

# IPO Note

November 02, 2022

## Global Health Limited





## Issue Snapshot:

Issue Open: Nov 03 – Nov 07, 2022

Price Band: Rs. 319 –336

\*Issue Size: Rs 2205.57 cr (Fresh issue of Rs. 500 cr + offer for sale of Rs 50,761,000 eq sh)

Reservation for:

QIB	upto	50% eq sh
Non Institutional	atleast	15% eq sh
((including 1/3 <sup>rd</sup> for applications between Rs.2 lakhs to Rs.10 lakhs))		
Retail	atleast	35% eq sh

Face Value: Rs 2

Book value: Rs 66.17 (June 30, 2022)

Bid size: - 44 equity shares and in multiples thereof

100% Book built Issue

## Capital Structure:

Pre Issue Equity:	Rs.	50.66 cr
*Post issue Equity:	Rs.	53.64 cr

Listing: BSE & NSE

Book Running Lead Managers: Kotak Mahindra Capital Company Ltd, Credit Suisse Securities (India) Private Ltd, Jefferies India Private Ltd, JM Financial Ltd

Sponsor Bank: Kotak Mahindra Bank Ltd and HDFC Bank Ltd

Registrar to issue: KFin Technologies Ltd

## Shareholding Pattern

Shareholding Pattern	Pre issue %	Post issue %
Promoter and Promoter Group	35.03	33.08
Public	64.97	66.92
<b>Total</b>	<b>100.0</b>	<b>100.0</b>

\*=assuming issue subscribed at higher band  
Source for this Note: RHP

## Background & Operations:

Global Health Limited (GHL) is one of the largest private multi-speciality tertiary care providers operating in the North and East regions of India in terms of bed capacity and operating revenues amongst the players that operate in the North and East regions of India, as of and for the financial year ended March 31, 2022, with key specialties of cardiology and cardiac science, neurosciences, oncology, digestive and hepatobiliary sciences, orthopaedics, liver transplant, and kidney and urology. Under the “Medanta” brand, it has a network of five hospitals currently in operation (Gurugram, Indore, Ranchi, Lucknow and Patna) and one hospital (Noida), which is under construction. As at June 30, 2022, it provides healthcare services in over 30 medical specialties and engage over 1,300 doctors led by experienced department heads and, spanning an area of 4.7 million sq. ft., its operational hospitals have 2,467 installed beds.

GHL strives to deliver advanced healthcare by establishing institutes of excellence that integrate medical care, teaching and research all while providing affordable medical services to patients. Its hospital at Gurugram was ranked as the best private hospital in India for three consecutive years in 2020, 2021 and 2022, and was the only Indian private hospital to be featured in the list of top 200 global hospitals in 2021 and was featured in the list of top 250 global hospitals in 2022 by Newsweek. The hospital at Gurugram was also featured in the list of world’s best specialized hospitals for cardiology and neurology in 2022 and the list of world’s best specialized hospitals for cardiology in 2021 by Newsweek and was awarded the ‘Best Multi-Speciality Hospital – National’ at the ‘Economic Times Healthcare Awards 2021’ and ranked as the best multispecialty private hospital in North India by ‘The Week’ in 2021. In addition, the hospital at Gurugram ranked as the best multi-speciality private hospital in North India and the second best private hospital in India as per “Best All India Multi Speciality Hospital Ranking 2022” by Outlook and NEB Research.

As at March 31, 2020, GHL had 2,141 installed beds, which grew to 2,467 installed beds as at June 30, 2022, representing a growth of 15.23%. Upon operation of its Noida hospital in Fiscal 2025, GHL expect the number of total installed beds to exceed 3,500 at the end of Fiscal 2025, which will cater to domestic and international patients as part of its strategy to capitalize on medical tourism. Its facilities have received national and international accreditations, such as from the Joint Commission International (“JCI”) in the case of its Gurugram hospital, the National Accreditation Board for Hospitals and Healthcare Providers (“NABH”) in the case of its Gurugram, Lucknow, Indore (such accreditation expires on November 9, 2022 and its renewal application is currently pending) and Ranchi hospitals, and the National Accreditation Board for Testing and Calibration Laboratories (“NABL”) in the case of the lab at Gurugram hospital. GHL’s blood bank facility at Gurugram hospital is also NABH accredited.

In Fiscal 2021, GHL took the outpatient department pharmacies in-house at its Gurugram, Lucknow, Indore and Ranchi hospitals, and launched outpatient department pharmacy at south Delhi clinic and home care services in Gurugram and New Delhi. In Fiscal 2022, it launched the outpatient department pharmacy at its Patna hospital. Its pharmacies provide convenient access to necessary pharmaceuticals for patients. For home-care services, it has scaled up its telemedicine and remote delivery of healthcare services, and the monthly average consultation via video and telephone in Gurugram increased by 1,419.33% from 419 in Fiscal 2020 to 6,366 in Fiscal 2021 and by 33.60% to 8,505 in Fiscal 2022 and was 5,070 in the three months ended June 30, 2022. Its home-care sample collection services (“Home Care Services”) provide sample collection, delivery of medicine, preventive health checks, paediatric vaccinations, and nursing services (by transaction), all at the convenience of the patient’s home.



**Objects of Issue:**

The Offer comprises a Fresh Issue by GHIL and Offer for Sale by Anant Investments (i.e., Investor Selling Shareholder) and Sunil Sachdeva (jointly with Suman Sachdeva) (i.e., Individual Selling Shareholders).

**Offer for Sale**

The Offer for Sale comprises of up to 50,761,000 Equity Shares by the Selling Shareholders in the Offer comprising up to 50,661,000 Equity Shares by Anant Investments (i.e., Investor Selling Shareholder) and up to 100,000 Equity Shares by Sunil Sachdeva (jointly with Suman Sachdeva) (i.e., Individual Selling Shareholders). The Selling Shareholders will be entitled to their respective portion of the proceeds of the Offer for Sale after deducting their proportion of Offer expenses and relevant taxes thereon. GHIL will not receive any proceeds from the Offer for Sale and the proceeds received from the Offer for Sale will not form part of the Net Proceeds.

**Objects of the Fresh Issue and requirement of funds**

GHIL proposes to utilize the net proceeds of the Fresh Issue (“**Net Proceeds**”) towards funding of the following objects:

- The Company proposes to utilize the net proceeds of the Fresh Issue (“**Net Proceeds**”) towards funding of the following objects:
- General corporate purposes

**Utilization of Net Proceeds**

Particulars Rs Mn.	Amount to be funded from the Net Proceeds
Investment in two of its Subsidiaries, GHPPL and MHPL, in the form of debt or equity for repayment/prepayment of borrowings, in full or part, of such Subsidiaries	3750.0
General corporate purposes	*
<b>Total</b>	*

**Competitive Strengths**

**Tertiary and quaternary care provider in India, recognised for clinical expertise in particular in dealing with complicated cases:** For the last three years (2022, 2021 and 2020), GHIL hospital in Gurugram has been rated as the best private hospital in India by Newsweek. It is also the only private hospital in India to feature in Newsweek’s list of the top 200 global hospitals in 2021 and was featured in the list of top 250 global hospitals in 2022 by Newsweek. It achieved this leadership position by the focusing of its experienced doctors on treating complicated cases and also ensuring at the same time the best quality of care. The hospital in Gurugram has been honoured with numerous awards including being featured in the list of world’s best specialized hospitals for cardiology and neurology in 2022 by Newsweek, the list of world’s best specialized hospitals for cardiology in 2021 by Newsweek and was ranked first for emergency/trauma, neurology, gynaecology, and ranked second for cardiology, gastroenterology, nephrology, oncology and urology by ‘The Times of India’s Critical Care Study 2021’.

GHIL focus on quality tertiary and quaternary care, treatment of lifestyle diseases, provision of value-based treatments and work on a high number of critical, complex cases. These procedures have included a number of complex surgeries, including a paediatric liver transplant for a three-month old infant in 2020, a 3D printed titanium spine implant procedure in 2017, and a successful intestinal transplant in 2013.

**Focus on Clinical Research and Academics:** GHIL is also focused on clinical research and academics. Established in 2009, its clinical research facility is another driving force behind high standard of care. It established “The Medanta Institutional Tissue Repository” in 2017 to promote biomarker and other tissue-based research. Doctors associated with its hospitals have published 451 peer reviewed indexed journal publications between January 2021 and June 2022. It has on-going research studies and are currently working with Qure.ai to develop artificial intelligence algorithms with the aim of increasing productivity and improving the accuracy and speed of medical diagnoses, particularly in radiology scans. It covers 37 specialties under the Diplomate of National Board (“**DNB**”) and Fellowship in National Board programs with over 100 approved seats (number of students that GHIL can accept to train at its facilities). Since the inception of academic program, it has successfully graduated 325 students across 36 specialties for the DNB and, as at June 30, 2022, it had 184 students undergoing training at its hospitals.

