



# Healthcare Evolution Curative to Preventive

Valuation | Investment Banking | Restructuring  
Transaction Services | Transaction Tax

APRIL  
2021

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# Foreword

'Unprecedented' is a word we have all heard so many times in the past few months. The contours and contents of the healthcare ecosystem are rapidly evolving across the world due to major disruption caused by COVID-19 pandemic. In this current situation, where the fear of COVID-19 has spread across the world and countries are preparing to combat the second wave, technology is helping us remain united and Healthcare industry is no exception. While the delivery of healthcare varies significantly across developing and developed countries and even within them, there is a common objective to minimize disease burden and maximize the reach of quality care.

While providing healthcare is widely recognised as the responsibility of government, private capital and expertise are increasingly viewed as welcome sources to induce efficiency and innovation. Indian Healthcare is complex due to the multi-layered architecture of health system administration. These include whether it gets public (Central or state government) or private funding, what location it covers (rural or urban), and what demography and prevalent diseases it covers.

The big question around Indian Healthcare has always been around accessibility and affordability for most of the population. On one hand, it is largely financed by Out-of-pocket payments (comprising of more than 60% through private savings) and remains unaffordable for a large part of population. On the other hand, access to the right doctors, facilities, treatment and medication in timely manner is largely limited to metro and tier-1 cities.

The Indian Government has undertaken deep structural and sustained reforms to strengthen the healthcare sector and has also announced conducive policies for encouraging FDI. The National Health Policy aims to increase the public health expenditure to 2.5% of GDP by FY 2025 which will help to reduce the Out-of-pocket expense to ~35% from the current spending of more than 60%. Government has made a bold move to achieve Universal Health Coverage (UHC) through Ayushman Bharat, which aims to provide affordable healthcare to the entire population and reduce their expenses on healthcare. Given its scale of coverage, the evolution and success of Ayushman Bharat is being closely watched globally and till date, more than 17 million beneficiaries have availed treatment.

COVID-19 pandemic has not only presented challenges but also several opportunities for India to grow. The pandemic has provided much needed impetus to the expansion of telemedicine market in the country. The way forward is to build a digital healthcare architecture that leverages the power of technology to create Electronic Medical Records, Disease Registries, track real-time data capture and analyze health data for preventive and managed care. The new age healthcare is not just "sick care" but access to "preventive" care.

The report covers the overview of Indian Healthcare Sector and key segments including Hospitals, Telemedicine and Diagnostic Sector.

HAPPY READING!



**Rajeev R. Shah**  
Managing Director & CEO

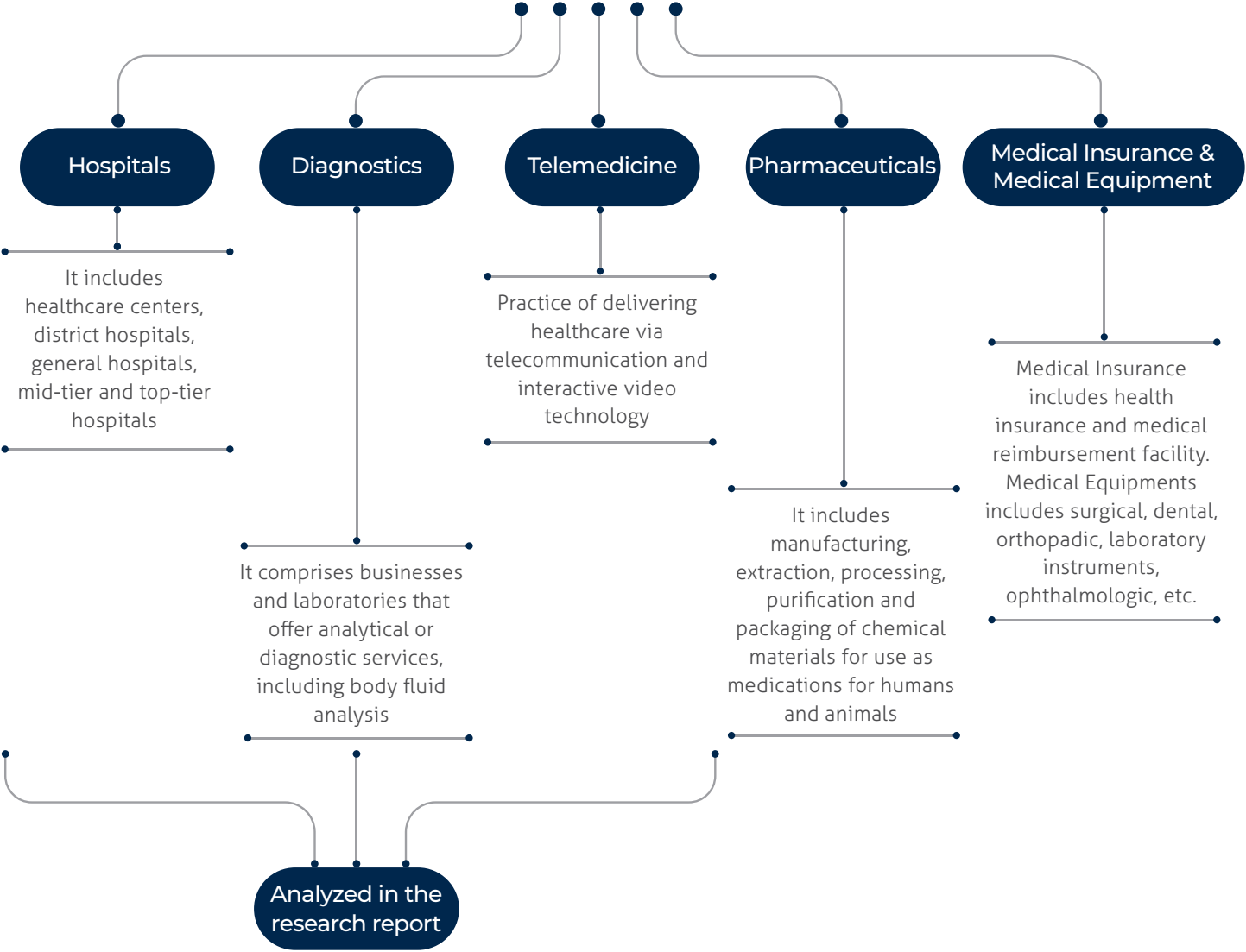


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# Healthcare Ecosystem

# Healthcare Ecosystem

## HEALTHCARE





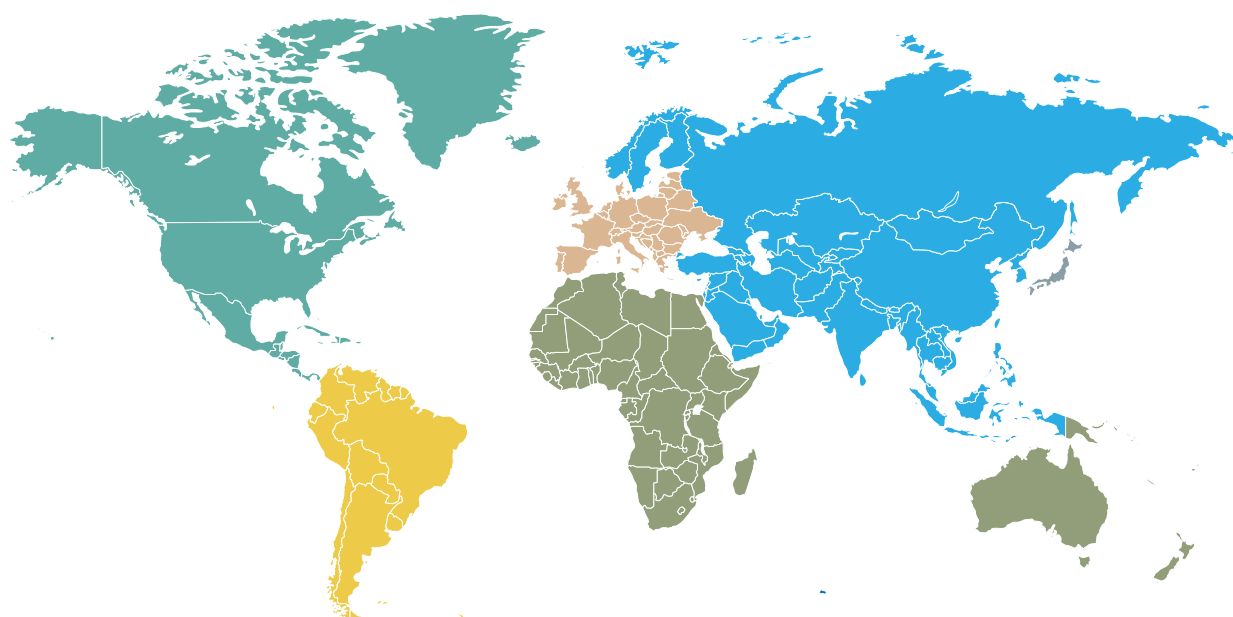
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# Global Healthcare Industry

# Global Healthcare Industry

- Combined public and private health care spending is expected to fall globally by 2.6% in 2020, due to the detrimental effects of COVID-19–related lockdowns and social distancing measures on the provision of non-emergent care and care restrictions.
- Between 2020 and 2024, global health spending is expected to rise at a 3.9% compound annual growth rate (CAGR), considerably faster than the 2.8% recorded in 2015–2019 and is expected to reach over \$10 trillion by 2024.
- COVID-19’s global grip is likely to extend well into 2021; However, health care spending should begin to recover as governments invest heavily both to control the pandemic and to roll out COVID-19 vaccines & treatments and recommencement of deferred surgical and diagnostic procedures and an improving economy should also boost spending.
- Global health care spending as a share of gross domestic product (GDP) is projected to rise to 10.4% in 2020, up from 10.2% the previous three years. The sector’s GDP share should average 10.3% in 2021 and 2022.
- In 2018, the Global healthcare industry revenue was worth \$1.85 trillion and is estimated to cross \$ 2 trillion in 2020.

