

Jupiter Lifeline Hospitals

Price Band – 695-735

Jupiter Hospitals which operate and manages hospitals in Thane, Pune and Indore is coming up with an IPO to raise around Rs. 869 cr, which opens on 6th Sep. and closes on 8th Sep. 2023. The price band is Rs. 695 - 735 per share. Jupiter hospitals is among the key multi-specialty tertiary and quaternary healthcare providers in the Mumbai Metropolitan Area and western region of India with a total bed capacity of 1,194 hospital beds across three hospitals as of March 31, 2023. It has been operating for over 15 years as a corporate quaternary care healthcare service provider in the western regions of India. It is also currently in the process of developing a multispecialty hospital in Dombivli, Maharashtra, which is designed to accommodate over 500 beds.

Founded by Dr. Ajay Thakkar

Dr. Ajay Thakker is the Chairman and Managing Director of our Company. He has been associated with the Company since inception and was also associated with Jupiter Scan and Imaging Centre Private Limited as a director. He has over 31 years of experience in the field of medicine and healthcare. He is currently responsible for the overall management of the Company.

Neuro Rehabilitation in Thane and Indore region

The Thane and Indore hospitals are amongst the few hospitals in the western region of India to provide neuro rehabilitation services through a dedicated robotic and computer-assisted neuro rehabilitation centre. Additionally, our Company operates one of the few multi-organ transplant centres in Thane. Each of its hospitals at Thane, Pune and Indore has been certified by NABH.

Track-record of operational and financial performance with a diversified revenue mix

The company have grown from a single hospital in Thane in 2007 to three hospitals with an operational bed capacity (i.e., census and non-census beds) of 950 beds and 961 beds, as of Mar 23. It has delivered high operational and financial performance through high patient volumes, cost efficiency and diversified revenue streams across hospitals. **It has, over the last three years, showcased consistent growth and expanded its healthcare infrastructure and services, without any investment from institutional investors.**

Continue to recruit and retain skilled healthcare professionals!

In line with its “patient first” ideology, its mission is to create the best infrastructure, technology and support to put the patient first and foremost and be futuristic and innovative in delivery of healthcare. It aim to adopt the latest medical technologies and equipment to provide better treatment for our patients and believe that by incorporating such new technologies in our operations, we will be able to improve patient care, expand the scope of treatments that we offer and increase affordability, efficiency and cost savings.

All hub no spoke model: Jupiter hospitals function on an ‘all-hub-no-spoke’ model with each hospital being a full-service hospital, operating independently and serving the healthcare needs of patients, right from diagnostics to surgery and rehabilitation.

Features of the IPO:

The IPO is a combination of fresh issue and OFS portion. The firm has cut fresh issue size to Rs 542 crore from Rs 615 crore earlier planned. The OFS comprises of upto 4.45 million shares by its existing shareholders and promoters. The proceeds from the issue worth Rs 510.41 crore will go toward debt repayment. As of March 2023, total debt of the company stood at Rs 476.37 crore.

The OFS consists of upto 1.25 million shares by Devang Vasantlal Gandhi (HUF), upto 9 lakh shares by Devang Gandhi jointly with Neeta Gandhi, upto 1 million shares by Nitin Thakker jointly with Asha Thakker, and upto 4 lakh shares each by Anuradha Ramesh Modi with Megha Ramesh Modi and Bhaskar P Shah (HUF).

Conclusion:

Amid advantage of regional dominance, operational efficiency, Jupiter Hospital has demonstrated the good financial performances among peers. It has the high level ARPOB. Hence, based on current performance, **we assign SUBSCRIBE for listing gain.** At higher price band, Jupiter Hospital is demanding an EV/EBITDA multiple of 22x, which is at par with peer Yatharth Hospitals (Same size of 3 hospitals). Thus, the IPO is attractively priced.

