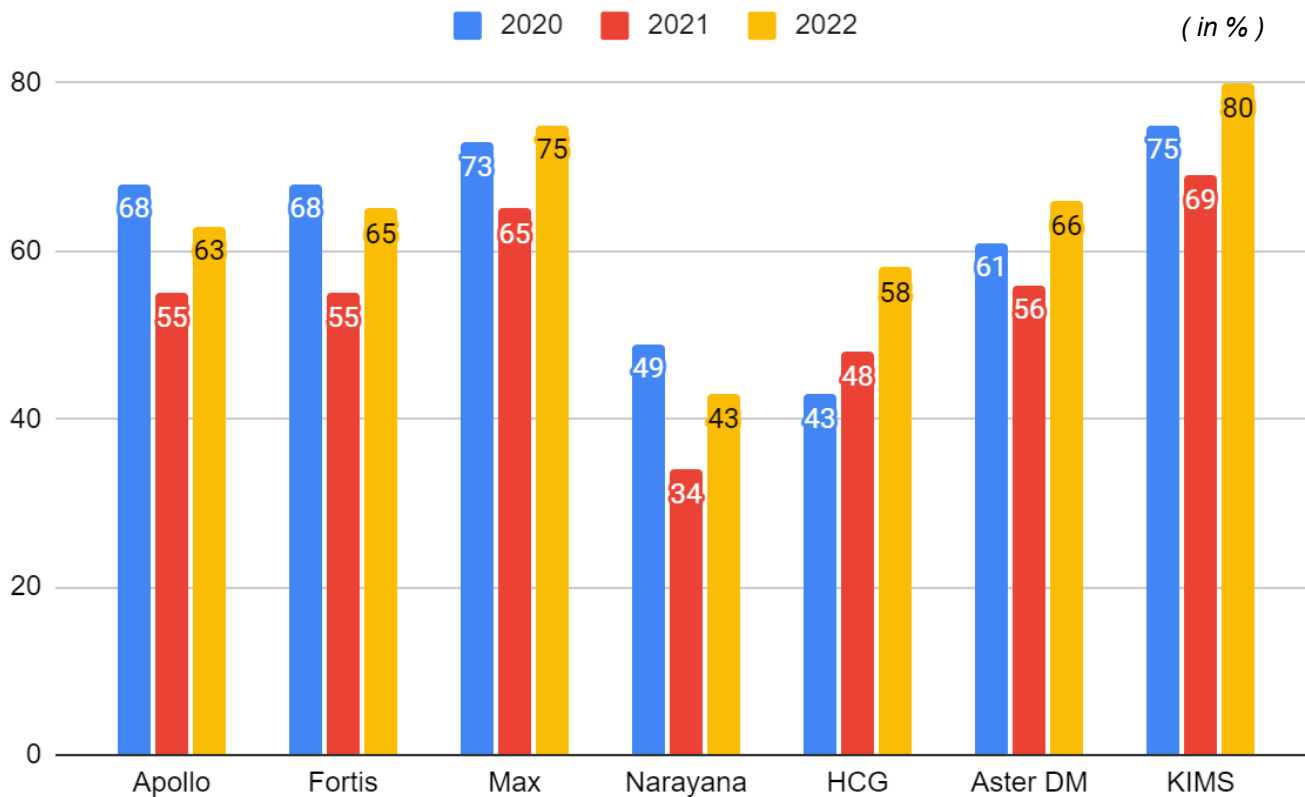
International patients have higher ARPOB compared to other segments