**‘Doctor-led’ hospitals driven by skilled and experienced doctors in the healthcare space:** GHIL were founded by Dr. Naresh Trehan, a world-renowned cardiovascular and cardiothoracic surgeon. It has been awarded the highly prestigious Padma Bhushan and the Padma Shri by the Government of India and the BC Roy award as well as a special award for outstanding contributions as ‘Indian Father of Cardiac Surgery’ by the American Association of Cardiologists of Indian Origin. Dr. Trehan is the driving force behind its hospitals. Under his leadership, GHIL has managed to successfully recruit and retain skilled and experienced healthcare professionals. As at June 30, 2022, it had a team of more than 6,000 medical professionals, including over 1,300 doctors and over 3,700 nurses and over 1,000 paramedical



personnel. Its doctors are skilled and experienced in their respective fields and almost all its clinical department heads are recognized by their peers in the industry as among the leaders in their specializations. Its senior doctors have been trained in some of the leading medical institutions in India and across the world, and comprise recipients of Padma Bhushan, Padma Shri, and BC Roy awards, in addition to numerous other accolades and awards from various State Governments and industry bodies. GH's infrastructure, technology and, most importantly, the doctor-driven culture of the organization has allowed it to attract and retain some of the clinical leaders in India. Since the opening of its Gurugram hospital in 2009, it continues to employ, or have on retainer, over 66% of its original clinical department heads in Gurugram, as of June 30, 2022, an attribute of its doctor-driven culture which has allowed it to recruit an equivalent level of quality clinical talent across all its other units.

**Large-scale hospitals with sophisticated infrastructure, medical equipment and technology:** GH hospital at Gurugram has been designed with a focus on creating a safe and efficient environment for patient treatment. It was designed to comply with JCI requirements and encompassing all major medical specialities under one roof. The Gurugram hospital has a built-up structure of more than 2.0 million sq. ft. with 40 operating rooms, and installed bed capacity of 1,391 including 285 ICUs beds, as of June 30, 2022. In Lucknow, it has over 1.3 million sq. ft. and installed bed capacity of 473 as of June 30, 2022 with capacity to accommodate over 900 beds, while Patna has approximately 1 million sq. ft. with 228 installed beds as of June 30, 2022 (designed to accommodate over 500 beds).

GH place a high focus on infection control practices in design and operations (e.g. dedicated air-handling units for all operating theatres and ICUs, dedicated transplant rooms with positive pressure and isolation rooms in each ICU). It maintains a high proportion of operating theatres, procedure rooms and ICUs relative to overall bed strength given the heavy procedure-orientation of the clinical work, and modular design across all units to enable scaling up and down as per occupancy and speciality requirements. In addition, it also equips its hospitals with latest medical technology and equipment and diagnostic instruments with the aim of providing its patients with accurate diagnoses and effective treatments. GH's infrastructure and latest technology have improved its operational efficiency and enhanced patients' experience.

**Track record of operational and financial performance:** GH has grown to hospitals with 2,467 installed beds across five cities as at June 30, 2022. It has consistently delivered high operational and financial performance through high patient volumes, cost efficiency and diversified revenue streams across medical specialities. Its newer hospitals have benefited from the established image and credibility of the "Medanta" brand, able to tap into their potential for growth. Its business has demonstrated sturdy financial performance over the last three Fiscals and weathered the challenges of Covid-19. Since Fiscal 2020 GH has focused on managing its operational efficiency and cost base and has been able to secure reductions in its operating costs by reducing employee benefit expense to revenue ratios from 35.91% in Fiscal 2020 to 32.23% in Fiscal 2021 and 26.21% in Fiscal 2022, and from 27.37% in the three months ended June 30, 2021 to 25.20% in the three months ended June 30, 2022.

GH was able to achieve revenue of over Rs.500 million in nine specialities indicating the diversified revenue streams across multiple specialities in Fiscals 2020, 2021 and 2022. In Fiscals 2020, 2021 and 2022 and the three months ended June 30, 2021 and 2022, its debt to EBITDA ratio was 2.70, 2.89, 1.71, 1.71 and 1.40, respectively, and as at March 31, 2020, 2021 and 2022, and June 30, 2021, 2022, its gearing ratio (Debt to Equity) was 46.09%, 46.63%, 51.85%, 50.87% and 47.41%, respectively.

**Focus on under-served areas with dense population and presence in top or capital cities of large states (NCR, Lucknow and Patna):** In line with the mission to deliver advanced healthcare to all GH's expansion beyond its flagship hospital in NCR has focused on under-served areas with dense population. Lucknow had an estimated total of 1,718 beds in key private hospitals, as of March 2022, for a population of approximately 2.8 million and Patna had an estimated total of 933 beds in key private hospitals, as of March 2022, for a population of approximately 1.7 million. It is present in major markets which CRISIL Report notes as being under-served in terms of healthcare services *i.e.*, NCR, Lucknow and Patna, which had 1.9, 3.3 and 4.3 beds per 1,000 people, respectively, the Indian healthcare delivery industry is estimated to post a healthy 13-15% CAGR between fiscals 2022 and 2026, driven by the long term structural factors, strong fundamentals, increasing affordability and potential of the Ayushman Bharat scheme, the national health insurance scheme launched in 2018 to provide access to healthcare for low income earners in India. GH's presence in these under-served markets present it with great potential to expand offering and improve the healthcare infrastructure, which its developing hospitals in Lucknow and Patna aim to target. In addition, it has patients from out of state who travel to access healthcare services at its facilities. Its strategic locations in these key underserved areas provide more opportunities to attract a wide base of patients.

GH presence across the maturity spectrum of hospitals of mature, developing and under-construction. Mature hospitals (in operation for more than six years from commencement of operations, as of June 30, 2022) include its hospitals at Gurugram, Indore and Ranchi, which has reached economies of scale, a strong established brand, effectively managed operational risk and stable profit margins.



**Growth opportunities in existing facilities and diversification into new services, including digital health:** GHl's strength is its ability to leverage on land space, new products and services and digital health. The capital costs hospitals typically incur, while expanding/entering into top cities, is for the procurement of land in the city. It has an inherent advantage to expand services in the locations it is in. In terms of expansion capacity, as an example, the number of beds that can be added without significant further major investments in infrastructure is 100 beds at Gurugram Hospital, and 400-500 beds at Lucknow Hospital. In particular, at Gurugram Hospital, it has a remaining floor area of 103,703.22 square meter available at the Medicity plot as well as an additional land bank of 13 acres available for ancillary services (i.e., residential and guest house). The permitted usage at this additional land bank provides GHl with flexibility in complementing its core business.

In line with the thinking of 'bringing the care to the patient rather than the patient to the care' GHl has added additional services including home care, outpatient pharmacy services and telemedicine-based remote care. In the future, it plans to continue to scale up its 'out of hospital' services using both the home delivery and the technology backed remote delivery model. Convenient, affordable and personalized treatments have been preferred as opposed to traditional hospital-based treatments. In line with this trend to provide more convenient, easy-to-access healthcare service platform, GHl plans to further develop its website and online communication platform to educate the public on various health topics, which will help solidify its brand as the "go-to" source for medical knowledge. GHl is exploring long-term arrangements with hospitals for managing specific specialities to promote an asset-light strategy for operations and management.

**Experienced senior management team with institutional shareholder support:** GHl is led by a dedicated and experienced management team. Its management team members have industry and technical knowledge as well as management expertise gained from their long tenure and wide exposure in the healthcare industry. Its extensive experience in the healthcare industry and its focus on good corporate governance practices, the management team is able to help it sustain its growth and achieve greater success in the future. GHl's senior management team has extensive healthcare industry experience and is led by Dr. Naresh Trehan, the Chairman and Managing Director of the Company. He has over five decades of experience in the field of cardiovascular surgery and has been recognized for his distinguished contribution to medicine.

#### **Business Strategy:**

**Continue to invest in bed capacity expansion in existing facilities and develop further super-specialities, employ new technology and focus on preventive healthcare:** GHl is continually looking for value-accretive opportunities while strengthening its presence in key growth markets. Its goal will be to carefully increase the bed capacity in existing facilities as well as consider utilizing the land available for ancillary services, while at the same time complement such expanded bed capacity with improved quality and efficiency of its healthcare services, by providing cost-effective care through efficient, optimal utilization of processes, information, technology, research, innovation and other resources. GHl will continue to leverage its scale and leading position to further enhance its operational efficiency and profitability at its facilities. It intends to develop super-specialities, such as bringing in new fields of practice such as chest surgery and add capabilities and specialities (e.g. robotic or automated surgeries in specialities that do not already regularly employ it at its hospitals). It also plans to on-board new doctors and employ new technology, machines and treatments by analyzing what can complement its current offering.

**Continue to attract, engage and train prominent, skilled doctors and other healthcare professionals:** High-quality medical professionals are key to GHl's success. Hiring surgeons and other physicians who have established a reputation in their respective field is crucial for the successful implementation of its strategy to develop and operate healthcare facilities. It intends to strengthen integrated human resources management system to further enhance the recruitment, training and retention of high-quality medical professionals. It continues to leverage its relationship with schools and medical institutions that it collaborates with for recruitment to source entry-level medical professionals. It also utilizes other recruitment channels such as professional medical talent recruiting agencies and internal referrals to attract experienced medical professionals in order to strengthen its existing departments. GHl also plans to increase communications and collaborations with leading institutions and experts in different medical areas to improve diagnostic, treatment and research capabilities. Leveraging the experienced specialists from high-quality medical professional team, it aims to boost its brand recognition and reputation in order to attract more patients.