Key financials and operating metrics

Y/E Mar (Rs mn)	Revenue	YoY (%)	EBITDA	EBITDA (%)	PAT	PAT (%)	EPS	ROE (%)	ROCE(%)
FY20	4,629	NA	826	17.8	296	NA	5.8	NA	NA
FY21	4,862	5.0	672	13.8	-23	-107.8	-0.5	-1.0	-10.1
FY22	7,331	50.8	1,534	20.9	510	-2319.4	10.5	19.1	11.0
FY23	8,925	21.7	2,013	22.6	713	39.8	14.0	21.8	12.1

Source: Company, SMIFS research estimates



Rating: **SUBSCRIBE**

Issue Details

Issue Opens	6 th Sep 2023
Issue Closes	8 th Sep 2023
Issue Size (Rs Mn)	(8510-8,690)
Fresh Issue (Rs Mn)	5,420
Price Band (Rs)	695-735
No. of shares on Offer (In Mn)	11.8 -12.2
QIB (%)	50%
Retail (%)	35%
Minimum lot size (no. of shares)	20
Application money Rs.	13,900 per lot
Mcap at higher price band	Rs. 4,100 Mn
Enterprise value at higher price band	Rs. 4,400-4500 Mn

Source: Company, SMIFS research

Shareholding pattern (%)

	Pre-Issue	Post Issue
Promoter	49.8%	40.9%
Public/others	50.2%	59.1%

Source: Company

Dhara Patwa

Sector Lead – Pharma & Healthcare
9766492546/022 42005511
dhara.patwa@smifs.com

Awanish Chandra

Head - Institutional Equities
8693822293
awanish.chandra@smifs.com

About the company

Jupiter hospital IS among the key multi-specialty tertiary and quaternary healthcare providers in the Mumbai Metropolitan Area (MMR) and western region of India with a total bed capacity of 1,194 hospital beds across three hospitals as of December 31, 2022. They have been operating for over 15 years as a corporate quaternary care healthcare service provider in densely populated micro markets in the western regions of India and currently operate three hospitals under the “Jupiter” brand in Thane, Pune and Indore, with an operational bed capacity (i.e. census and non-census beds) of 950 beds and 900 beds, as of the date of this Draft Red Herring Prospectus and December 31, 2022, respectively, and 1,246 doctors including specialists, physicians and surgeons, as of December 31, 2022. They are also currently in the process of developing a multi-specialty hospital in Dombivli, Maharashtra, which is designed to accommodate over 500 beds and has recently commenced construction in April 2023.

They follow a ‘patient first’ ideology by creating the best infrastructure, technology and support to put the patient first and foremost and be futuristic and innovative in delivery of healthcare. Jupiter have equipped hospitals with over 30 specialties, as of December 31, 2022, including key specialties of organ transplant, oncology, orthopaedics, cardiology, paediatrics, neurology and neurosurgery as well as certain specialised quaternary services and precision-based treatments such as brachytherapy, radiotherapy, robotic knee replacement and robotic neuro rehabilitation. According to the CRISIL Report, their Thane and Indore hospitals are amongst the few hospitals in the western region of India to provide neuro rehabilitation services through a dedicated robotic and computer-assisted neuro rehabilitation centre. Additionally, their Company operates one of the few multi-organ transplant centres in Thane.

They commenced operations in 2007 with having hospital in Thane, Maharashtra and subsequently scaled their operations by setting up a hospital in Pune, Maharashtra in 2017 and acquiring a hospital in Indore, Madhya Pradesh in 2020. **According to the CRISIL Report, their hospitals are also located in densely populated micro markets which have a low presence of chained hospitals, which they believe provides them an opportunity to offer its services to a larger population and helps its patients with greater access and connectivity to healthcare services. Jupiter hospitals function on an ‘all-hub-no-spoke’ model with each hospital being a full-service hospital, operating independently and serving the healthcare needs of patients, right from diagnostics to surgery and rehabilitation.** Their Thane and Pune hospitals are “greenfield” projects, and all three hospitals are located on land owned by them on a freehold basis, which they believe ensures operational control and allows them consistency in quality care resulting in long-term operational and financial efficiencies.