Delhi NCR attracts highest international patient footfalls across India

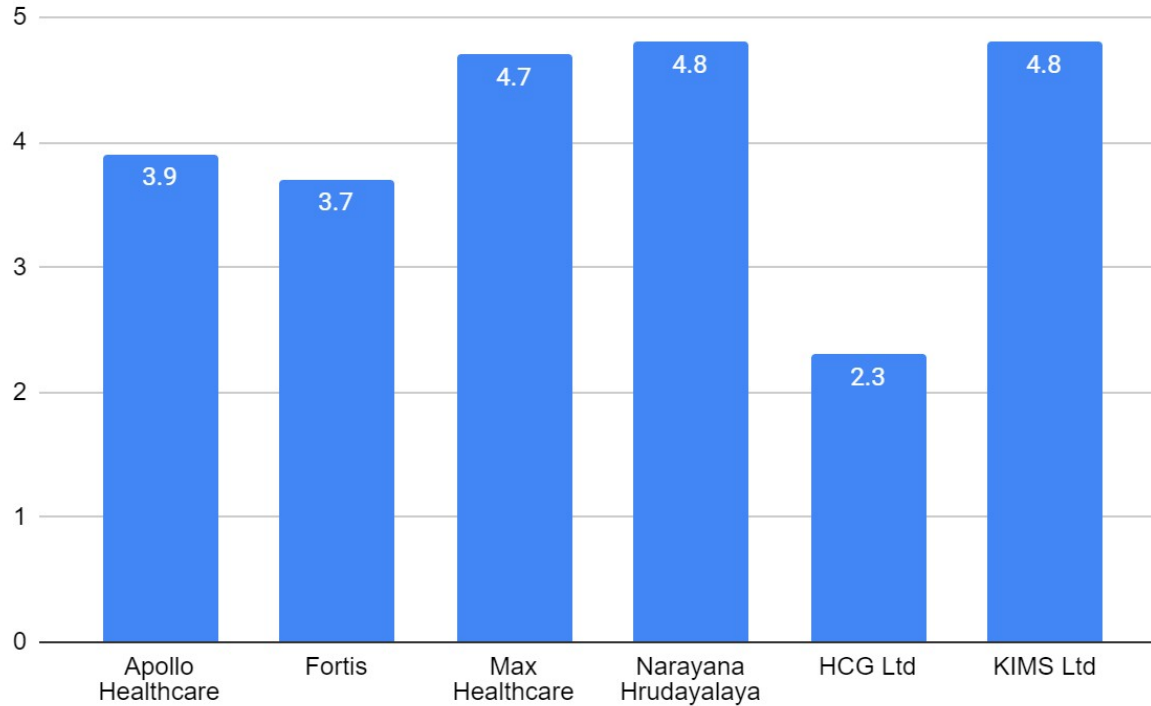


Occupancy % among peer companies