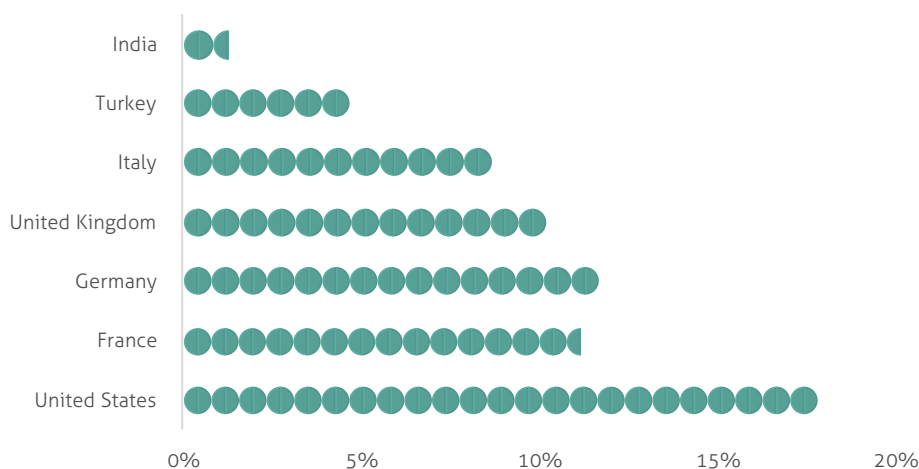
Global Healthcare Industry Revenue by region for 2018 (in billions of USD)



● North America - <b>\$714.5</b>	● Europe - <b>\$422</b>	● Asia-Pacific - <b>\$342.4</b>
● Japan - <b>\$174.4</b>	● Latin America - <b>\$137.1</b>	● The rest of the world - <b>\$63.4</b>

# Global Healthcare Industry

Healthcare spending Calendar year 2019



Healthcare spending for India is lower than average of 8.8% of GDP of 2018 for OECD countries

## Healthcare Consumption Expenditures per capita by Country



\$5,828



\$10,624



\$ 8,114



\$ 6,098



\$ 275

Inflation-adjusted to 2018 PPP U.S. dollars

- The Healthcare consumption expenditure per capita by country is lower than the world average
- India is at 145<sup>th</sup> position among 195 countries in terms of accessibility and quality of healthcare

The Healthcare consumption expenditure per capita by country is lower than the world average

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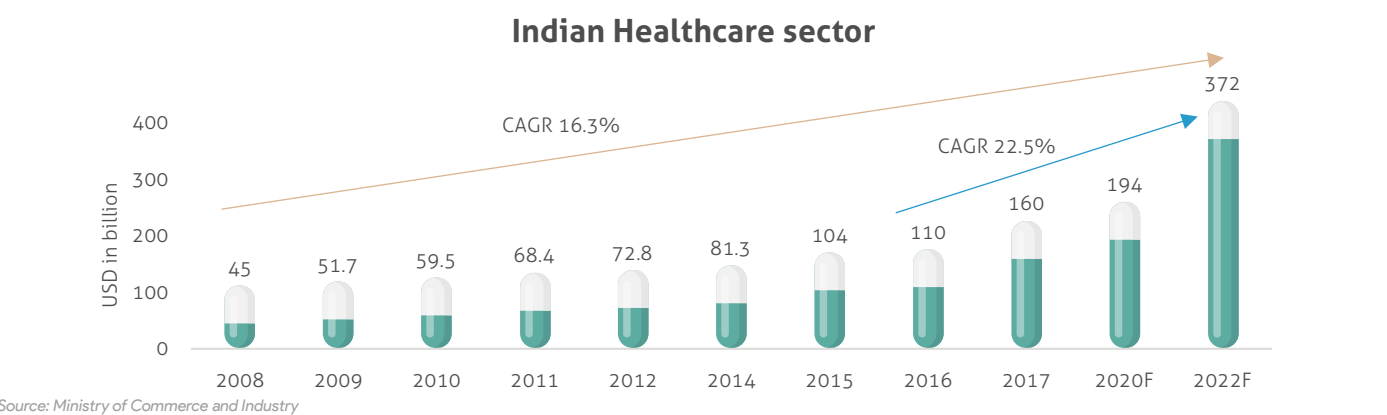
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# Indian Healthcare Industry

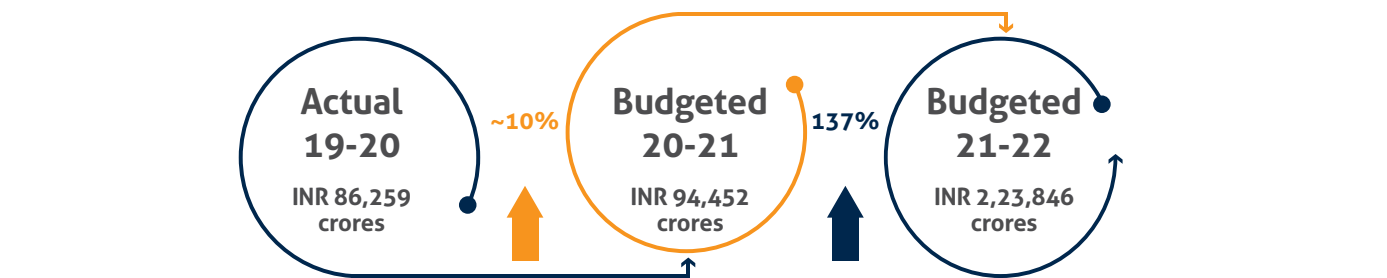
# Indian Healthcare Industry

India’s healthcare system is paradoxical i.e., on the one hand, it boasts of attracting medical tourists from across the world for its quality health service at cheaper cost, and on the other, it is characterized by lack of accessible, affordable health services for a large part of its population.

Healthcare, to a certain extent, is discretionary spend in India. In FY 19, Indian healthcare sector stood as the fourth largest employer. The sector is expected to employ about 7.4 million people by 2022.



As the world continues to fight one of the biggest health crises, India’s healthcare sector has become the prime focus of the government post the outbreak of COVID-19. INR 2.23 Lakh Cr has been allocated for healthcare and wellness initiatives in the Union Budget 2021-22, a 137% increase over the previous year.

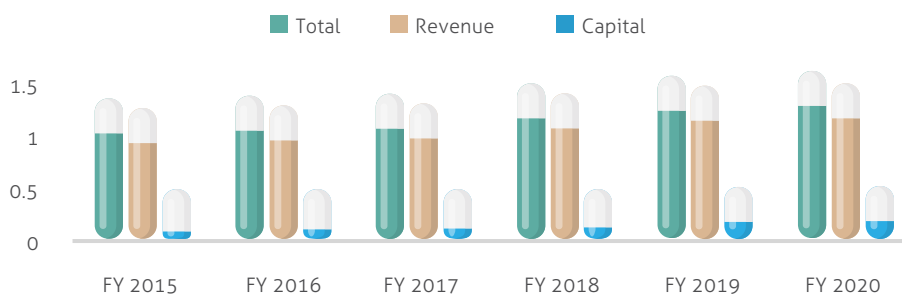


Hospitals is the biggest segment and contributes ~ 70% of the Indian healthcare market in the country



# Indian Healthcare Industry

India's Health Expenditure - As a % of GDP



Overall, India's public health expenditure (sum of central and state spending) has remained between 1.2% to 1.6% of GDP between FY 2008-09 and FY 2019-20.

Currently, India lags behind BRICS peers as well as developed nations. As a result, higher share of services being offered by private companies which tantamount to significant out of pocket expenses (OOPE) which is non funded.

The Economic Survey FY 2020-21 observed that an increase in public healthcare spending from 1% to 2.5-3% of GDP can decrease the out-of-pocket expenditure from 65% to 35% of overall healthcare spending.

The allocation to the Department of Health and Family Welfare has increased from INR 11,366 crore in FY 2006-07 (revised estimate) to INR 71,269 crore in FY 2021-22 (budget estimate) resulting CAGR of ~13%.



***The National Health Policy, 2017 aims to increase public health expenditure to 2.5% of the GDP by FY 2025.***

# Healthcare Industry Strong Fundamentals

## Underpenetrated Market

- Under-penetrated healthcare delivery market expected to provide a long-term sustainable growth opportunity
- Increasing per capita income in India and current COVID-19 crisis will see the need for healthcare services

## Shift to Non-Communicable Disease

- Lifestyle related diseases have led to an increase in the demand for specialized care
- Currently, ~50 per cent of spending on in-patient beds is for lifestyle diseases

## Reduction in OOPEx

- Increasing the spending on public health from ~1% of the GDP to 2.5-3% by FY 2025 of GDP will help in reducing the out-of-pocket expenses from 60% to 35% for Indian Household

## Increasing Trend in Medical Tourism

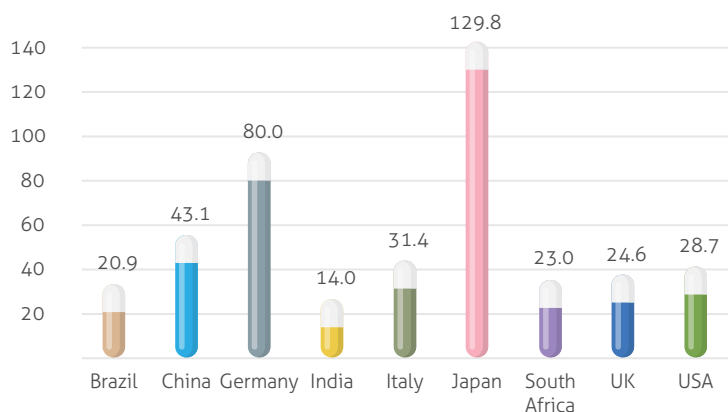
- India is gradually emerging as a destination for elective and critical treatment on account of lower costs, better patient care and sophisticated medical technology

## Favourable investment environment

- 100% FDI allowed through automatic route
- Promotion of PPP Model
- Shift from Traditional model to Technology based model to act as an enabler for providing healthcare services to the remotest of location

# Underpenetrated Market

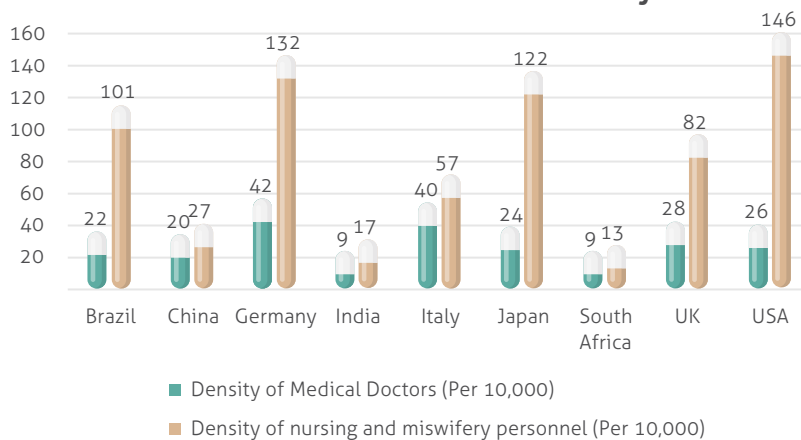
Beds per 10,000 population



*Hospital bed density is 14-15 per 10,000 populations considerably lower than WHO guidelines of 30.*

India has 14 beds in comparison to USA which has 29 beds to serve per 10,000 population. India requires additional 2 million beds to be at par with the global median.