**Enhance clinical capabilities and improve operating efficiencies:** A key component of growth strategy is enhancing clinical capabilities and improving operating efficiencies. GHl intends to improve occupancy rates and equipment utilization at its hospitals by continuing to maintain and recruit new medical professionals of high caliber in specified fields and focus on clinical excellence. It also plans to reduce its average length of stay in hospitals (ALOS) by continuing to improve its clinical practices and use of technology. It will also look to optimize operations through improving employee productivity and streamlining technology and processes and also intend to apply principles of lean management across all of its administrative and management layers, and optimize the use of technology to build greater efficiencies in its ways of working.



Extend clinical services outside the hospital and across the lifetime of the patient: GHl intends to extend its clinical services outside the hospital by growing its home care business across sample collection, medicine delivery and all possible aspects of care at home. The Company also intend to expand the delivery of care both before and after acute interventions by focusing on preventive health and wellness as well as post hospitalization continuing care and lifetime management of patients (particularly for those suffering from chronic diseases). It plans to carry out this strategy across all cities and regions where it currently operates and may leverage technology and other asset light business models to expand these services into new territories.

Leverage technology to improve patient experience and grow digital health services: GHl will continue to seek to add key technological advancements in healthcare and surgical products at its facilities. This will further enhance its total specialty healthcare services. It also plans to further strengthen its collaboration with domestic and international clinical development experts and institutions to continually implement advanced technology to improve its hospitals' offering. In addition to home care services business, GHl intends to grow its digital health services by further developing its website and online communication platform to educate the public on various health topics to help solidify its brand as the 'go-to' source for medical knowledge. Its goal is to form a healthcare ecosystem with a full suite of distinctive digital healthcare service offerings that are fully integrated to track a person's medical health and wellness journey. It may also seek investments and strategic partnerships that would complement its healthcare expertise, by contributing capital and know-how, and enabling it to build scale for its services.

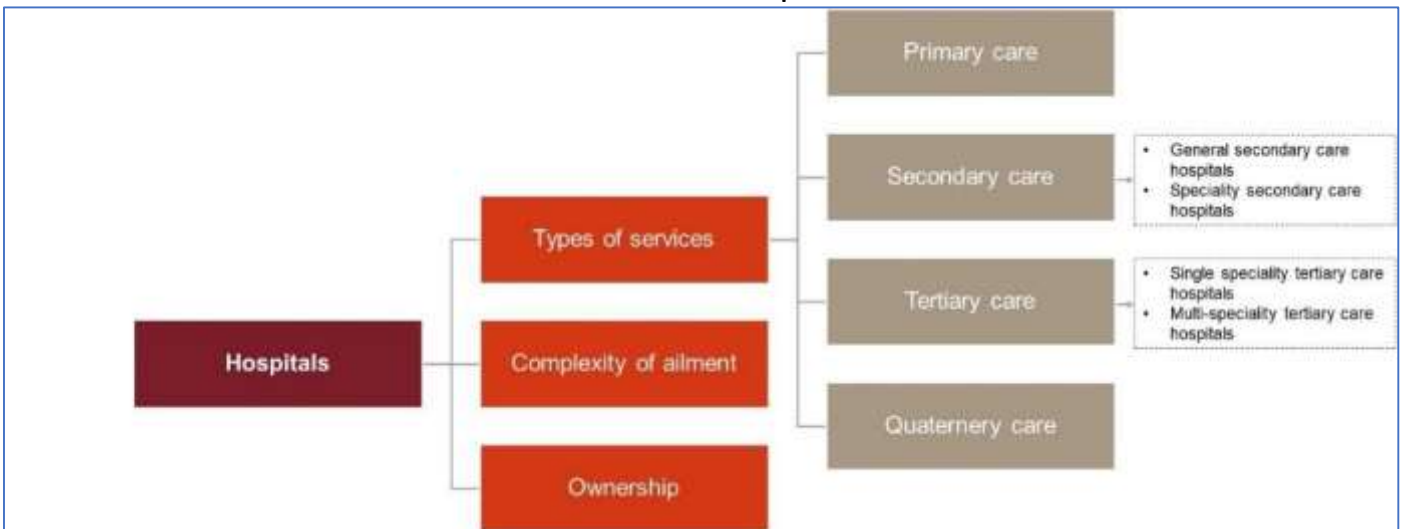
Build on thought leadership through increased focus on academics and research: Training GHl's doctors and other medical professionals in best practices and keeping up with medical advancements is critical to its leading position as a premier hospital in India. It intends to increase further its academics and research, which will help to enhance the talent and expertise of its doctors to effectively treat its patients and thereby support the business growth. In addition, further investments in academics and research will enable GHl's doctors and other healthcare personnel to improve themselves through focused learning opportunities. It also aims to maintain its strategic partnerships with internationally renowned institutes to further enhance its research efforts.

Industry:

Structure of The Healthcare Delivery Industry In India



Classification of hospitals





## Classification of hospitals based on services offered

### Primary care/ dispensaries/ clinics

Primary care facilities are outpatient units that offer basic, point-of-contact medical and preventive healthcare services, where patients come for routine health screenings and vaccinations. These do not have intensive care units (“ICU”) or operation theatres. Primary care centres also act as feeders for secondary care/ tertiary hospitals, where patients are referred to for treatment of chronic/ serious ailments.

### Secondary care

Secondary care facilities diagnose and treat ailments that cannot be treated in primary care facilities. These act as the second point of contact in the healthcare system. There are two types of secondary care hospitals - general and specialty care.

#### General secondary care hospitals

These hospitals are approached for common ailments, and attract patients staying within a radius of 30 km. The essential medical specialties in general secondary care hospitals include: internal medicine, general surgery, obstetrics and gynaecology, paediatrics, ear-nose-throat (ENT), orthopaedics, and ophthalmology. Such a hospital typically has one central laboratory, a radiology laboratory, and an emergency care department. Generally, secondary care hospitals have 50-100 in-patient beds, a tenth of which are allocated for the ICU segment. The remaining beds are equally distributed between the general ward, semi-private rooms, and single rooms.

#### Specialty secondary care hospitals

These hospitals are located in district centres, treating patients living within a radius of 100-150 km. They usually have an in-patient bed strength of 100-200, 15% of which are reserved for critical care units. The balance is for private rather than general ward beds. Apart from medical facilities offered by a general secondary care hospital, specialty secondary care hospitals treat ailments related to gastroenterology, cardiology, neurology, dermatology, urology, dentistry, and oncology. These hospitals may also offer some surgical specialties, but they are optional. Diagnostic facilities in a specialty secondary care hospital include: a radiology department; biochemistry, haematology and microbiology laboratories; and a blood bank. They also have a separate physiotherapy department.

### Tertiary care

Tertiary care hospitals provide advanced healthcare services, usually on referral from primary or secondary medical care providers.

#### Single-specialty tertiary care hospitals

These treat a particular ailment (such as cardiac and cancer). Prominent facilities in India include: Escorts Heart Institute & Research Centre (New Delhi); Tata Memorial Cancer Hospital (Mumbai); HCGEL Oncology (Bengaluru); Sankara Nethralaya (Chennai); National Institute of Mental Health & Neuro Sciences (NIMHANS, Bengaluru); and Hospital for Orthopaedics, Sports Medicine, Arthritis and Trauma (HOSMAT, Bengaluru)

#### Multi-specialty tertiary care hospitals

These hospitals offer all medical specialties under one roof and treat complex cases such as multi-organ failure, high-risk, and trauma cases. Most of these hospitals derive a majority of their revenue through referrals.

Such hospitals are located in state capitals or metropolitan cities and attract patients staying within a 500 km radius. They have a minimum of 300 in-patient beds, which can go up to 1,500 beds. About one-fourth of the total beds are reserved for patients in need of critical care. Medical specialties offered include: cardio-thoracic surgery, neurosurgery, nephrology, surgical oncology, neonatology, endocrinology, plastic and cosmetic surgery, and nuclear medicine. In addition, these hospitals have histopathology and immunology laboratories as a part of its diagnostic facilities. Lilavati Hospital and Hiranandani Hospital in Mumbai, Medanta hospitals in NCR region and NIMS in Hyderabad are multi-specialty tertiary care hospitals.

#### Quaternary care hospitals

Quaternary care hospitals are an extension of tertiary care in reference to advanced levels of medicine which are highly specialised and not widely accessed, and usually only offered in a very limited number of hospitals. Experimental medicine and some types of uncommon diagnostic or surgical procedures are considered quaternary care.

**Classification of hospitals by facilities/ services offered**

	Primary care	Secondary care	Tertiary care
<b>Services</b>	Provides all services as required for the first point of contact	Provides all services as required, including organised medical research	Provides all services as required, including provision for experimental therapeutic modalities and organised research in chosen specialities
<b>Multi-disciplinary</b>	Yes	Yes	Single- or multi-speciality
<b>Type of service</b>	Only medical services and excludes surgical services	Overall medical and surgical services	Complex surgical services with sophisticated equipment
<b>Type of patient</b>	Only outpatient	Inpatient and outpatient	Primarily inpatient
<b>No of beds</b>	0 beds	50-200 beds	>200 beds
<b>Dependent on</b>	Secondary and tertiary care hospitals for further diagnosis and support	Tertiary care hospital for diagnostic and therapeutic support on referral and for patient transfer	Tertiary care/secondary hospital for referrals for its workload
<b>Investment</b>	Low investment required	Medium	High

**Classification based on complexity of ailment**

Healthcare delivery may also be classified as primary, secondary and tertiary, on the basis of the complexity of ailment being treated. For instance, a hospital treating heart diseases may be classified as a primary facility if it addresses conditions such as high cholesterol; as a secondary facility if it treats patients suffering strokes; or as a tertiary facility if its deals with cardiac arrest or heart transplants.