Their management team is also supported by a highly experienced professional team with a significant experience in the healthcare industry. **In Fiscals 2020, 2021 and 2022, and in the nine months ended December 31, 2022, the attrition rate for doctors (who work as consultants at our hospitals) was 0.37%, 3.40%, 5.08% and 2.82%, respectively.**

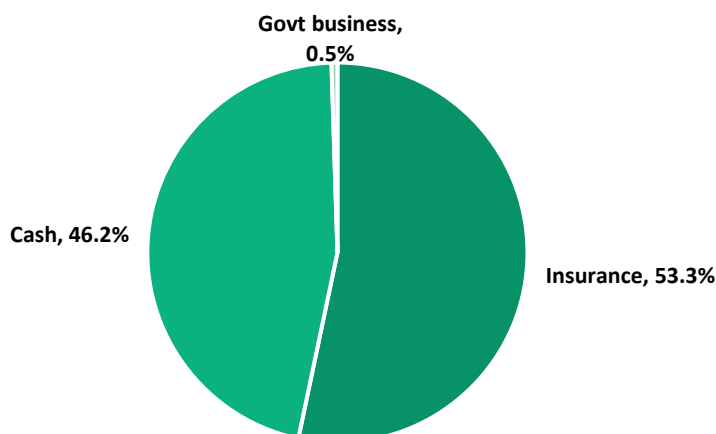
Their clinical and operational track record has led them to build a brand presence largely on word-of-mouth marketing which is demonstrated through their patient volumes and payor mix (i.e., patients’ payment mode). **Patient volumes (comprising inpatient and outpatient) at their hospitals were 542,174, 447,573, 645,446 and 568,832 in Fiscals 2020, 2021 and 2022 and in the nine months ended December 31, 2022, respectively. Their payor mix showcases that we have very low dependence on central and state government schemes for their revenues,** with payments made through (i) self-payers; (ii) insurance companies, third party administrators and corporations; and (iii) government schemes accounting for 50.87%, 48.15% and 0.98%, respectively, of our income from healthcare services in Fiscal 2022, and 46.05%, 52.71% and 1.24%, respectively, of their income from healthcare services in the nine months ended December 31, 2022.

Key Financials and operational information

Particulars	FY20	FY21	FY22	FY23
Operational bed capacity	574	744	869	950
Census bed capacity	496	666	757	802
Average occupancy levels (%)	60%	45%	54%	63%
Income from healthcare services (in ₹ Mn)	4,540	4,834	7,262	8,807
Average revenue per occupied bed (ARPOB) (in ₹)	41,999	43,946	48,711	50,990
Average length of stays in hospitals (ALOS)	4.0	4.5	4.3	4.0
OPD volumes	5,15,312	4,23,020	6,10,796	7,30,981
IPD volumes	26,862	24,553	34,650	42,956
Revenue from Operations (in ₹ Mn)	4,629	4,862	7,331	8,925

Source: Company, SMIFS Research

Breakup by Payor Mix (As on FY23)



Source: Company, SMIFS Research

Hospital Revenue Break up

Revenue from Operations (In Rs Mn)						
Hospital	FY23	% contri	FY22	% contri	FY21	% contri
Thane	4835	54.2%	4236	57.8%	3135	64.5%
Pune	3037	34.0%	2336	31.9%	1475	30.3%
Indore	1052	11.8%	758	10.3%	250	5.1%
Total	8924		7330		4860	

Peer Comparison for Major Hospital Players (FY23)