Healthcare Professional Density



*Density of doctors and nurses is about 9/17 per 10,000 population considerably lower than global average of 14/28.*

The distribution of healthcare facilities and medical personal is not uniform across the country. Southern region (Karnataka, Kerala, Telangana, Tamil Nadu and Andhra Pradesh) has relatively higher bed density. Also, facilities are skewed towards urban areas specifically for secondary and tertiary care, while ~65% of the population is in rural areas.



# Shift to Non-communicable disease

India's burden of non-communicable diseases is escalating. NCDs typically present in individuals aged 55 years or older in many developed countries, but their onset occurs in India a decade earlier ( $\geq 45$  years of age).

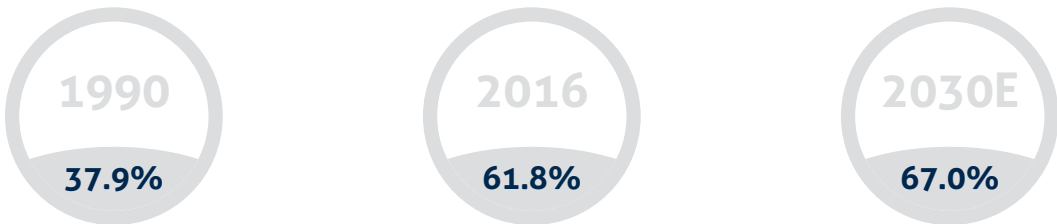
In FY 26, India's 26% of the population is expected to be above 45 years of age which will have greater requirement for healthcare and overall spending

India has witnessed an extensive change in the overall disease profile of its population. Due to increased urbanization and sedentary lifestyle, the incidence of lifestyle diseases is anticipated to increase faster than any other segment

Share of communicable, maternal, neonatal & nutritional diseases



Share of non communicable diseases



Share of injuries

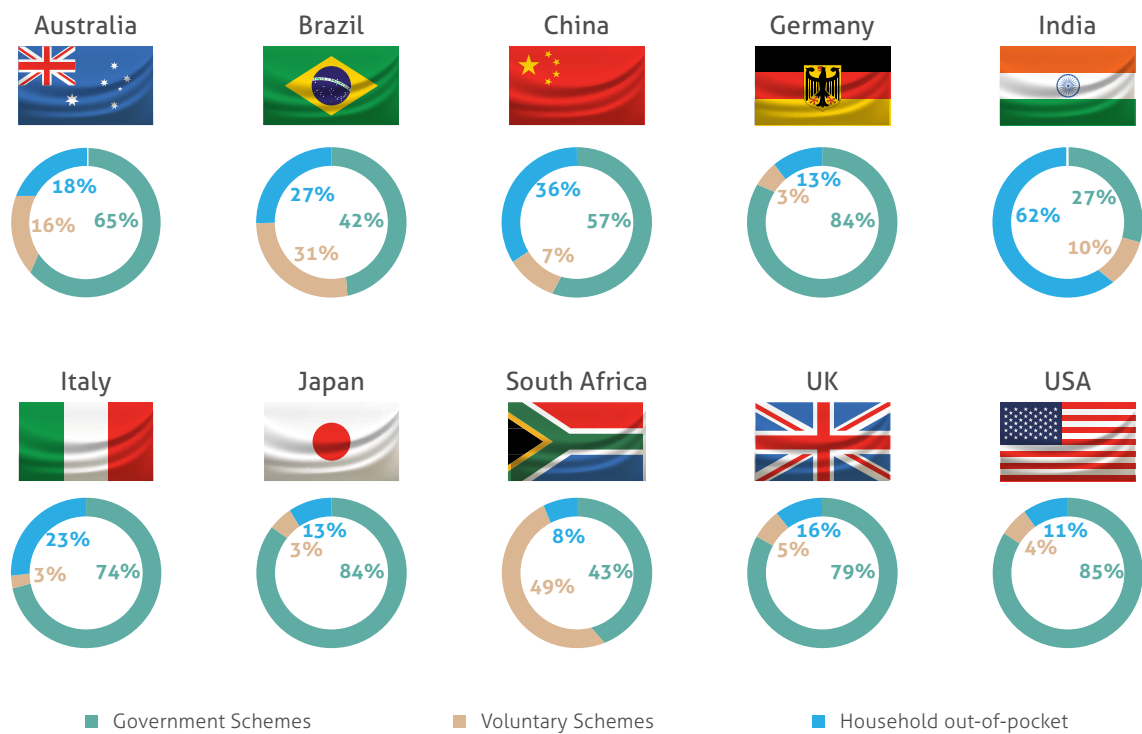


Lifestyle diseases contribute to about 50% of expenditure on in-patient beds in urban India

# Reduction in OOPE

Out-of-pocket expenditure is the payment made directly by individuals at the point of service where the entire cost of the health service is not covered under any financial protection scheme.

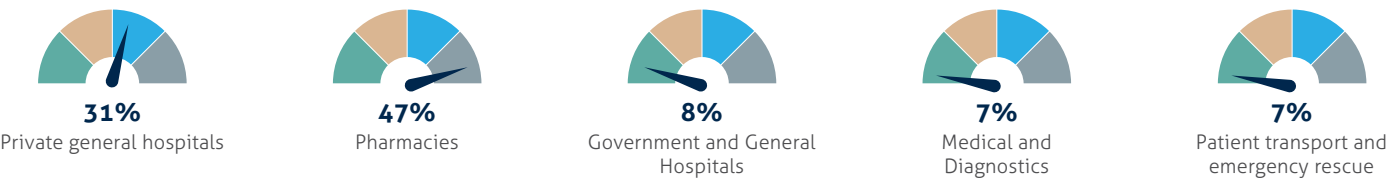
## Medical Expenditure Funding Pattern



*Out-of-pocket expenses are about 62% for India, significantly higher than most of the countries.*

In India, insurance penetration is low. Also, government schemes and even most private medical insurance plans do not cover outpatient, diagnostic and medicine expenses as compared to other developed countries.

## Major heads for which out of pocket expenditure is made



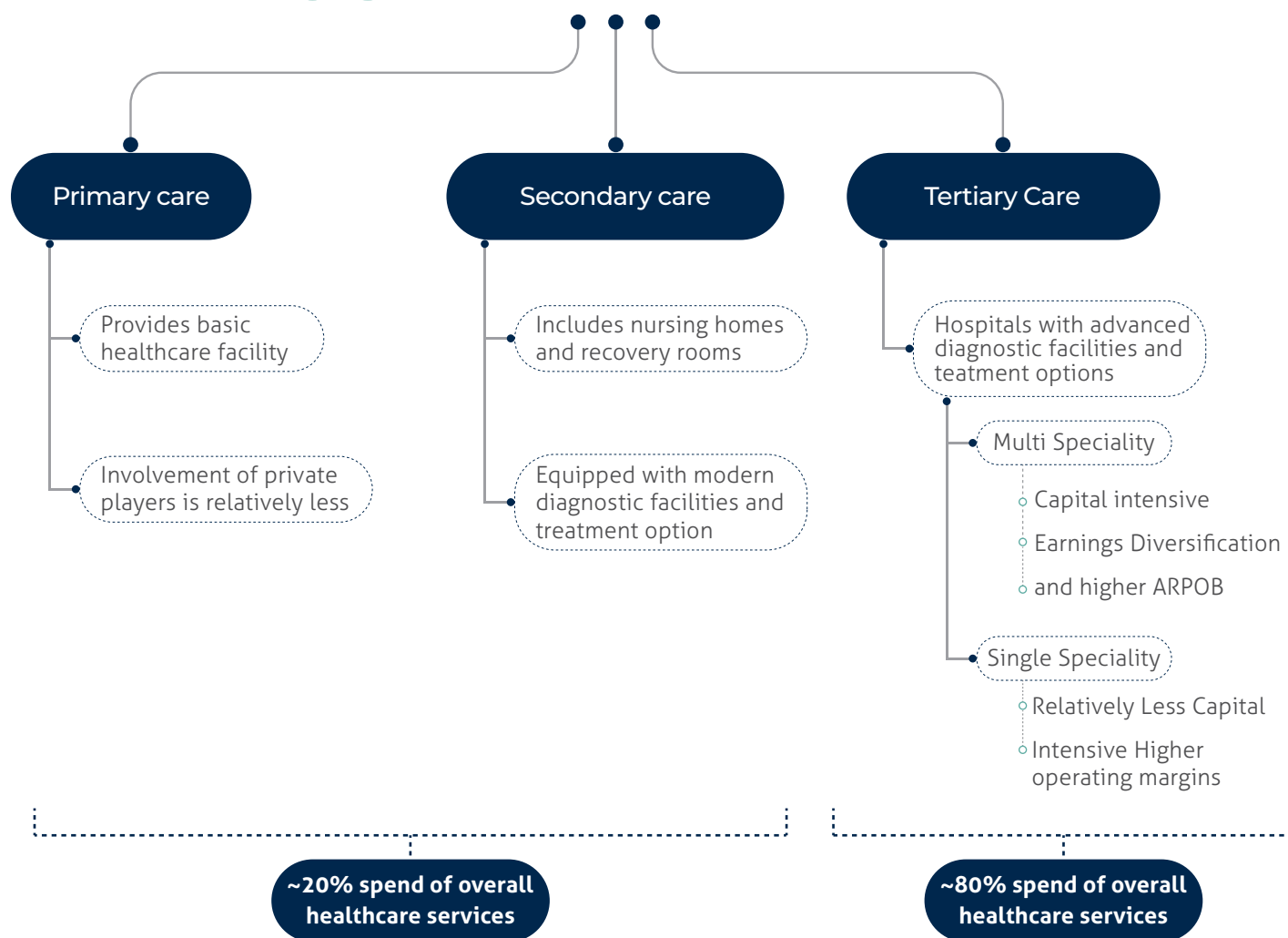
*Increasing the spending on public health from ~1% of the GDP to 2.5-3% of GDP will help in reducing the out-of-pocket expenses from 60% to 30%*

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Hospitals

# Hospital Industry

## HOSPITAL INDUSTRY

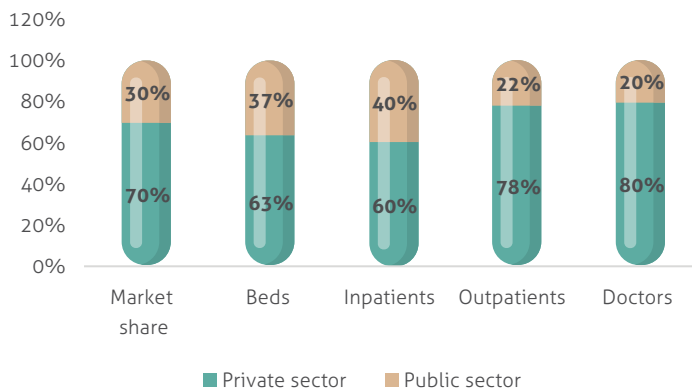


Primary and Secondary Care is primarily catered by Government . Private sector has a lion's share in Tertiary Care.