**Indicative split of ailments & medical treatments provided basis various categories of hospitals & complexities of ailment**

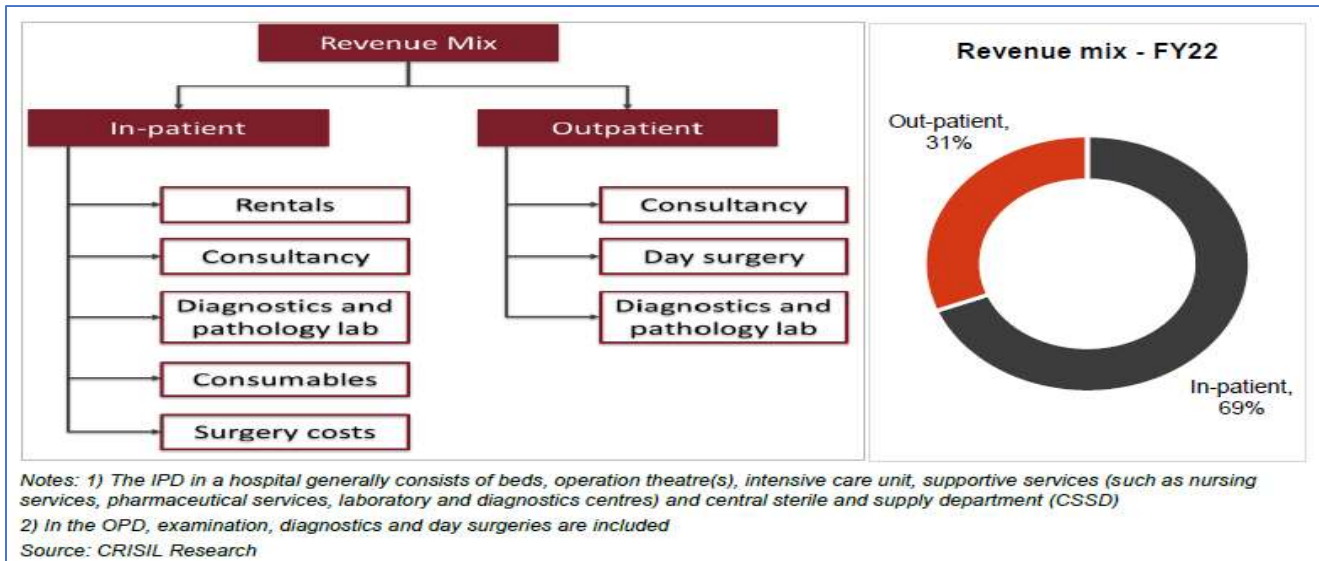
Ailment/ condition	Primary	Secondary	Tertiary
<b>Acute infections</b>	Fever	Typhoid/ jaundice	Hepatitis B,C
<b>Accidents/ injuries</b>	Dressing	Fracture	Knee/ joint replacements / brain haemorrhage
<b>Heart diseases</b>	High cholesterol	Strokes	Cardiac arrest/ heart attacks/ heart transplantation/ heart defects like hole in heart, CABG* surgery for heart ailments
<b>Maternity</b>	Diagnosis/ check-ups	Normal delivery/ caesarean	Normal delivery/ caesarean/ post-delivery complications such as brain fever
<b>Cancer</b>	Lump diagnosis/ check-ups	Tumour – medical and radiation therapy	Medical, surgical-robotic surgery to remove minimal access tumour and radiation therapy

**Revenue and cost structure review of hospitals**

**Hospitals derive bulk of their revenue from in-patient department (“IPD”)**

The primary revenue streams of hospitals are the IPD and out-patient department (“OPD”) segments. Typically, in most hospitals, the OPD contributes to three-fourths of total volumes; whereas, the IPD accounts for as much as approximately 69% of the overall revenue. This ratio could vary with hospitals, depending on the type of services rendered and the ailment mix.





**Surgeries and diagnostics fetch bulk of the IPD revenue**

Surgeries and diagnostics account for the bulk of IPD revenue for most hospitals; however, the share of these verticals vary across hospitals, based on the pricing strategies deployed and specialities offered. However, surgical patients generate more revenue as opposed to medical patients. Hospitals used to enjoy high margins on the consumables used. However, after the Government has capped the prices of stents and knee implants, they have rationalized their treatment costs by charging for the services rendered. Some hospitals have in-house facilities such as diagnostic centres and pharmacies, while others outsource these services

**Electronic health records (“EHR”)**

EHRs are designed to manage detailed medical profile and history of patients such as medication and allergies, immunization status, laboratory test results, and radiology images. Information stored in EHRs can be in a combination of various formats including picture, voice, images, graphs, and videos. Besides storing information, EHRs have the capability of analyzing data with respect to a specific ailment, generating customized reports, setting alarms and reminders, providing diagnostic decision support, etc. EHRs can be shared between multiple systems allowing doctors from various specialties and hospitals to share the same set of patient data. This feature helps improve coordination between doctors, saves time, and prevents redundancy of recreating medical records. EHRs allow medical histories to be transferred quickly and accurately, thereby ensuring effective and timely treatment. They can be secured with various privacy settings.

**Artificial Intelligence (“AI”) and blockchain**

Healthcare establishments like hospitals are looking at opportunities to deploy AI or/and blockchain in improving their operating efficiency – scheduling appointments depending on the gravity of the issue, healthcare monitoring, etc, thereby minimizing human error through technological intervention. For instance, NITI Aayog has extended its support to an AI-based project - Radiomics, which is also supported by Tata Memorial Centre Imaging Biobank.

Apollo has partnered with Microsoft to create a cardiovascular disease risk score application programme interface (API) for assigning risk scores to cardiac patients in India. Max Healthcare is also in the process of piloting AI and machine learning (ML) algorithms for prediction of readmission of myocardial infarctions, along with being involved in a project concerning speech to text technology for accurately capturing clinical and radiology information in the systems.

The partnership is beneficial not just for the hospitals, but also for the tech companies that test these technologies on hospital patient data, like Google trying to use AI for detecting diabetic retinopathy at Aravind Eye Care hospitals.

**Radiology information system**

Radiology information system (“RIS”) is a tool that allows managing digital copies of medical imagery such as X-ray, MRI, ultrasound, and associated data on a network. RIS is used by doctors to access medical imagery data from multiple locations. It is connected to medical equipment such as X-ray, MRI and ultrasound machines, which generate diagnosis results in the form of images and graphs. The RIS directly captures result and feeds them to EHRs, central databases or remote databases. RIS systems are integrated with a dedicated picture archiving and communication modules which ensures that the pictures are stored in a systematic manner and transferred accurately to the intended database or recipient.



Implementation of RIS allows hospitals eliminate the need of generating and maintaining medical imagery on expensive films. RIS enable hospitals to store complete radiology history of patients together. This feature allows generating detailed analytical reports on patient's medical history.

### **Clinical decision support system**

Clinical decision support system (“CDSS”) is a software designed to assist doctors in taking decisions pertaining to the diagnosis and treatment of patients. A CDSS is supported by a large database that has detailed information on ailments with data aspects ranging from symptoms to diagnosis. The database is supported by a set of rules that help generate accurate results for the query made by the user. It also contains patient specific information such as medical history, allergies, etc, which helps doctors to make effective decisions on the treatment. CDSS databases are open-ended to allow addition of information on newly discovered diseases, procedure and medications, rectification of erroneous procedures, and updating of patient information.

### **Mobile-based application**

Healthcare delivery is also seeing an influx of mobile-based applications (mobile apps) to assist doctors as well as patients. These apps provide features such as self-diagnosis, drug references, hospital/doctor search, appointment assistance, electronic prescriptions, etc. While certain apps allow doctors to obtain information on drugs, dosage, contradictions, disease/ condition references and procedures; others allow patients to locate doctors, fix appointments, and opt for video consultations. Furthermore, there are apps that help patients save their medical records and keep them updated regularly.

Even the Government is looking at adopting these measures with the launch of UMANG (Unified Mobile Application), which offers 242 services across 57 departments in 12 states. It has a feature to book hospital appointments, check blood availability, and view medical reports online on registration.

### **Telemedicine**

Telemedicine is a technology designed to improve accessibility of healthcare services from remote locations. Telemedicine, through its extensive use of information technology, creates a connection between doctors at the main hospital and patients at remote locations or telemedicine centres. The doctor analyses the patient through telephonic conversation or video conferencing and is assisted by a junior doctor or health worker who is physically present at the telemedicine center. The junior doctor physically examines the patient and conveys the information, based on which the doctor confirms the diagnosis and prescribes medication. If the ailment is complex, the patient is advised to get admitted at the main hospitals and avail the intensive care facility. This model is useful when there is a dearth of healthcare professionals in the country.

### **Robotic surgery**

Robotic surgery or robot-assisted surgery (“RAS”) is a surgery conducted by using a robotic arm that is controlled electronically by a control pad. The pad may be located at a local or remote place and is equipped with high-definition cameras allowing surgeons to take a closer look at the areas being operated. Since RAS can be performed from remote locations, it allows patients to avail the treatment from the desired specialist surgeons across the globe without having to travel. RAS has been used to conduct general surgery, bypass surgery, colorectal surgery, gastrointestinal surgery, neurosurgery, orthopedic surgery, etc.