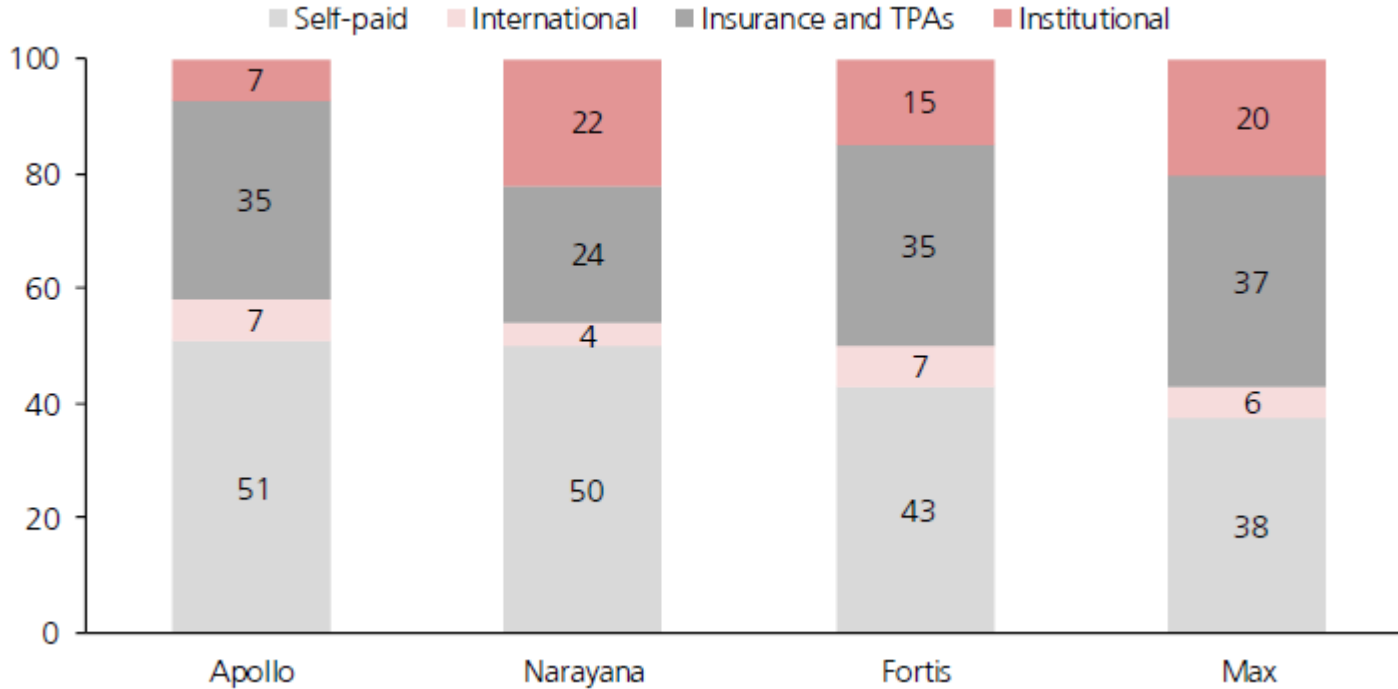
Average length of stay (ALOS)

(No of Days)



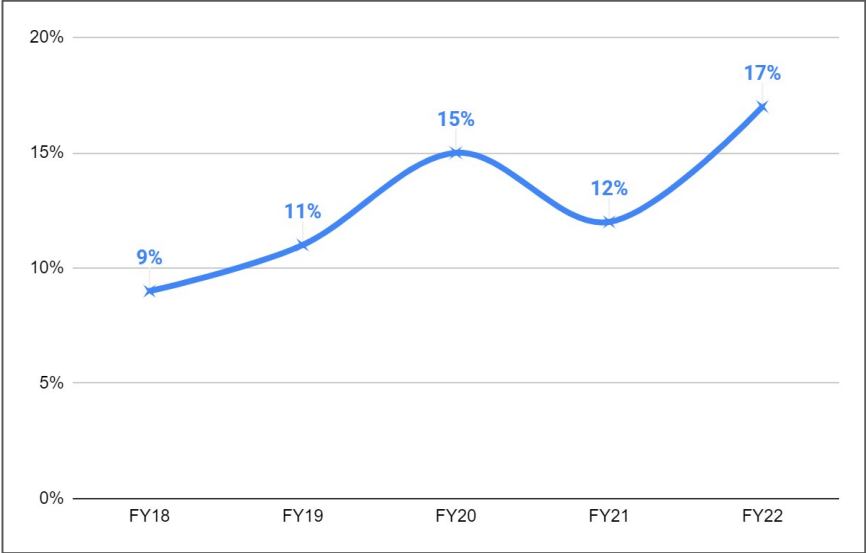
Revenue mix from Patients

(in %)