India had an estimated 2.2 Mn hospitals beds spread out over 69,000 hospitals as of 2019.  
Of these, around ~1.2 million beds were in private sector hospitals, outnumbering the public hospitals.

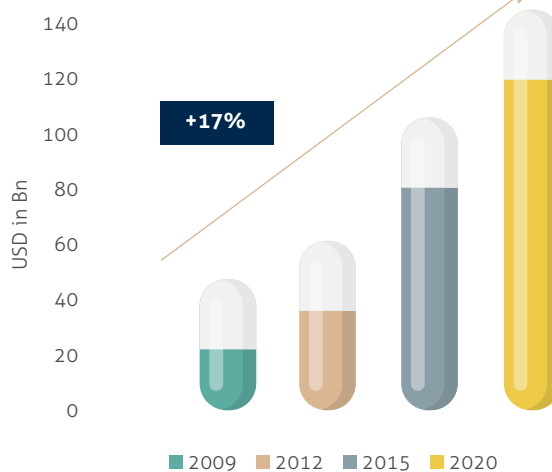
# Hospital Industry Dominated by private players

Share of Private Sector v/s Public Sector



*Private players have established a dominant position in tertiary care.*

Private hospitals - Market size










*Market size of private hospitals is expected to reach ~ \$ 120 bn by end of 2020*





# Industry Landscape

Particulars							
Nos. of Hospitals	71	27	33	1`7	13	47	11
Nos. of Beds	8,822	N/a	N/a	3,391	3,693	6,597	2,012
Region focus	Pan-India	Pan-India	S-W India	Pan-India	India	S-W India	Central - West India
Exposure in Metro/ Tier 1 cities	61.0%	72.0%	37.0%	85.0%	18.0%	73.0%	n/a
Operating Beds	7491.0	3650.0	2071.0	3234.0	2530.0	5,859.0	1200
Occupancy Rate %	67.0%	68.0%	42.9%	72.5%	61.0%	50.0%	38%
Inpatient ALOS (Days)	3.9	3.2	2.3	4.3	3.5	3.5	2.6
ARPOB (per day)	37397.0	44,383.6	32767.0	51,000.0	27,700.0	26,575.0	30,457.0
Revenue (consolidated)	112,468.0	46,323.2	10,956.4	43,710.0	16,310.0	31,278.1	4,868.5
Revenue Mix	Hospitals - 51% Pharmacy - 43% AHLL - 6%	Hospitals - 81% Diagnostics - 19%	NA	NA	NA	NA	NA
EBITDA	15,910.0	6,095.0	1,722.0	5870 .0	1,600.0	4,229.1	817.3
EBITDA Margins	14.1%	13.2%	15.7%	14.6%	9.8%	13.5%	16.8%
ROCE (%)	12.0%	3.6%	1.0%	n/a	6.0%	8.0%	7.0%
EBITDA/Operating bed (INR Mn)	2.12	1.67	0.83	1.82	0.63	0.72	0.68

# Aster - India (Standalone)

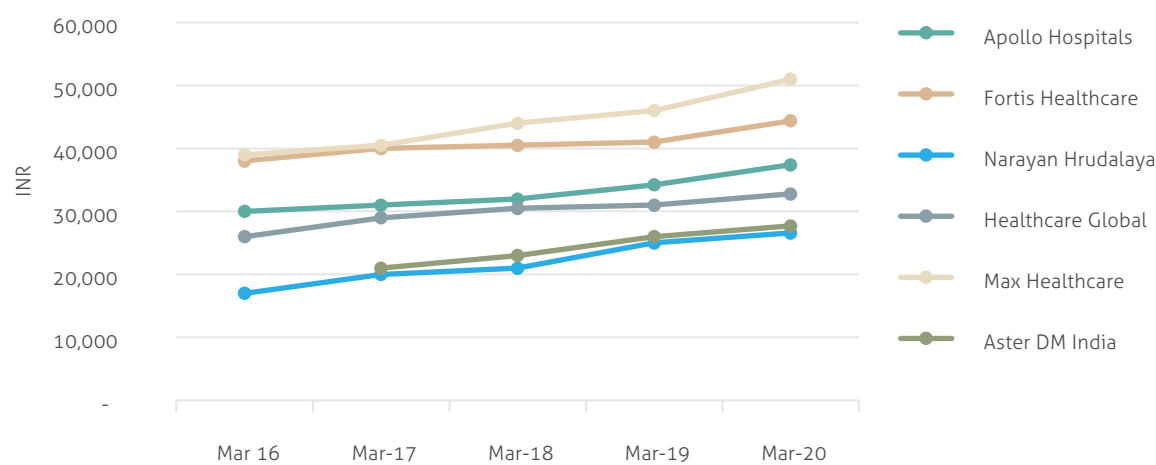
NA = Not Available

\* Proforma numbers post merger of radiant

- Hospital industry is highly fragmented with top players controlling more than 30% of the organized private healthcare market in India.
- Cyclical ROCE seen in Indian hospitals, driven by Capex and maturing hospitals.
- Due to challenging business environment, many key players have postponed capex plans and expansion plans are inclined towards management leases, O&M agreements and brownfield projects. The cost rationalization and sweating of existing infrastructure will lead to improvement in EBITDA margins and ROCE going forward.

# Key Industry Matrix

Average Revenue Per Occupied Bed (ARPOB) (INR/Day)



Despite bed additions by key hospital chains over the past few years, occupancy has remained relatively flat while ARPOB has improved in the range of ~7% CAGR over the past 5 years.

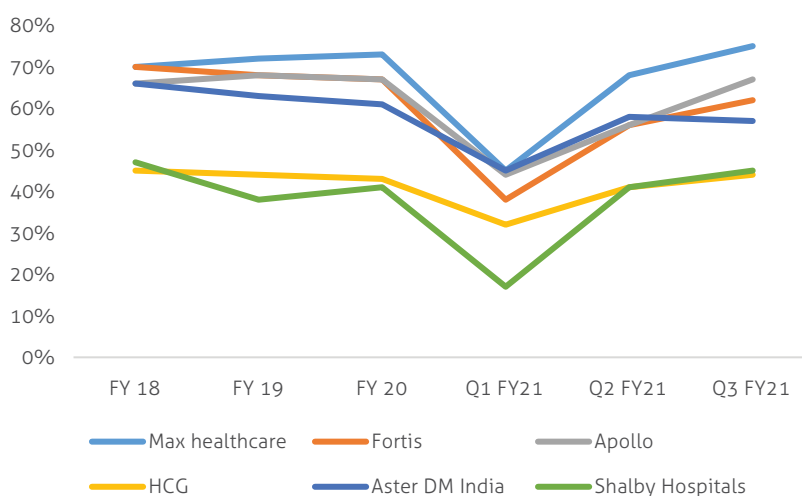
ARPOB is driven by case-mix of clinical excellence, payor mix and pricing.






Max Healthcare has unfavorable payor mix despite that enjoys higher ARPOB on account of superior case mix of clinical excellence.



# Key Industry Matrix

Overall occupancy



Company name	COVID 19 related occupancy / revenues
	COVID-19 contributed 15% of net revenues during 3QFY21, with 1,600+ dedicated beds (15% share of occupied beds).
	While the COVID occupancy declined marginally from 19% in Q2FY21 to 18% in Q3FY21, Non-COVID occupancy rose from 38% in Q2 to 46% in Q3.
	COVID-19 occupancy has declined post peaking out in Nov-2020. Non COVID-19 occupancy has been stable since significant rebound in August. The dip in non COVID-19 occupancy in Nov-20 was driven by increase in beds reserved for COVID-19 patients
	COVID-19 impact varied from region to region. For Gujarat region, about 19.1% revenue was contributed by COVID-19 patients in 3QFY21.
	Contribution to revenue from COVID-19 has been between 30% and 35% during Q3FY21.

Hospital chains occupancy rates reached near normal levels by end of 1HFY21, though part of this occupancy was due to COVID-19 related admissions.

COVID-19 related occupancy has been strong (40-50% for dedicated beds) across major hospital chains and contributed to 20-30% revenues during 3QFY21.

Pent-up demand for elective surgeries and medical tourism are likely to emerge in FY22 as much relaxation is anticipated in travel restrictions.