### **Wearables and sensors**

With awareness on healthcare increasing, people have started adopting wearables and sensors that keep a track of the vitals of the user. Wearables and sensors also have data about the user's historical health records and sends out alerts in case of any irregularities. Some sensors are used solely from a curative healthcare perspective, to lead a healthy life with a proper fitness routine.

### **Regulations pertaining to price controls**

The National Pharmaceutical Pricing Authority (“NPPA”) regulates prices of drugs/ medicines by bringing them under the ambit of the National List of Essential Medicines (NLEM). The medical devices sector is largely unregulated, except for those who have been notified as drugs under the Drugs and Cosmetics Act. In February 2017, the NPPA introduced price controls for cardiac stents – price of bare metal stents (BMS) was slashed to Rs 8,000 and that of drug-eluting stents (DES) was reduced by approximately 85% to Rs 29,600. In February 2019, however, the NPPA revised their prices upwards in line with the WPI numbers of 4.2% (with effect from April 1, 2019). The revised price of BMS stands at Rs 8,261 and that of drug-eluting stents (DES) stands at Rs 30,800 at present.

The prices of knee and hip implants were also capped (up to 69%) in August 2017. Cobalt chromium knee implant, which was priced at Rs 158,324 was capped at Rs 54,720 (excluding GST). Implants with special metals, such as titanium and oxidised zirconium, earlier priced at Rs 249,251 was capped at Rs 76,600 (excluding GST).

The NPPA's initial intention was to bring eight new medical device segments – all implantable devices, CT scanning equipment, X-ray equipment, MRI equipment, dialysis machine, bone marrow cell separators, defibrillators, and PET equipment – under the Drugs and



Cosmetics Act. This would have subjected them to registration and import licensing under the Medical Device Rules 2017. This was to be done with effect from April 1, 2020. However, all medical devices are expected to be brought under the scope of regulation subsequently. NPPA may also consider capping the trade margins instead of capping the prices of medical devices.

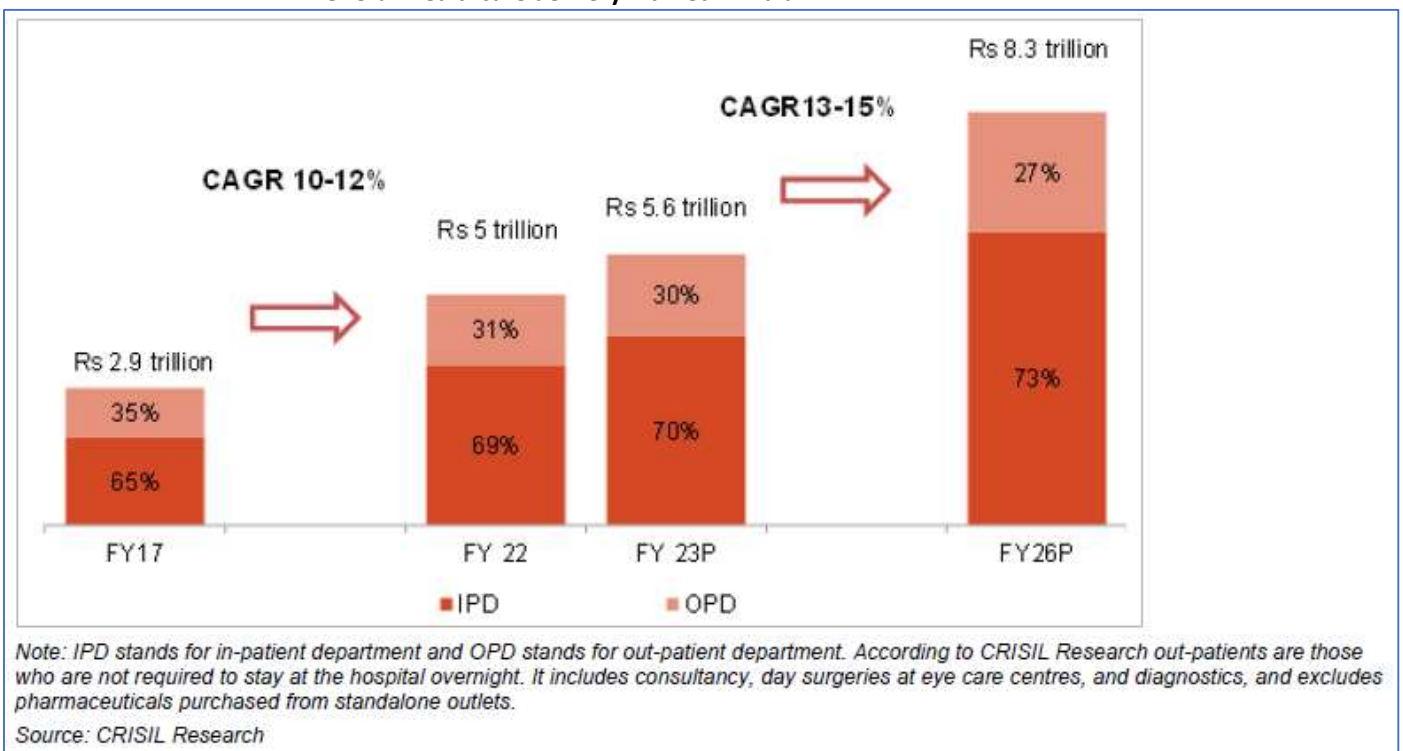
The Bureau of Indian Standards is in the process of finalising quality control orders for medical devices, which will require all medical devices to be registered with the Central Drugs Standard Control Organisation in the first phase (of 12-18 months). After this period, they will have to conform to the quality standards of the Bureau. Further, some state Governments (such as Karnataka, West Bengal and Delhi) have been contemplating capping costs of medical procedures too in addition to medical devices.

**ASSESSMENT OF INDIA'S HOSPITAL MARKET**

**Indian healthcare delivery market poised for robust growth in the medium term**

Barring the momentary setbacks in fiscal 2021, CRISIL Research estimates the Indian healthcare delivery industry to post a healthy 13-15% CAGR between fiscals 2022 and 2026, driven by long term structural factors, strong fundamentals, increasing affordability and potential of the Ayushman Bharat scheme, the national health insurance scheme launched in 2018 to provide access to healthcare for low income earners in India.

**Overall healthcare delivery market in India**



**Healthcare delivery industry estimated to grow to approximately Rs 5.6 trillion in fiscal 2023**

CRISIL Research estimates the Indian healthcare delivery market to reach approximately Rs 5.5 - 5.7 trillion in value terms by end of fiscal 2023, with growth being contributed by stabilisation of regular treatments, surgeries and OPD amid minimization of disruption due to the pandemic and expansion of Average revenue per occupied bed ("ARPOB") for the sector. A potential upside is also expected from picking up of high realisation medical tourism as international travel restrictions are relaxed. Within the overall healthcare delivery market, the IPD is expected to account for nearly 70% (in value terms), while the balance is to be catered by the OPD. Though in terms of volumes, OPD volumes outweigh IPD volumes, with the latter contributing the bulk of the revenues to healthcare facilities.

As opposed to fiscal 2021, when the Government investments in the sector to combat the Covid-19 pandemic via temporary establishments had gained prominence, and private hospitals saw revenue erosion owing to travel restrictions, the private sector complemented the role of the Government in fiscal 2022 in the second wave, which was an upside especially for hospitals where occupancies were typically on the lower side. Growth was driven in fiscal 2022 by low base and the pent up demand from deferred treatments due to Covid-19 waves.

The healthcare delivery market is expected to reach a market size of approximately Rs 6.4 - 6.6 trillion in fiscal 2024 on back of the fundamental strengths of the sector and inherent structural strengths of the sector in India.



**Healthcare delivery industry to grow 13-15% over next four years**

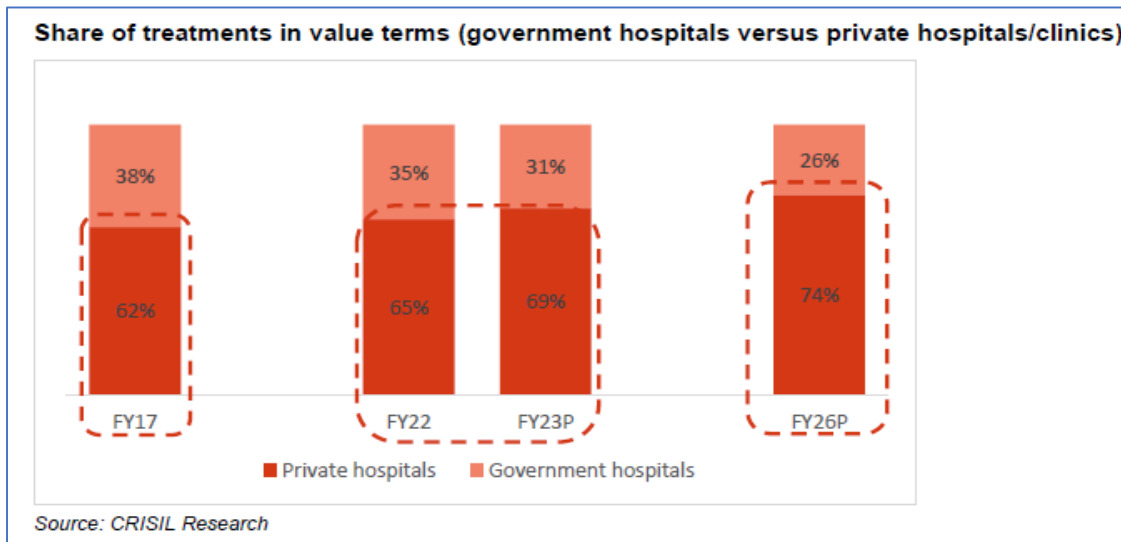
With long term structural factors supporting growth, renewed impetus from PMJAY and the Government focus shifting onto healthcare sector, the healthcare delivery market is expected to grow at 13-15% CAGR and reach Rs 8.3 trillion in fiscal 2026.