Company Name	EV	Mcap	Net Sales	EBITDA	PAT	EBITDA Margin %	ROE %	P/E	EV/EBITDA
Rainbow	111,825	106,580	11,736	3,964	2,108	33.8	18.5	44.3	25.7
KIMS	166,173	160,050	21,977	6,040	3,363	27.5	16.6	34.5	25.6
Apollo	730,837	695,271	166,125	20,496	8,191	12.3	16.6	56.2	34
Fortis	255,106	249,476	62,976	11,013	5,887	17.5	8.6	27.6	22
Narayana	216,546	211,503	45,248	9,658	6,062	21.3	23.4	30.1	19.3
HCG	57,915	50,869	16,944	2,987	293.4	17.6	11.5	38.2	18.4
Medanta	186,586	188,147	26,942	6,122	3,261	22.7	14.3	42.7	25.3
Max	551,412	559,203	45,626	12,405	10,637	27.2	14	40	37.7
ASTER DM	217,832	165,114	119,329	15,653	4,249	13.1	12	25	12.7
Shalby Ltd	27,221	25,927	8,049	1,367	677	17	8.9	17	16.7
Jupiter Hospitals	44,678	41,528	8,925	2,013	729	22.6	21.8	52.9	22.2

Source: Company, SMIFS Research

Jupiter Hospital is a multi-specialty hospital and it faces competition in all of their main business areas. **The key players in western India include Aditya Birla Health Services Private Limited, Ruby Hall Clinical Services Private Limited and Sahyadri Hospitals Private Limited and key pan-India players include Apollo Hospitals Enterprises Limited, Fortis Healthcare Limited, Manipal Health Enterprises Private Limited.**

They also compete with government-owned hospitals, and nursing homes, smaller clinics, hospitals owned or operated by non-profit and charitable organizations and hospitals affiliated with medical colleges. They will also have to compete with any future healthcare facilities located in the regions in which they operate. An increase in competition could result in downward pressure on prices, lower demand for their services, reduced margins, an inability to take advantage of new business opportunities and a loss of market share.

Key Hospital in Mumbai with their bed capacity

Key Hospitals	Estimated number of Beds
Apollo Hospitals	500
Hinduja National Hospital	400
Jupiter Hospital	377
Jaslok Hospital	364
Wockhardt Hospital	350
Fortis Hospital, Mulund	350
Bhakti Vedanta Hospital and Research Institute	300
Asian Heart Institute	250
Bethany Hospital	190

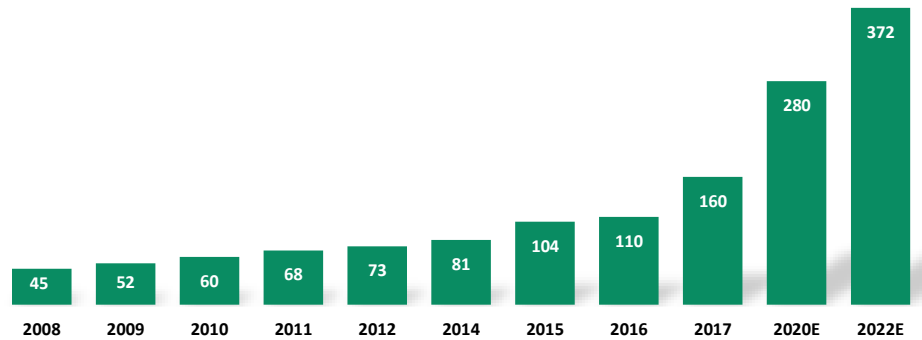
Conclusion

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Industry Overview

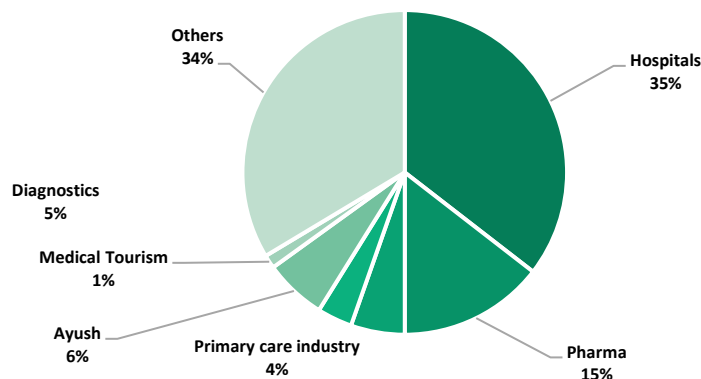
The Indian healthcare industry for FY22 is estimated at USD 372 billion of which hospitals carve out the majority share, i.e., about 35%, contributing about USD 132 billion. This is followed by domestic pharmaceuticals contributing about 15% i.e. USD 54 billion and the remaining is shared by diagnostics, medical equipment and insurance. A potential upside is also expected from Covid-19 treatments, especially for hospitals where occupancies were typically on the lower side. Within the overall healthcare delivery market, the in-patient department (“IPD”) is expected to account for nearly 70% (in value terms), while the balance is to be catered by the out-patient department (“OPD”). Though in terms of volumes, OPD volumes outweigh IPD volumes, with the latter contributes the bulk of the revenues to healthcare facilities.