# Hospital Sector - PE and M&A Deals

## PE Deals

Year	Target Company	Investors	Stake (%)	Amount (INR Cr)	EV/ Revenue	EV/ EBITDA	EV/ No of Beds
2019	Ankura Hospital	India Life Sciences Fund	45%	70	2.1	16.4	NA
2017	Narayana Hrudayalaya Limited	Pinebridge Investment Asia Limited	1%	90	3.9	33.0	1.3
Mean					3.0	24.7	1.3
Median					3.0	34.7	1.3

NA = Not Available

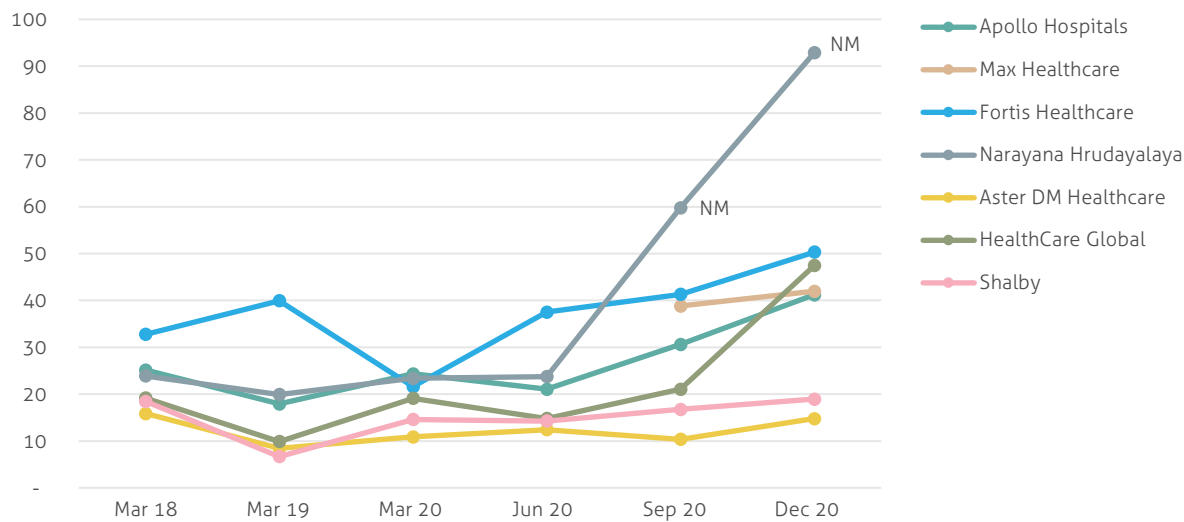
## M&A Deals

Year	Target Company	Aquirer	Stake (%)	Amount (INR Cr)	EV/ Revenue	EV/ EBITDA	EV/ No of Beds
2020	Columbia Asia Group Pvt Ltd	Manipal Health Enterprises	100%	2,100	2.0	11.6	1.7
2020	Apollo Gleneagles Hospital Limited	Apollo Hospital Enterprise Limited	50%	410	1.1	15.2	1.1
2020	Healthcare Global Enterprise Ltd	Aceso Company Pte Ltd	21%	339	2.8	19.4	1.4
2018	Max Healthcare Institute Ltd	Radiant Lifecare Pvt Ltd	50%	1,284	2.9	31.0	2.2
2017	Max Healthcare Institute Ltd	Max India Ltd , Life Healthcare International Proprietary Limited	8%	423	4.0	42.1	2.7
2015	Global Hospital	IHH Healthcare Berhad	73%	1,284	4.2	NA	1.8
2015	Pushpanjali Crosslay Hospitals (Crosslay Remedies Ltd)	Max Healthcare Institute Ltd	76%	287	2.7	36.2	1.2
Mean					2.8	25.9	1.7
Median					2.8	25.2	1.7

NA = Not Available

# Hospital Sector EV/EBITDA Multiples

EV/EBITDA



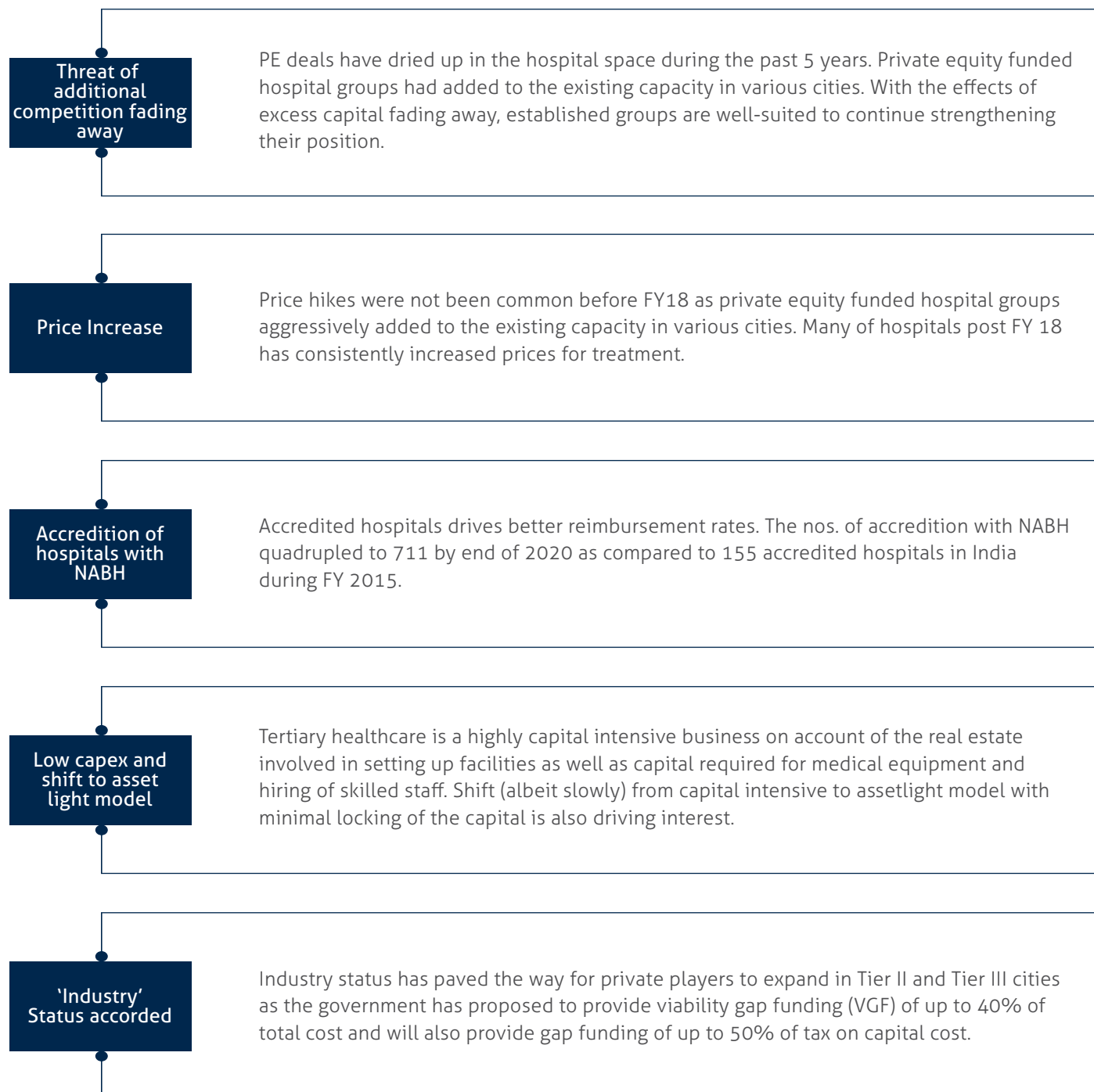
NM = Not Meaningful  
Source: Venture Intelligence, Capital IQ & RBSA Analysis





# Opportunities Beckon in Hospital Space

Some peculiar factors responsible for growing interest in the hospitals space are:



# TELEMEDICINE SYSTEM



Email or Username



Password

☐ Remember

[Forgot password?](#)

LOGIN

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# Telemedicine

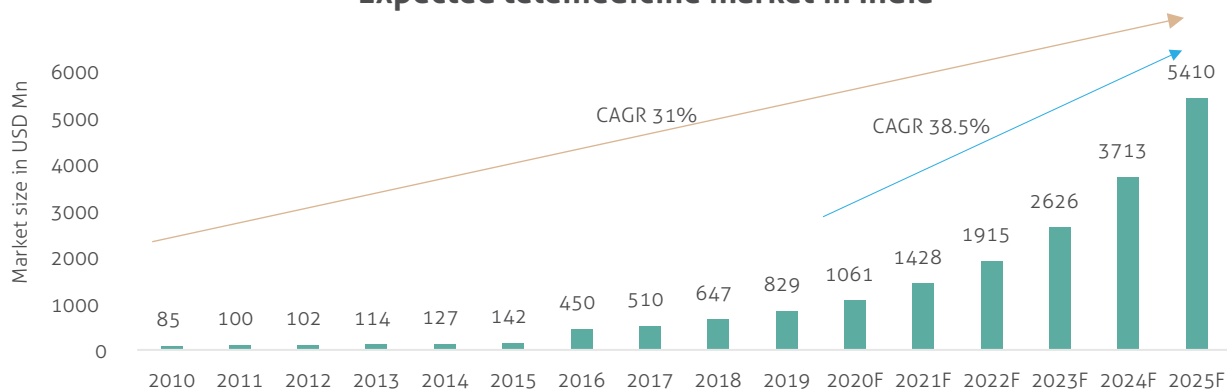
# Telemedicine the enabler for healthcare

## What is Telemedicine?

Telemedicine is the practice of healthcare delivered across distances via telecommunication and interactive video technology. It is performed by licensed or legally authorised representative.

Telemedicine helps in easing the clinical problems especially for distant rural communities. These services helps patients save travel and wait time as they can consult a doctor at their own convenience and at the comfort of their home & without geographical barriers.

Expected telemedicine market in India



Source: DataLabs

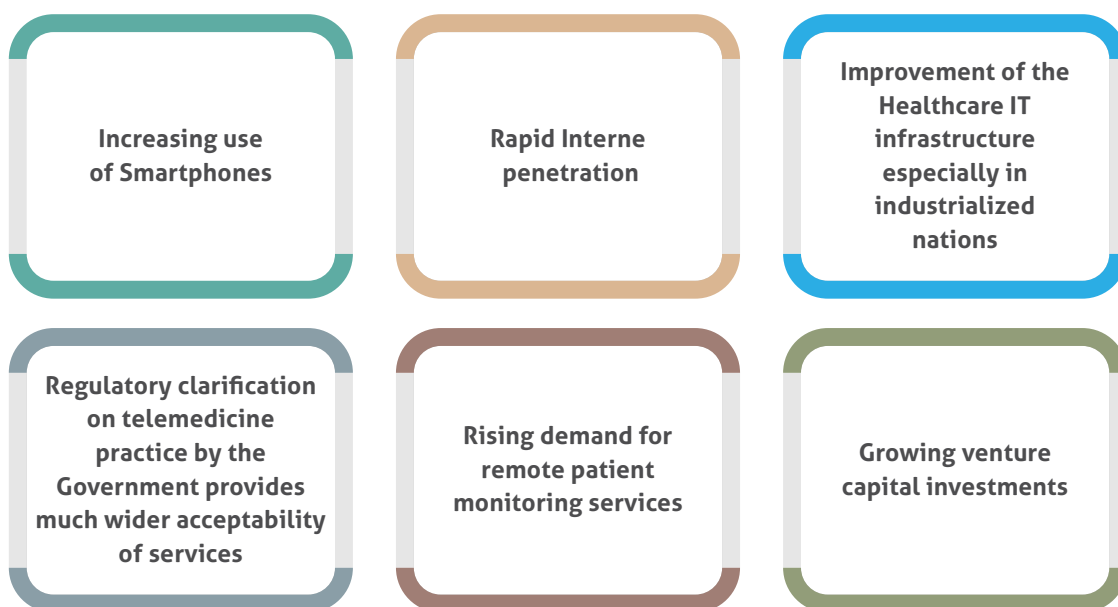
The telemedicine market in India is expected to grow at a compound annual growth rate (CAGR) of 38.5% and reach US\$5.5bn in near future during the time period of 2020-25.