From fiscal 2017 to fiscal 2020, major hospital chains have added supply (approximately 70% of their incremental supply during the period) in tier II and III locations, to create a referral network into their main centre by tapping into the underserved creamy tier II areas. The Government is also expected to augment this via the Ayushman Bharat scheme which aims to create 150,000 Health and Wellness centers (“HWCs”) (approximately 118,669 HWC’s created till May 2022) for strengthening primary and secondary infrastructure in India.

The other contributors to the demand are more structural in nature, like, increase in lifestyle-related ailments, increasing medical tourism, rising incomes and changing demography.

In India, healthcare services are provided by the Government and private players, and these entities provide both IPD and OPD services. However, the provision of healthcare services in India is skewed towards the private players (both for IPD and OPD). This is mainly due to the lack of healthcare spending by the Government and high burden on the existing state health infrastructure. The share of treatments (in value terms) by the private players is expected to increase from 62% in fiscal 2017 to nearly 74% in fiscal 2026, the share only witnessing a slight dip in fiscal 2021.

The skew is more towards the private players owing to the expansion plans of private players being centered on it, further buttressed by increasing reliance on private facilities till Government infrastructure is properly put in place.



**Stabilization of regular treatments and ARPOB expansion will lead to robust growth in fiscal 2023**

The second wave which started from late fourth quarter of fiscal 2021, saw Covid-19 cases increase rapidly and put an enormous strain on the health infra of the country. The first to feel the impact of inadequate infrastructure was the healthcare delivery market, as hospitals which were witnessing sequential recovery had to divert their beds towards Covid-19 care and unlike the first wave the private hospitals were roped in early onto the second wave to tackle the healthcare emergency. This time around the requirement was more for severe/ critical beds - with oxygen supply, ICU beds and ventilators. But as compared to the situation in the first wave where non-Covid-19 regular treatments were hit hard due to the lockdown in the first wave, the second wave saw relatively lesser disruptions with non-Covid-19 treatments seeing a recovery from second half of the first quarter of fiscal 2022 as Covid-19 cases abated. Similar trend was also witnessed during the third wave (‘Omicron wave’) where there was a minor dip in occupancies for larger hospital chains and some hospitals deferred elective surgeries for a week during the peak of the third wave. However overall impact of the Omicron wave was muted on the sector and disruptions were minimal.

CRISIL Research estimates the recovery in fiscal 2022 to have been strong on the back of pent up demand for regular treatments, elective surgeries and OPDs coming onto the system, with Covid-19 treatment revenues also being topline accretive in the first quarter. As the second wave abated, increased demand was witnessed from regular demand channels from the second quarter of Fiscal 2022 onwards, indicating pent up demand. On the margin front, though some of the cost rationalizations of the previous year were carried forward, increase in occupancy levels improved operating leverage and provided a boost to the margins.



Robust growth is expected in fiscal 2023 as underlying fundamental growth factors remain strong. Regular demand drivers such as OPD, elective surgeries and regular treatments are expected to stabilize, ARPOB is expected to increase and demand drivers such as high realization medical tourism business picks up as international travel restrictions are relaxed in the fiscal. Margins are expected to improve by approximately 100 bps as compared to the previous fiscal.

CRISIL has not assumed a major/severe Covid-19 wave in India going further in its base case scenario. However, Covid-19 curve trajectory in India remains monitorable, as newer virus variants/mutations emerge.

CRISIL Research estimates the healthcare delivery industry size at approximately Rs 5 trillion in fiscal 2022 and at approximately Rs 5.5-5.75 trillion in fiscal 2023. This includes both inpatient treatments forming almost 70% in value share and outpatient consultations contributing the rest 30%. In fiscal 2023, while the Government's share is estimated at 30-32%, private sector is expected to contribute the lion's share at 68-70%. Within private sector, large hospitals form only 10-15% of the industry with rest of the market dominated by small and medium hospitals, clearly indicating the fragmented nature of the industry.

### **Key growth drivers of healthcare delivery industry**

A combination of economic and demographic factors is expected to drive healthcare demand in India. CRISIL Research believes the PMJAY scheme launched by the Government would also support these drivers.

India lags behind global benchmarks in healthcare infrastructure, both in terms of physical as well as personnel infrastructure. However, the picture is bleak even on the healthcare indicators front. In case of life expectancy at birth, which reflects the overall mortality of the population, India stands at a distant 70.8 years in comparison to the global peers. This is despite life expectancy at birth growing at 0.6% CAGR between 2000 and 2019. The Covid-19 pandemic has changed consumer preferences and led to a higher dependence on the internet to serve basic healthcare needs of individuals.

### **Government policies to improve healthcare coverage**

The Government has kept its healthcare budget flat in 2022-23 at Rs 1,025 billion from Rs. 1,023 billion in fiscal 2021-22. Nonetheless, the focus seems to have shifted from curative aspect to preventive health and well-being under the ambit of holistic healthcare. The long-term goal is to raise its healthcare spending to 2.5% of GDP by 2025 under the National Health policy 2017 from the current 1.3% of the GDP.

### **Strengthening of physical health infrastructure: Sub-centres**

Upgradation of 0.15 million HWCs (118,669 centres have been made operational as of May 2022) to provide comprehensive healthcare, including coverage of non-communicable diseases and maternal and child health services. These centres would also provide essential medicines and diagnostic services free of cost. Inclusion of new ailments under the ambit of the scheme would go a long way in ensuring focus on preventive care as opposed to only curative care. A strong referral network is vital in providing a continuum of care.

### **Strengthening of physical health infrastructure: Government hospitals**

Setting up of 24 new Government hospitals and medical colleges and upgradation of existing district hospitals. The intention is to have at least one medical college for three parliamentary constituencies. The Government already has a scheme in place, Pradhan Mantri Swasthya Suraksha Yojana, to correct the geographical imbalance in the availability of tertiary healthcare. Six All India Institute of Medical Sciences (AIIMS), one each at Patna (Bihar), Raipur (Chhattisgarh), Bhopal (Madhya Pradesh), Bhubaneswar (Odisha), Jodhpur (Rajasthan), and Rishikesh (Uttarakhand), have been set up, and 16 new ones announced by the Government are under various stages of construction and are expected to be operational by 2024-25. Tackling issues of inadequate physical and personnel infrastructure is targeted via this objective. But given the operational and financial.

### **Expansion of health insurance coverage: Ayushman Bharat**

Provision of Rs 0.5 million assured healthcare coverage to each family that is eligible, selected on the basis of inclusion under the Socio Economic Caste Census list. Nearly 107.4 million families will be covered under the scheme. All existing central and state health insurance schemes will be subsumed under Ayushman Bharat. However, the model of implementation of the scheme (via insurance company, trust or mixed model) is left to the prerogative of the states. However, healthcare delivery at affordable prices would require a shift in focus towards capitalising on the volumes (with nearly 500 million new people coming under a healthcare scheme) rather than on value (via margins).

The Government has started an initiative of National Digital Health Mission (Ayushman Bharat Digital Mission) on lines of the proposed National Health Stack (NHS), a shared digital framework for both private and public hospitals that is expected to digitize all health records and keep track of all details concerning healthcare enterprises in India. The central Government has taken the initiative to launch a unique Health ID for all citizens under its National Digital Health Mission (NDHM) or Ayushman Bharat Digital Mission, which



can be used to access a digital repository of personal health-related information. The ID or ABHA - Ayushman Bharat Health Account number is 14 digits long, and the account can be created using basic details such as a mobile number or Aadhaar number. This account provides details such as tests conducted, doctor's prognosis, and medicines taken. The scheme is well intentioned and holds huge potential for the healthcare delivery and allied industries but the mechanism for quality control and monitoring along with raising resources for implementation will be a key monitorable.