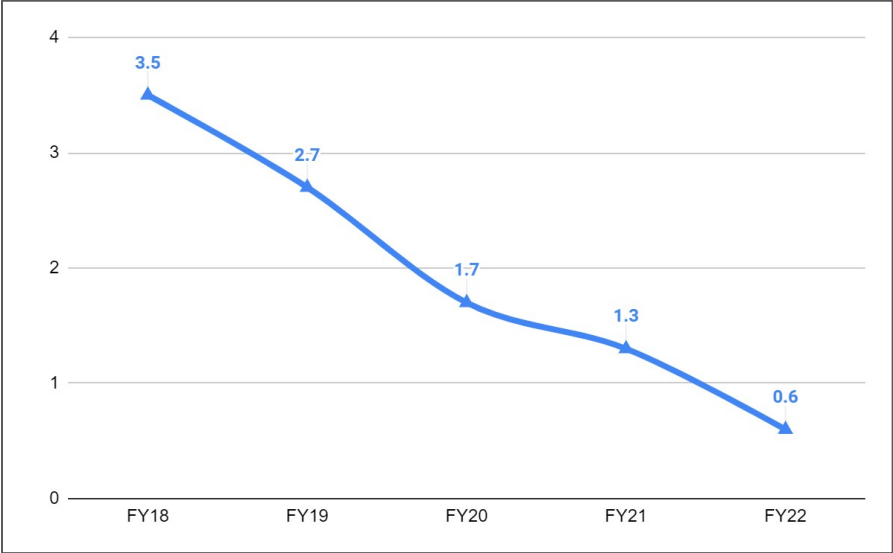


Source: Company data

Average EBITDA Margin & Net Debt/EBITDA trend



EBITDA Margin (%)

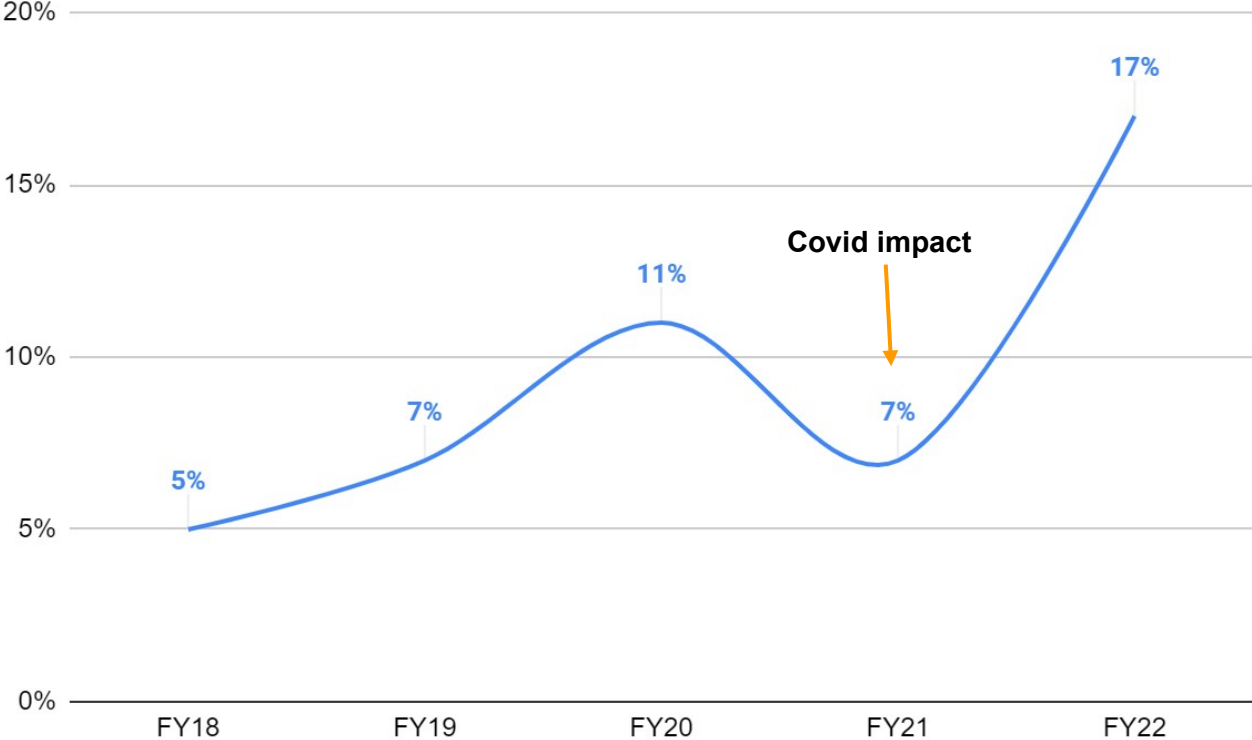


Net Debt / EBITDA (x)