Teleconsultation and e-pharmacy will account for ~95% of the telemedicine market by 2025.

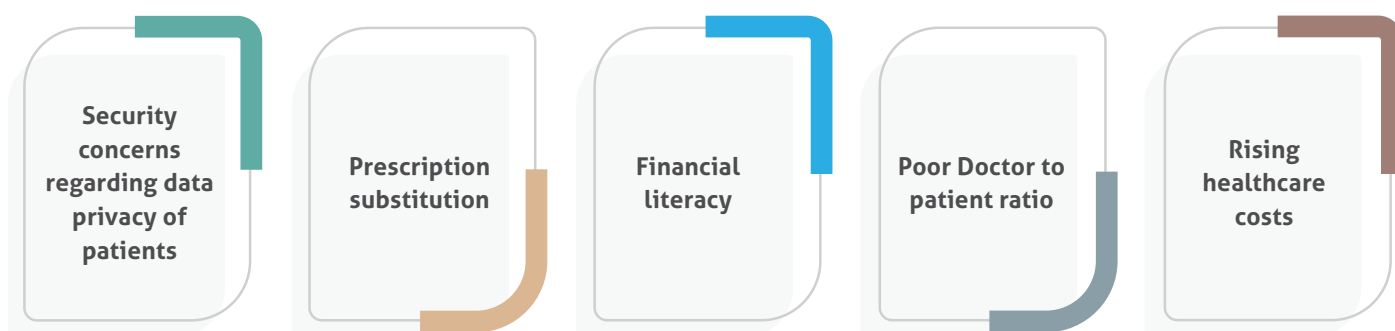


# Telemedicine the enabler for healthcare

## Key Growth Drivers



## Key Challenges



## Why should Telemedicine matter to us?

- Healthcare requirements are growing at a fast rate and by introducing technology, telemedicine can act as a game changer by making it easier for people to access a doctor
- Offers improved access to care which allows doctors and healthcare to reach beyond its geographical network
- Is cost-effective because of efficiency, improved management of chronic diseases, reductions in travel time and shortened hospital stays, among others
- Given the lack of access to quality healthcare, especially in rural India, telemedicine can be a revolutionary tool that has the power to minimise these critical imbalances
- It bridges the gap between the wants of patients and the limitation of the traditional models

# Telemedicine Surge across globe

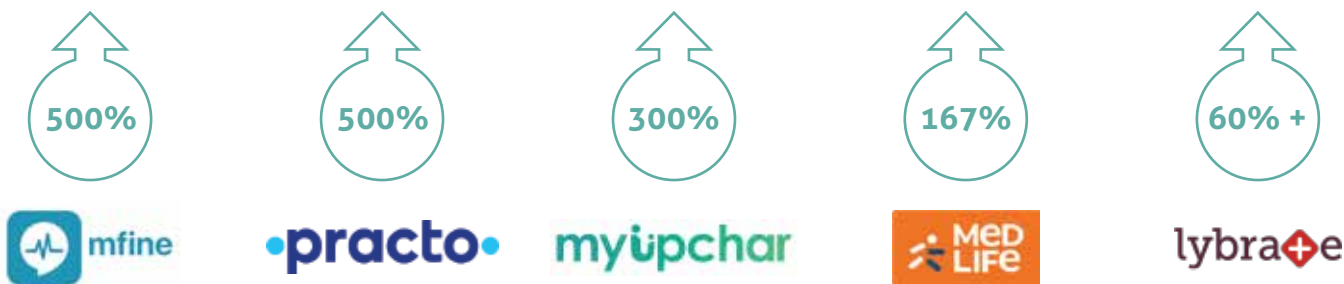
A huge surge in virtual teleconsulting is witnessed across hospitals and technology platforms around the globe. In India, during first phase of lockdown from March 2020 to May 2020:

- Established teleconsultation platforms have seen up to 500% increase in online consultations
- 5 crore Indians accessed healthcare services online during the first phase of lockdown between March 2020 to May 2020
- On an average, an user consulted a doctor online twice a month which led to a drop of 67% in **"in-person"** visits
- 80% of all users were first time tele-medicine users and 44% are from non-metro cities
- 51% of the overall teleconsultations are from three specialities viz., general physician, gynaecology and dermatology

## Surge across Established Teleconsultation Player:



India



US



China









# Telemedicine Surge among Hospitals

Until last year, teleconsultations had been a tiny share (<0.5%) of the overall OPD market. But with the pandemic and lockdowns, teleconsultations will have a higher wallet share (estimated to be 2-3% of the overall OPD market in FY21).

COVID-19 Pandemic is likely to be the next inflexion point post which the hyper growth curve of teleconsultation will stabilize but won't regress to pre-pandemic levels because people really understand how easy, how convenient and accessible healthcare becomes.

Leading healthcare chains in India are doing 200-500 tele-consults per day since COVID-19 pandemic. With higher doctor/consumer acceptance, a meaningful portion of growth has been post lockdown. For instance, tele-consultations offered by major hospitals reached about 8-10% of overall consultations revenue in 9 months ended FY21.

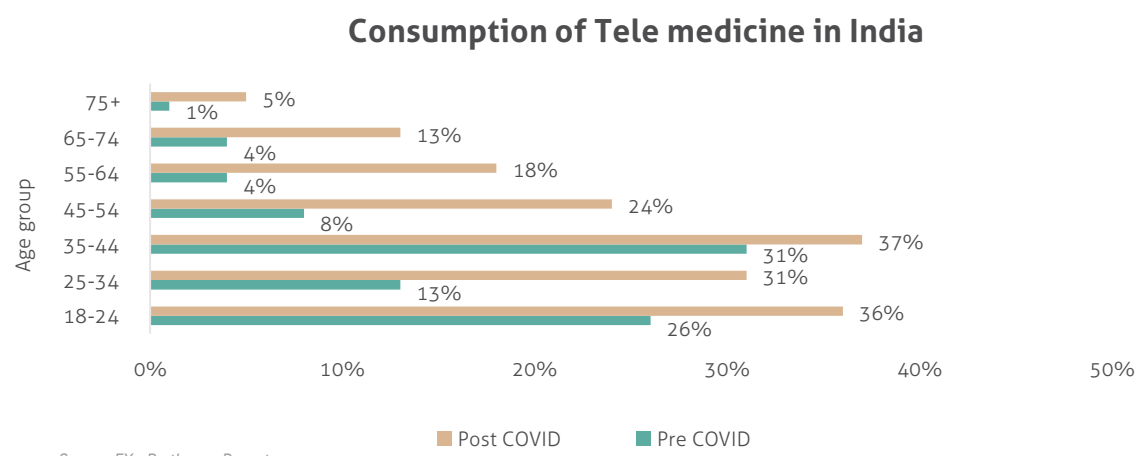
Company name	Tele consultations
	<ul style="list-style-type: none"> <li>Reached around 2500 consultations a day through online platform</li> <li>No. of people using healthcare consultations rose 3 times between Mar'20 to Nov'20 period</li> </ul>
	<ul style="list-style-type: none"> <li>9000-12000 tele consultations every month during Apr'20 to Dec' 20 period</li> </ul>
	<ul style="list-style-type: none"> <li>Significant increase in teleconsulting, approx. 10% of total consultation are digital for Apr'20 to Dec'20 period</li> </ul>
	<ul style="list-style-type: none"> <li>Conducted ~90,000 teleconsultations during H1 FY21</li> </ul>

Source: Company Data and Investor Presentations

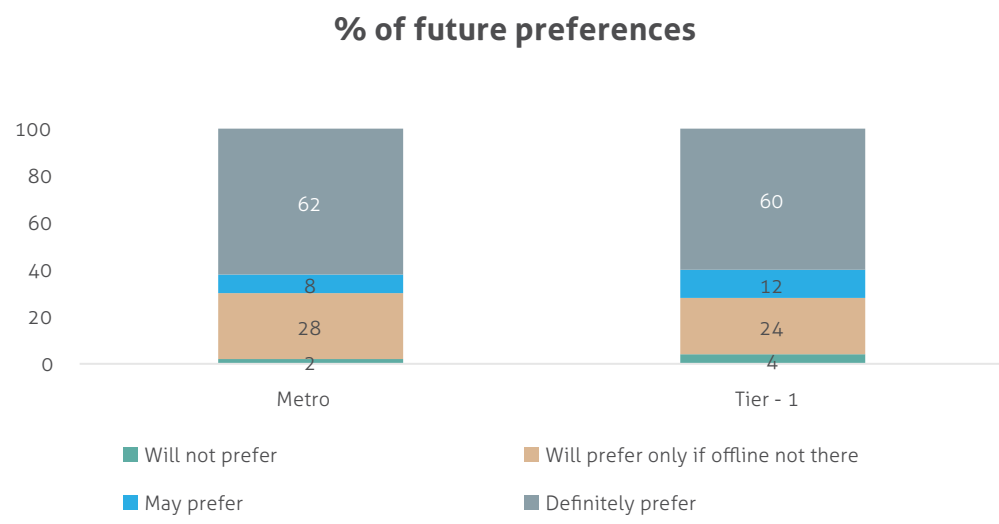


# Telemedicine Post COVID Reality

The digital offerings by various healthcare service providers have improved multifold in wake of COVID 19 pandemic. Multiple surveys (EY-Parthenon, BCG-FICCI) indicate preference for online consultations is rising across age groups and geographical locations. Teleconsultation has shown a rapid growth in adoption by both, doctors as well as patients

















Survey conducted in Metro and Tier one cities indicated huge potential and growth opportunity in teleconsultation even after post COVID scenario:














With the government releasing Telemedicine Practice Guidelines in March 2020, virtual consultation became the preferred channel for seeking quality healthcare. The guideline also brought some much-needed clarity around telemedicine and digital healthcare, resulting in a spurt of telemedicine platforms with startups leading the way.