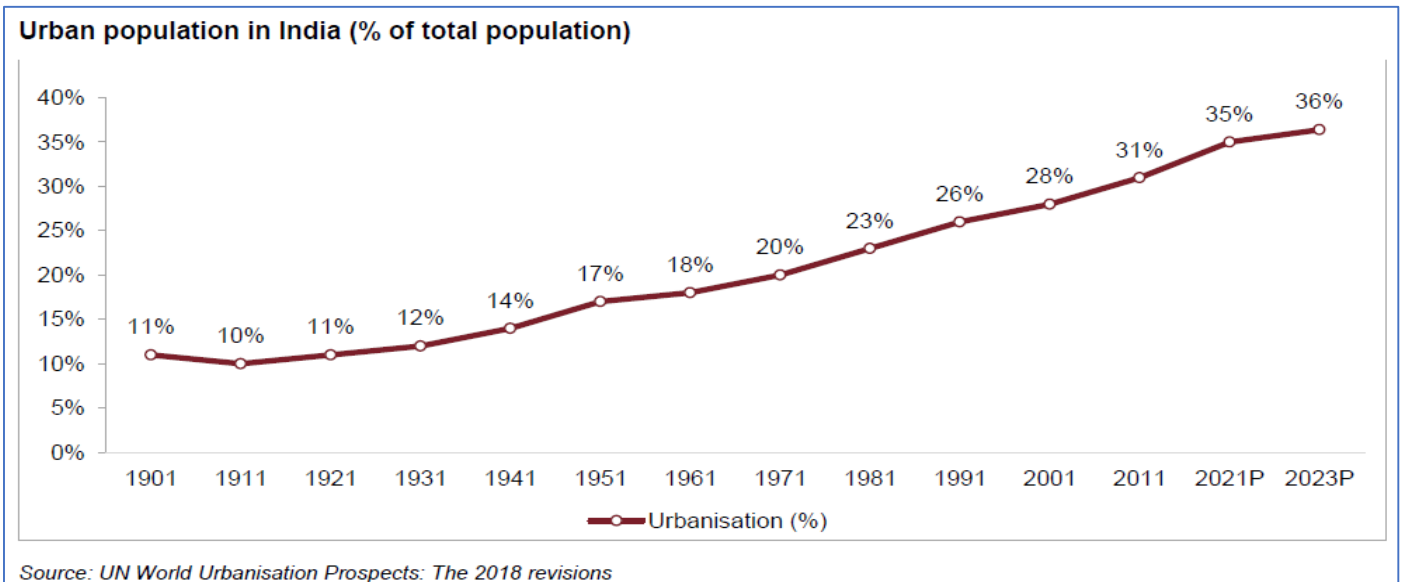
**Rising income levels to make quality healthcare services more affordable**

Though healthcare is considered a non-discretionary expense, considering that approximately 83% of households in India had an annual income of less than Rs 0.2 million in fiscal 2012, affordability of quality healthcare facilities remains a major constraint. Growth in household incomes and, consequently, disposable incomes, are critical to the overall growth in demand for healthcare delivery services in India. The share of households falling in the income bracket above Rs 0.2 million is expected to go up to 35% in fiscal 2022 from 23% in fiscal 2017. They provide a potential target segment (with more paying capacity) for hospitals.

**Increasing health awareness to boost hospitalisation rate**

Majority of healthcare enterprises in India are more concentrated in urban areas. With increasing urbanisation (migration of population from rural to urban areas), awareness among the general populace regarding presence and availability of healthcare services for both preventive and curative care is expected to increase.

CRISIL Research, therefore, believes that the hospitalisation rate for in-patient treatment as well as walk-in out-patients will improve with increased urbanisation and increasing literacy.



**Growing health insurance penetration to propel demand**

Low health-insurance penetration is one of the major impediments to the growth of the healthcare delivery industry in India, as affordability of quality healthcare facilities by the lower-income groups remain an issue. Health insurance coverage has increased from 17% in fiscal 2012 to approximately 38% in fiscal 2021. As per the Insurance Regulatory and Development Authority, nearly 515 million people have health insurance coverage in India (as of fiscal 2021), as against 288 million (in fiscal 2015), but despite this robust growth, the penetration in fiscal 2021 stood at only 38%.

CRISIL Research sees that while low penetration is a key concern, it also presents a huge opportunity for the growth of healthcare delivery industry in India. With the PMJAY scheme and other growth drivers, the insurance coverage in the country is expected to increase to nearly 46% by fiscal 2025.

With health insurance coverage in India set to increase, hospitalisation rates are likely to go up. In addition, health check-ups, which form a mandatory part of health insurance coverage, are also expected to increase, boosting demand for a robust healthcare delivery platform.



## Medical tourism in India

The healthcare costs in developed countries is relatively higher in comparison to India. Some of the factors which makes India an attractive destination for medical tourism are presence of technologically advanced hospitals with specialized doctors and facilities like e-medical visa.

Treatments mostly sought after in India are for heart surgery, knee implant, cosmetic surgery and dental care, due to the low costs of these treatments in India. Medical tourism in India is driven by the private sector in India.

As per the Ministry of tourism, countries like Singapore, Malaysia and Thailand also offer medical care facilities to foreigners but what differentiates India apart from state-of-the-art infrastructure with reputed healthcare professionals is traditional healthcare therapies like Ayurveda and Yoga combined with allopathic treatments providing holistic wellness.

According to the latest data available with the Ministry of Tourism, of the total foreign tourist arrivals in India, the proportion of medical tourists has grown from 2.2% (0.11 million tourists) in 2009 to 6.38% (0.62 million tourists) in 2019. However, the number of medical tourists fell sharply in 2020 (0.18 million tourists) because of international travel restrictions due to Covid-19. The number of medical tourists recovered to 0.32 million tourists in 2021. The Government has constituted a National Medical and Wellness Tourism Board along with provision of financial assistance to the tune of Rs 0.6 million to medical tourism service providers under market development assistance (MDA) to develop medical tourism in India. The Government had estimated medical tourism to be worth US\$9 billion by 2020 garnering 20% of the global share, up from the US\$3 billion in 2015, however, this figure might have fallen short in 2020 owing to travel restrictions put in place due to Covid-19 pandemic.

## Shortfall in bed capacity: Major opportunity for healthcare delivery players

India needs to increase its bed capacity to reach the global median by almost 2.1 million beds. With the population growing at almost 1% annually, India is expected to have more than 1.4 billion people by 2026, stressing the need for increased number of hospital bed capacity. This need was accentuated during the Covid-19 pandemic.

Compounding the bed shortfall, dearth of healthcare personnel (physicians and nursing personnel) continues to be immense. India had approximately 0.9 million physicians in 2013. The physician count needs to be almost doubled to meet the global median. According to the National Health Profile (“NHP”) 2021, the average population served by an allopathic doctor is 1,113 and there are nearly 1.23 million doctors registered with the Medical Council of India (MCI) as of 2019.

Currently, there are only 542 medical colleges offering a total of about 81,400 MBBS seats as per NHP 2021, producing nearly eight doctors (MBBS) per 0.1 million of population being added annually. The shortage of nursing personnel (nurses and midwives) is also critical (18 nurses in India versus 40 globally). As per the NHP 2021, there are 1,892 auxiliary nurse Midwives institutions producing 0.055 million auxiliary nurses and 6,894 nursing institutions producing 0.272 million nurses annually.

## Home healthcare

The primary objective of home healthcare services is to provide quality health care at the patient’s premises. In India, these services are still in the nascent stages. CRISIL Research believes that with increasing geriatric population, nuclearization of families and increasing disease burden causing a strain on conventional health delivery systems, home healthcare will be a preferred alternative. A number of healthcare start-ups have started vying for growth in this space.

The revenue from ICU beds decreases as weeks pass by and, hence, reducing the strain (both on hospitals and patients) can be explored through home healthcare. Patients can avail of ICU care at home at nearly a fifth of the prices of hospital care. Hospitals can also benefit by this model not just through reduced overcrowding, but also prevention of associated hospital acquired infections. The services currently offered are: post-intensive care, rehabilitative care and services of skilled/unskilled nurses. But areas such as home therapeutic care for infusion and respiratory therapy, dialysis and convenience centred teleconsultation, have more potential for growth. Apollo HomeCare (by Apollo Hospitals Enterprise Ltd.) and Max@Home (by Max Healthcare Institute Limited) are home care services provided by two largest hospital chain operators in India.

## Key Concerns

- GHL’s total income, earnings per share (“EPS”), net asset value (“NAV”), return on net worth (“RoNW”), net profit margin and return on capital employed (“RoCE”) is, and its price-to-earnings (“P/E”) ratio, enterprise value (“EV”) to EBITDA ratio and market capitalization to total income ratio may be less than that of some of the listed comparable industry peers.



- Stringent restrictions to slow down the spread of Covid-19, including limitations on international and local travel, had and could continue to have a negative impact on GH L's business.
- GH L currently operates only five hospitals (Gurugram, Indore, Ranchi, Lucknow and Patna) and six multi-speciality clinics at DLF Cybercity Gurugram, Delhi Airport, south Delhi, Darbhanga, Patna and Subhash Chowk Gurugram and one hospital (Noida), which is under construction.
- Funding requirements and the proposed deployment of Net Proceeds are not appraised by any independent agency, which may affect the business and results of operations.
- Highly dependent on doctors, nurses and other healthcare professionals and its business will be impacted significantly in case GH L is unable to attract / retain such professionals.
- The provision of healthcare services has high costs such as manpower cost, infrastructure maintenance and repair cost, high medical equipment cost and any failure to pass on such costs to the patients may have a material adverse impact on the business, financial condition, results of operations and prospects.
- Developing or under-construction facilities may experience delays in construction, in reaching full operational capacity and may not achieve the synergies and other benefits GH L expect from such facilities.
- GH L may not have sufficient insurance coverage to cover all possible economic losses and this may have an adverse effect on its business.
- Certain land parcels on which GH L's hospital buildings and clinics operate are neither owned by it nor leased to it on a perpetual basis. Any breach of the terms or nonrenewal of the lease agreement may lead to disruptions and affect its business operations.
- If GH L does not continually enhance its hospitals with the most recent technology and medical equipment available in the medical areas in which it operates, its ability to maintain and expand markets may be adversely affected.
- Non-compliance with regulations applicable to the healthcare industry and applicable safety, health and environmental regulations may subject GH L to fines and adversely affect its competitive position and results of operations.
- Various challenges currently faced by the healthcare industry in India may adversely affect the business, results of operations and financial condition.
- Relies on third-party suppliers and sub-contractors and GH L also enter into contracts with third-party payers and insurers that could be terminated. Termination or non-renewal of such contracts could have a material adverse impact on the business, financial condition, results of operations and prospects.
- Depends on financing from the banks or financial institutions to carry on GH L's business operations. An inability to comply with repayment and other covenants in the financing agreements could adversely affect the business, financial condition, cash flows and credit rating
- Depends on third-party entities as well as the receipt of certain governmental approvals and access to sufficient funding, for the construction and development of GH L's hospital buildings.
- GH L faces increased competition from other hospitals and if it is unable to compete strongly, its business may be affected.
- Failure or malfunction of medical or other equipment could adversely affect the ability to conduct operations.