Indian Healthcare sector in USD bn



Source: IBEF

Indian Healthcare industry



Source: IBEF

Healthcare delivery industry to grow 15-17% over next four years

With renewed impetus from PMJAY and government focus shifting onto healthcare sector, the healthcare delivery market is expected to grow at 15-17% CAGR and reach Rs 7.67 trillion in fiscal 2025.

Over the last four years, 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 a scheme in the pipeline (PM Atma Nirbhar Swasth Bharat) for strengthening primary, secondary & tertiary healthcare infrastructure in the country. 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.

As per IRDAI, **health insurance coverage has risen from 17% in FY12 to 36% in FY20. Also, with the PMJAY scheme and other growth drivers, insurance coverage in India is expected to increase to 46% by FY25.** Therefore, a likely increase in the health insurance market will drive demand for healthcare services

Medical tourism has gained momentum in India

India is emerging as a major medical tourist destination, given the relatively low cost of surgery and critical care in the country.

Most key medical procedures are performed at cheaper rates in India vis-à-vis developed and some developing countries. India is also an attractive destination due to its presence of technologically advanced hospitals with specialised doctors and facilities.

As per the Ministry of Tourism, of the total foreign tourist arrivals in India, the proportion of medical tourists grew from 2.2% (0.11mn tourists) in 2009 to 6.4% (0.6mn) in 2019. The government has also constituted a National Medical and Wellness Tourism Board which will provide financial assistance of Rs 6,00,000 to medical tourism service providers under market development assistance (MDA) to develop medical tourism in India.

Ailments in \$	US	Korea	Singapore	Thailand	India
Hip replacement	50,000	14,120	12,000	7,879	7,000
Knee replacement	50,000	19,800	13,000	12,297	6,200
Heart Bypass	1,44,000	27,900	18,500	15,121	5,200
Angioplasty	57,000	15,200	13,000	3,788	3,300
Heart Valve replacement	1,70,000	43,500	12,500	21,212	5,500
Dental Implant	2,800	4,200	1,500	3,636	1,000

Source: Industry report, SMIFS Research

Financial Statements

Income Statement – Pre IPO				
YE March (Rs mn)	FY20	FY21	FY22	FY23
Revenues	4,629	4,862	7,331	8,925
Raw Materials	799	984	1,422	1,572
% of sales	17.3	20.2	19.4	17.6
Personnel	928	1,044	1,338	1,556
% of sales	20.0	21.5	18.2	17.4
Other Expenses	2,077	2,162	3,037	3,784
% of sales	44.9	44.5	41.4	42.4
EBITDA	826	672	1,534	2,013
Other Income	19	41	40	104
Depreciation & Amortization	259	307	362	386
EBIT	586	405	1,213	1,732
Finance cost	257	390	439	423
Core PBT	310	-25	733	1,205
Exceptional items	0	0	2	22
PBT	329	16	771	1,287
Tax-Total	33	39	260	558
Effective tax rate (%)	-9.9	247.7	33.7	43.4
PAT	296	-23	511	729
Adjusted PAT	296	-23	510	713