# Prominent Telemedicine Start-ups

Start-up	Founding year	Funding raised from 2011-21	Latest Funding	Nos. of Registered Healthcare providers	Major Investors
 <p>Acts as a marketplace, offering services like looking for consultation, booking appointments for doctors and medical examinations and ordering medicines.</p>	2008	USD 211.9 Mn	32 Mn in August 2020	2,00,000	  
 <p>Makes healthcare accessible and affordable by getting medicines, vitamins and nutritional supplements and other health related products delivered at over 1000+ cities across India. Also provides diagnostic and doctor consult services</p>	2012	USD 191.3 Mn	USD 17.8 Mn on July 2020	15,000+	  
 <p>Healthcare start up that offers an AI-powered online doctor consultation app. It helps in analysing the symptoms and delivering accurate prognosis to assess patients, making it quicker and accurate.</p>	2017	USD 56.18 Mn	5.3 Mn in August 2020	3500+	    

# Prominent Telemedicine Start-ups

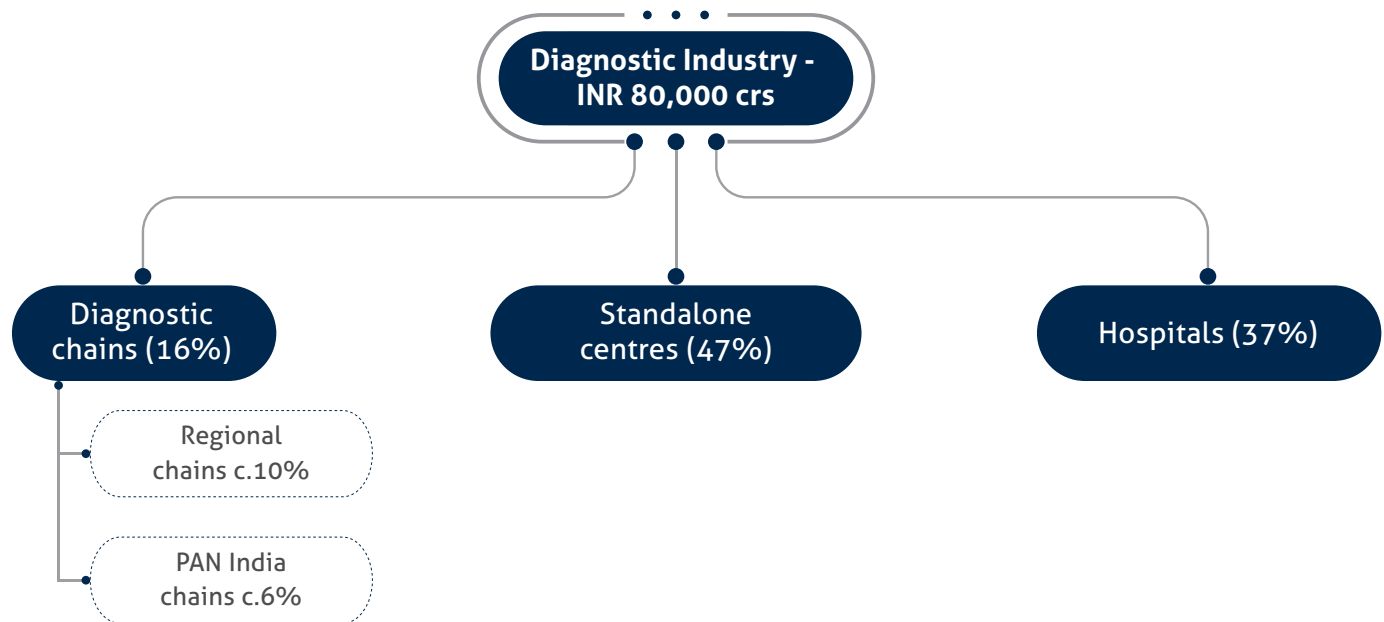
Start-up	Founding year	Funding received from 2011-21	Latest Funding	Nos. of Registered Healthcare providers	Major Investors
 <p>A technology - powered healthcare company that brings healthcare services to the doorstep of the customers including Doctor consultation, medicines delivery, diagnostics tests, nursing care and physiotherapy</p>	2013	USD 14.1 Mn	USD 7.8 Mn in Feb 2018	25000+	   <p>P V Sindhu</p>
 <p>Lybrate offers a fast, easy and friendly way to gain access to general practitioners, dieticians, nutritionists, gynaecologists, psychologist, dermatologist, sexologist, ayurveda, homeopathy, etc.</p>	2013	USD 11.4 Mn	USD 10.2 Mn in July 2015	1,00,000	  <p>Ratan Tata</p>
 <p>Healthplix is a healthcare software which is able to generate e-prescription and billing of patients. Their user friendly dashboard maintains customer data through AI, ML, Big Data.</p>	2014	USD 9 Mn	USD 6 Mn on June 2020	N/A	  

NA = Not Available

6

Diagn**o**stics

# Indian Diagnostic Industry



## Key Highlights

### Size

The Indian diagnostic industry market (including radiology) is estimated to be at approximately INR 80,000 crore and is expected to grow at a Compounded Annual Growth Rate (CAGR) of ~10% over the next 5 years.

### Highlights

The Indian diagnostic industry is highly fragmented and under-penetrated despite the presence of over 1 Lakh labs due to low entry barriers and no specific accreditation requirement.

### Key Players

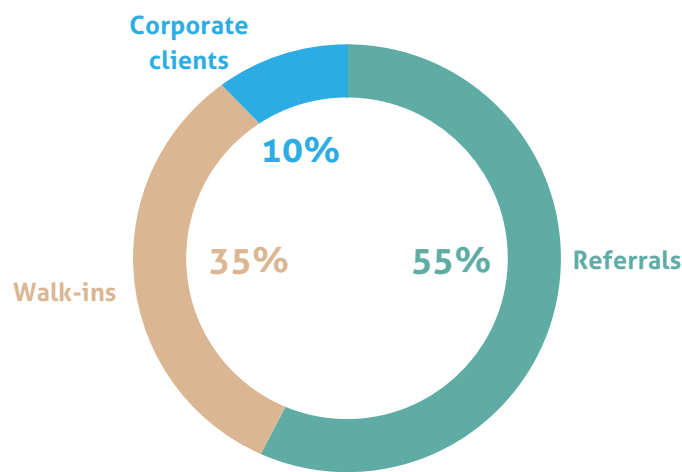


*Highly Fragmented wherein 4 Major Players account for share of ~6% of Diagnostic Industry*

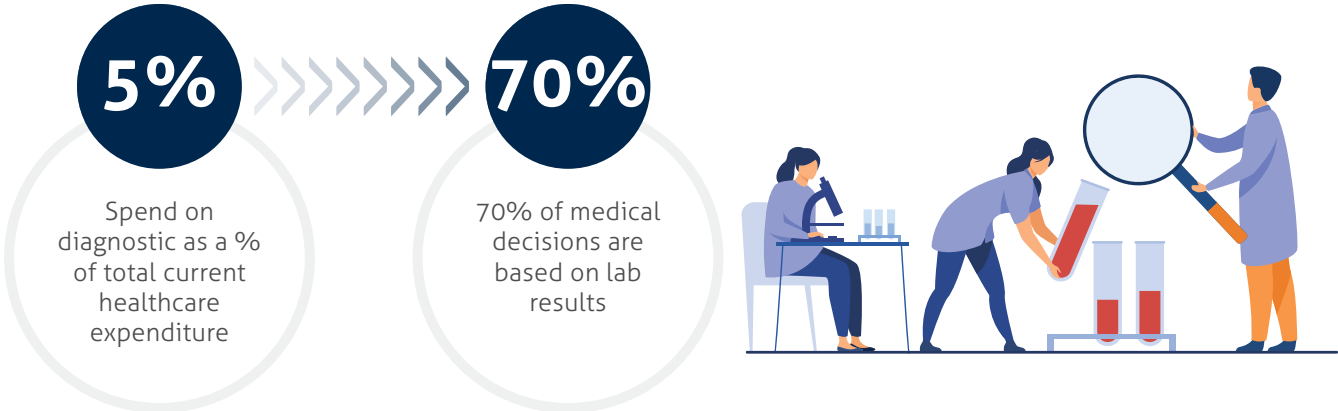


# Diagnostic Industry - Overview

## Indian diagnostic Industry



Referrals constitute Lion's share of Industry



In cases of hospitalization, the total cost of diagnostics is not more than 10% of the overall hospitalization cost

# Sector Growth Drivers

Increased Insurance  
Penetration



Rise in chronic and  
non communicable  
diseases

Preference for  
evidence based  
treatment



Preventive and  
wellness care

Higher Unorganized  
Services







Changing Population  
Demographic

Increasing per  
capita income



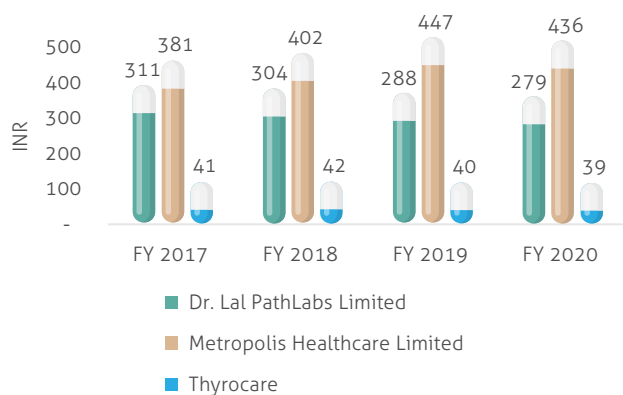
# Industry Landscape

Parameters (FY 20)				
No. of patients (Mn)	19.4	10.0	20.0	15.0
Nos. of Test (Mn)	47.7	19.6	102.5	30.4
No. of collection centre	3,095	2,731	6,342	1,400
No. of patient touchpoints	6,995	Over 10,000	Over 30,000	Over 8,200
B2C (% of revenue)	67	44	22	57
Geographic strength	North	West and South	PAN India	PAN India
Tests Catagory	Routine & wellness: 35% Semi specialised: 35% Specialised: 30%	Routine & wellness: 26% Semi-specialised: 37% Specialised: 37%	Routine & wellness: 85% Semi-specialised: 15%	Not available
Wellness (% of revenue)	12%	8%	51%	4%
Revenue (INR Mn)	13,303	8560	4,332	10,160
EBITDA (INR Mn)	3,435	2,330	1,725	1,973
EBITDA Margin	25.8%	27.2%	39.8%	19.4%
RoACE (%)	32%	38%	31%	14%