- GHL is subject to requirements for provision of free beds, which are subject to change and may impair its profitability and financial position.
- GHL has outstanding litigation against it, its directors, Subsidiaries and Promoter an adverse outcome of which may adversely affect the business, reputation and results of operations.
- Any increase in or realization of contingent liabilities could adversely affect the financial condition.
- Delays in receiving payment of outstanding dues from third parties, and any extended delays may affect financial condition and results of operations.
- Operations could be impaired by failure of information technology systems, particularly online health services.
- Grants of stock options under employee stock option plans may result in a charge to profit and loss account and, to that extent, reduce GHL's profitability and financial condition.
- Fires, natural disasters and other accidents beyond GHL's control could disrupt its business and result in loss of revenue or higher expenses.
- Failure to obtain or renew licenses, registrations, permits and accreditations and/or suspension or revocation of existing approvals, licenses, registrations, permits or accreditations that GHL require to conduct its business may adversely affect the business, financial condition, results of operations and cash flows.
- GHL and Subsidiary, MHPL, are currently entitled to certain fiscal benefit. Any decrease in or discontinuation of such fiscal benefit may adversely affect the results of operations and financial performance.
- Any adverse revision to India's debt rating by a domestic or international rating agency could adversely affect the business.
- GHL operates in a highly regulated industry, which requires compliance with applicable safety, health, environmental and other governmental regulations. Regulatory reforms in the healthcare industry and associated uncertainty may adversely affect the business, results of operations and financial condition.
- GHL could be exposed to risks relating to the handling of personal information, including medical data.
- Changing laws, rules and regulations and legal uncertainties, including adverse application or interpretation of corporate and tax laws, may adversely affect the business, prospects and results of operations.
- Business may be adversely affected by competition laws in India.
- Slowdown in economic growth in India or political instability could adversely affect the business.
- Fluctuation in the exchange rate between the Indian Rupee and foreign currencies may have a material adverse effect on the trading price of, and returns on, GHL's Equity Shares, independent of its operating results.



**Profit & Loss**

Particulars (Rs in million)	Q1FY23	FY22	FY21	FY20
<b>Revenue from operations</b>				
Revenue from operations	6172.1	21665.9	14467.4	15004.2
Other Income	93.3	392.3	314.2	438.5
<b>Total Income</b>	<b>6265.4</b>	<b>22058.2</b>	<b>14781.6</b>	<b>15442.7</b>
<b>Total Expenditure</b>	<b>4849.0</b>	<b>17160.6</b>	<b>12553.1</b>	<b>13137.9</b>
Cost of Materials Consumed	1350.7	5082.2	3409.0	3248.3
Purchases of stock-in-trade	135.0	375.3	127.0	0.0
Changes in inventories of stock-in-trade	-13.9	-28.2	-50.5	0.0
Impairment losses on financial assets	5.2	33.4	62.6	111.2
Employee Benefits Expenses	1555.4	5679.6	4663.4	5387.8
Other expenses	1816.6	6018.4	4341.5	4390.7
<b>PBIDT</b>	<b>1416.5</b>	<b>4897.6</b>	<b>2228.5</b>	<b>2304.8</b>
Interest	185.3	794.9	671.7	515.5
<b>PBDT</b>	<b>1231.1</b>	<b>4102.7</b>	<b>1556.8</b>	<b>1789.3</b>
Depreciation and amortization	360.8	1297.1	1232.1	1150.4
<b>PBT</b>	<b>870.3</b>	<b>2805.6</b>	<b>324.6</b>	<b>638.9</b>
Share of restated profit / (loss) of associates / joint ventures	0.0	0.0	0.0	-0.2
<b>Tax (incl. DT &amp; FBT)</b>	<b>283.2</b>	<b>843.6</b>	<b>36.6</b>	<b>275.4</b>
Current tax	240.5	856.6	367.7	497.2
Current tax - earlier periods/years	0.0	0.0	7.3	0.0
Deferred tax benefit	42.7	-13.0	-338.4	-221.8
<b>PAT</b>	<b>587.1</b>	<b>1962.0</b>	<b>288.0</b>	<b>363.3</b>
EPS (Rs.)	2.3	7.8	1.1	1.4
Face Value	2	2	2	2
OPM (%)	21.4	20.8	13.2	12.4
PATM (%)	9.5	9.1	2.0	2.4

**Balance Sheet**

Particulars (Rs in million) As at	Q1FY23	FY22	FY21	FY20
<b>Non-current assets</b>				
Property, plant and equipment	14,379.8	14,384.7	12,595.0	13,205.4
Capital work-in-progress	4,590.7	4,392.5	4,638.2	3,817.3
Right-of-use assets	3,273.3	3,311.3	3,489.3	3,740.9
Intangible assets	58.9	62.7	72.5	84.8
Financial assets				
<i>Investments</i>	0.5	0.5	0.5	0.0
<i>Other financial assets</i>	464.3	199.5	269.8	317.4
Deferred tax assets (net)	233.5	277.9	257.4	0.0
Income-tax assets (net)	587.2	594.9	471.3	659.6
Other non-current assets	124.5	114.0	125.8	51.6
<b>Total non-current assets</b>	<b>23,712.7</b>	<b>23,337.9</b>	<b>21,919.7</b>	<b>21,876.9</b>
<b>Current assets</b>				
Inventories	593.6	533.9	397.6	385.2
Financial assets				
<i>Trade receivables</i>	2,041.6	1,802.0	1,336.3	1,491.5
<i>Cash and cash equivalents</i>	1,204.4	1,194.3	694.7	1,475.7
<i>Other Bank Balances</i>	3,977.7	3,923.8	2,198.4	1,025.5
<i>Other financial assets</i>	497.1	515.5	317.8	342.0
Other current assets	192.3	147.8	76.7	66.1
<b>Total current assets</b>	<b>8,506.7</b>	<b>8,117.2</b>	<b>5,021.3</b>	<b>4,786.0</b>
<b>Total assets</b>	<b>32,219.4</b>	<b>31,455.2</b>	<b>26,941.1</b>	<b>26,662.9</b>
<b>EQUITY &amp; LIABILITIES</b>				
<b>Equity</b>				
Equity share capital	506.5	506.5	495.9	493.5
Instruments entirely equity in nature	0.0	0.0	325.0	325.0
Other equity	16,249.1	15,653.7	13,002.6	12,676.9
<b>Total equity</b>	<b>16,755.5</b>	<b>16,160.1</b>	<b>13,823.4</b>	<b>13,495.4</b>
<b>Liabilities</b>				



<b>Non-current Liabilities</b>				
<b>Financial Liabilities</b>				
<i>Borrowings</i>	7,124.4	7,676.3	5,777.0	6,055.2
<i>Lease liabilities</i>	2,314.0	2,357.0	2,507.2	2,702.9
<i>Other financial liabilities</i>	107.2	98.4	0.0	0.0
Provisions	540.4	511.0	423.3	360.9
Deferred tax liabilities (net)	0.0	0.0	0.0	81.1
<i>Other non-current liabilities</i>	450.7	457.6	363.4	390.8
<b>Total non-current liabilities</b>	<b>10,536.6</b>	<b>11,100.3</b>	<b>9,071.0</b>	<b>9,590.9</b>
<b>Current liabilities</b>				
<b>Financial liabilities</b>				
<i>Borrowings</i>	820.1	702.3	669.0	164.2
<i>Lease liabilities</i>	356.3	353.6	360.6	366.8
<i>Trade payables</i>				
<i>total outstanding dues of micro enterprises and small enterprises</i>	502.8	334.0	301.2	179.5
<i>total outstanding dues of creditors other than micro enterprises and small enterprises</i>	1,297.1	1,009.3	1,014.3	1,128.0
Other financial liabilities	1,170.4	975.8	902.8	1,116.4
Other current liabilities	604.3	626.7	521.6	432.6
Provisions	176.3	193.1	277.2	189.3
<b>Total current liabilities</b>	<b>4,927.2</b>	<b>4,194.8</b>	<b>4,046.6</b>	<b>3,576.6</b>
<b>Total liabilities</b>	<b>15,463.9</b>	<b>15,295.1</b>	<b>13,117.6</b>	<b>13,167.5</b>
<b>Total equity and liabilities</b>	<b>32,219.4</b>	<b>31,455.2</b>	<b>26,941.1</b>	<b>26,662.9</b>

(Source: RHP)

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