FY21

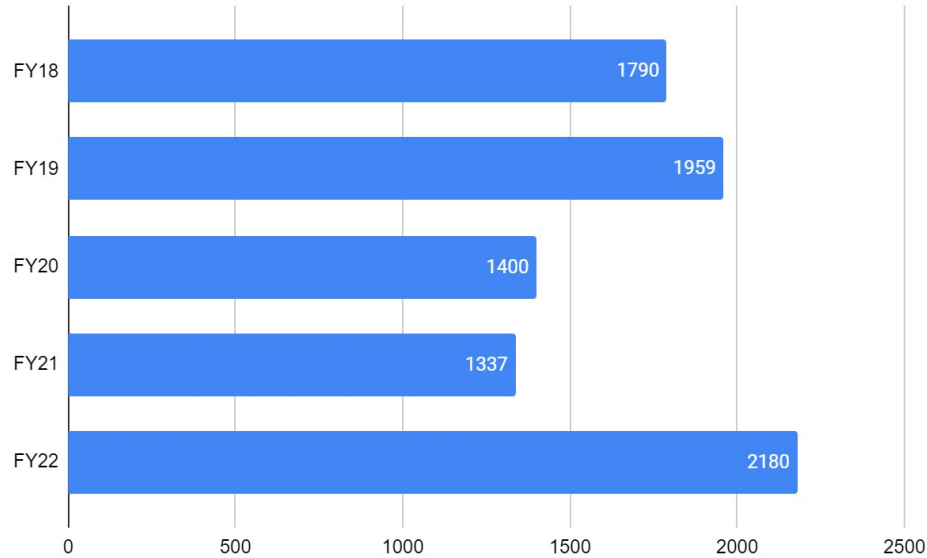
EBITDA	No of Facilities	Revenue contribution (%)	Occupancy (%)
>25%	7	42	67
20-25%	3	19	65
15-20%	4	23	71
10-15%	3	6	52
<10%	6	10	52

Average ROCE trend for 8 listed Indian hospitals



Capex trend of Listed Players

Rs in Crs



Company	Operational Beds (FY22)	Bed expansion plans
Apollo	7860	2000
Fortis	3880	1500
Max Healthcare	3270	2850
Narayana	6180	800
Aster DM	3830	1770
KIMS	1590	2125
HCG	1701	0
Total (Incl others)	30510	11350

Valuation of Listed Hospital Companies

Rs Crs	Market Cap	Net Debt / (Cash)	EV / Bed (Rs Mn)	EV/EBITDA	P/E
Apollo	57,800	885	84	27x	66x
Max Healthcare	36,500	215	127	38x	57x
Fortis	22,300	580	44	27x	54x
Narayana	14,300	83	25	20x	38x
KIMS	9,500	-200	43	18x	31x
HCG	3,800	190	23	16x	-
Aggregate	163,000	3200	55	21x	48x



Key Pain Points

- Government spends on healthcare is one of the lowest in the world
- Dearth of Qualified Medical Professionals
- Structural Deficiencies - Inadequate Healthcare Infrastructure
- Lack of health insurance in India
- Regulatory intervention
- Capex intensive sector

Comparison of Healthcare sub-segments

<u>Particulars</u>	<u>Hospitals</u>	<u>Diagnostic</u>	<u>Pharmaceuticals</u>
Fixed Asset requirement	High	Low	Medium
Working Capital usage	Low	Low	Medium
Regulatory Risk	Low	Low	High
Competition	Medium	High	High
Customer loyalty	High	Low	Medium

Sources

- PM-JAY Annual report
- IBEF
- Company data
- KIMS DRHP
- CRISIL Report
- World Health Organisation
- Sell side report

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Thank You