Source: Company, SMIFS research estimates

Key Ratios				
YE March	FY20	FY21	FY22	FY23
Growth Ratio (%)				
Revenue	NA	5.0	50.8	21.7
EBITDA	NA	-18.7	128.4	31.2
Adjusted PAT	NA	-107.8	-2319	39.8
Margin Ratios (%)				
Gross Profit	82.7	79.8	80.6	82.4
EBITDA	17.8	13.8	20.9	22.6
EBIT	NA	8.3	16.5	19.4
Core PBT	NA	-0.5	10.0	13.5
Adjusted PAT	NA	-0.5	7.0	8.0
Return Ratios (%)				
ROE	NA	-1.0	19.1	21.8
ROCE	NA	-10.1	11.0	12.1
Turnover Ratios (days)				
Gross Block Turnover (x)	0.8	0.7	0.9	1.0
Adj OCF/Adj PAT (%)	NA	NA	182.5	188.2
Inventory	64	48	39	44
Debtors	35	16	14	19
Creditors	268	217	157	164
Cash conversion cycle	-169	-152	-104	-101
Solvency Ratio (x)				
Debt-equity	1.1	1.7	1.7	1.3
Net debt-equity	1.1	1.6	1.3	0.9
Gross Debt/EBITDA	3.3	6.3	3.2	2.3
Current Ratio	1.8	1.2	1.9	1.8
Interest coverage ratio	NA	1.0	2.8	4.1

Source: Company, SMIFS research estimates

Balance Sheet				
YE March (Rs mn)	FY20	FY21	FY22	FY23
Sources of funds				
Capital	509	509	509	565
Reserves & Surplus	1,859	1,956	2,376	3,074
Shareholders' Funds	2,367	2,464	2,884	3,639
Total Loan Funds	2,719	4,255	4,952	4,686
Other liabilities	197	255	325	370
Total Liabilities	5,283	6,974	8,162	8,695
Application of funds				
Gross Block	5,755	8,014	8,912	9,651
Net Block	4,346	6,300	6,839	7,197
Capital WIP	105	259	266	291
Investments	23	74	29	16
Other non-current assets				
Inventories	140	131	154	190
Sundry Debtors	446	218	279	457
Cash & Bank Balances	70	194	1,034	1,345
Other current Assets	658	512	311	87
Total Current Assets	1,314	1,056	1,777	2,079
Sundry Creditors	586	586	611	707
Other Current Liabilities	160	329	314	453
Total Current Liabilities	746	915	925	1,160
Net Current Assets	568	141	852	918
Total Assets	5,283	6,974	8,162	8,695

Source: Company, SMIFS research estimates

Cash Flow				
YE March (Rs mn)	FY20	FY21	FY22	FY23
Operating profit before WC changes	987	701	1,542	2,036
Net chg in working capital	(94)	631	(86)	(77)
Income tax Paid	(151)	(98)	(86)	(195)
Cash flow from operating activities (a)	742	1,234	1,370	1,764
Adj. OCF	485	844	930	1,341
Capital expenditure	-286	-2,416	-917	-772
Adj FCF	199	-1,572	13	569
Cash flow from investing activities (b)	-434	-2,958	-852	-942
Debt	198	1,477	877	309
Dividend	-61	-	0	-51
Interest & lease	-257	-390	-439	-423
Cash flow from financing activities (c)	-317	1,843	322	-511
Net chg in cash (a+b+c)	-9	119	839	311

Source: Company, SMIFS research estimates

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Analyst holding in stock: **NO**

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Contact us:

SMIFS Limited. (<https://www.smifs.com/>)

Compliance Officer:

Sudipto Datta,

5F Vaibhav, 4 Lee Road, Kolkata 700020, West Bengal, India.

Contact No.: +91 33 4011 5401 / +91 33 6634 5401

Email Id.: compliance@smifs.com

Mumbai Office:

206/207, Trade Centre, Bandra Kurla Complex (BKC), Bandra East, Mumbai – 400051, India

Contact No.: (D) +91 22 4200 5508, (B) +91 22 4200 5500

Email Id: institutional.equities@smifs.com

Kolkata Office:

Vaibhav, 4 Lee Road, Kolkata 700020, West Bengal, India.

Contact No.: (D) +91 33 6634 5408, (B) +91 33 4011 5400

Email Id: smifs.institutional@smifs.com