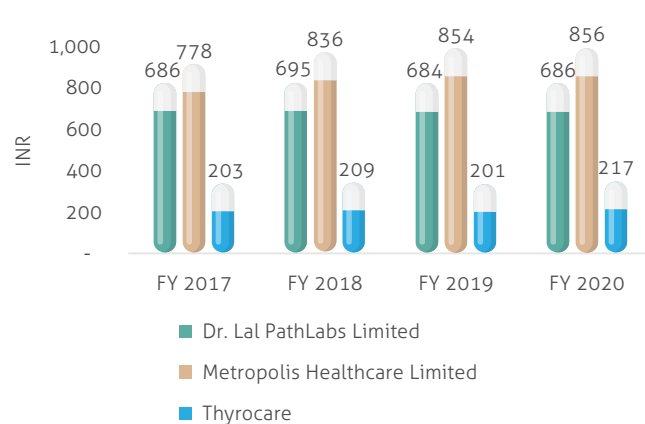
**Lower B2C concentration helps to control cost but is susceptible to pricing competition and lower customer stickiness**

# Financial Metrics Analysis

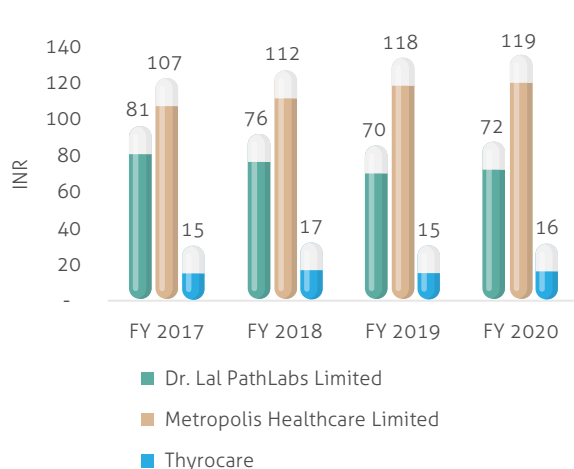
## Revenue realization per test



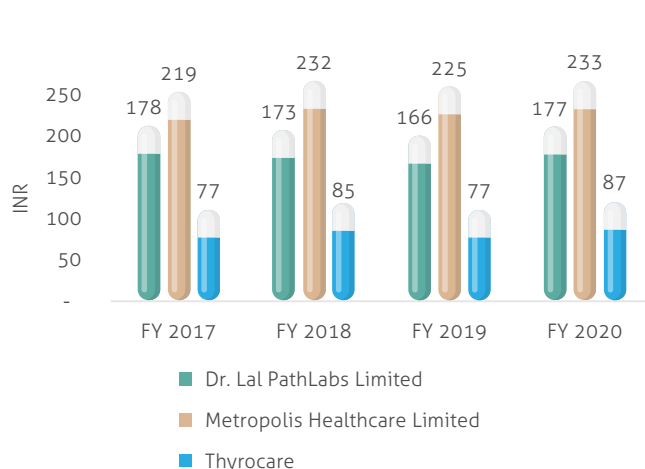
## Revenue realization per patient



## EBITDA realization per test



## EBITDA realization per patient



# Diagnostic Sector - Key Deals

## PE Deals

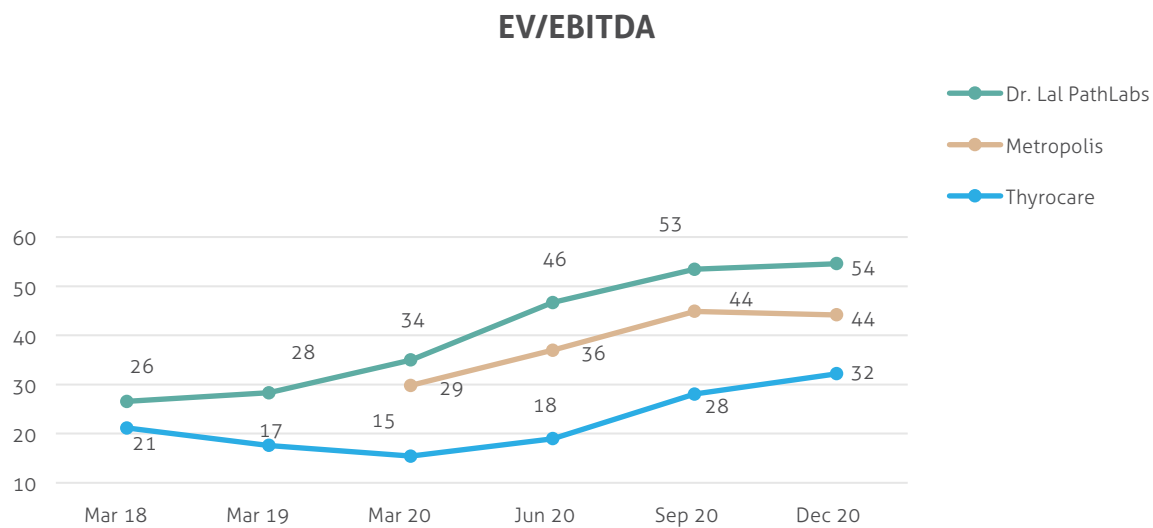
Year	Target Company	Investors	Stake (%)	Amount (INR Cr)	EV/ Revenue	EV/ EBITDA
2021	KRSNAA Diagnostic	Phi Capital	23%	100	4.6	13.7
2021	Healthians.com	Asuka, Mistletoe, Digital Garage, Trifecta Capital, M&S Partners, Kotak PE, Others	22%	85	9.7	NA
2016	Vijaya Diagnostic	Kedara Capital	40%	407	4.5	12.0
2016	Suraksha Diagnostic	Orbimed	35%	164	3.9	20.7
2016	Metropolis Healthcare Ltd	Carlyle Group	34%	776	4.9	18.2
Mean					5.5	16.1
Median					4.6	16.0

NA = Not Available

## M&A Deals

Year	Target Company	Acquirer	Stake (%)	Amount (INR Cr)	EV/ Revenue	EV/ EBITDA
2021	DDRC SRL Diagnostics Private Limited	SRL Limited	50%	350	4.3	26.3
2021	Dr Ganeshan's Hitech Diagnostic Centre Pvt Ltd	Metropolis Healthcare	100%	618	7.3	33.9
2020	Metropolis Healthcare Ltd	Small World Fund, Unknown buyer	13%	760	6.7	24.8
Mean					6.1	28.3
Median					6.7	26.3

# EV/EBITDA Multiples



Source: Capital IQ & RBSA Analysis





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# Healthcare Industry - Way Forward





# Future of Indian Healthcare

## Healthcare REIT's - catalyst for growth

Healthcare REIT is product where a trust buys Real Estate/Passive Infrastructure and gives it back on operating lease to the same company from which it buys the hospital, thus freeing capital for the healthcare company.

It allows the healthcare provider to focus its investments on patient care rather than high real estate costs, particularly helpful in mature assets, which have reached optimum capacity utilization and will thereon grow in line with inflation. The healthcare company can invest the same capital in a new hospital and expedite growth and penetration.

## Decline of cost of capital

Macro trends indicate that interest rates are on a downward trajectory. Moreover, Healthcare REIT and other models will help healthcare players access markets for cheaper capital.

## Digital Services - act as cure for healthcare sector

COVID-19 has accelerated digital healthcare adoption in a lasting way. Adoption of Tele consultation and e-pharmacy has seen accelerated growth and is expected to prevail in the future also.

## Increase in Budgetary Allocation

There is concentrated efforts from government to narrow down the healthcare gaps. The Budget outlay for FY 21-22 has seen 137 percent increase in allocation to Health and Wellbeing.

INR 86,259 crores in FY 19-20 to INR 94,452 crores in Budget 20-21 and INR 2,23,846 in Budget 21-22

## Ayushman Bharat- to act as game changer

Ayushman Bharat scheme aims to provide secondary / tertiary care to over 10.74 crore families listed as per "deprivation" in the socio-economic caste census providing annual health insurance of INR 5 lakh per family.

As per the PMJAY website 22,000+ hospitals have already been empanelled, (till March 21) more than ~17.3 million beneficiaries have availed treatment and more than 148 million individual e-cards have been issued under AB-PMJAY.

These kinds of nationwide health schemes will act as game changer as healthcare services will be provided to the masses.

# Services

## Valuation

- Business & Equity Valuation
- Valuation of Brands, Goodwill, Other Intangible Assets & Intellectual Property
- Valuation of Financial Securities, Instruments & Derivatives
- Valuation of Industrial Assets and Plant & Machinery
- Valuation of Real Estate
- Valuation of Infrastructure Assets & Specialized Assets
- Purchase Price Allocations (PPA) for Mergers & Acquisition (M&A)
- Impairment Studies for Tangible Assets
- Impairment Studies for Cash Generating Units, Intangible Assets & Goodwill
- Mines, Mineral Advisory and Valuation
- Valuation of ESOPs and Sweat Equity
- Valuation for Tax, Transfer Pricing and Company Law Matters
- Fairness Opinions
- Valuation under Insolvency & Bankruptcy Code (IBC)
- Determination of Swap Ratio under Mergers and Demergers
- Valuation of Inventory / Stocks and Debtors / Receivables
- Litigation and Dispute Valuation Services

## Risk Consulting

### Strategic Risk Advisory Services

- Techno Economic Feasibility Studies & Viability assessment
- Business Plan Review

### Technical Support Services

- Lender's & Investor's /Independent Engineer Services
- Technical Due Diligence, Technical Opinions
- Chartered Engineers Opinion & Certification
- Project Cost Investigation and Monitoring

### Agency for Specialized Monitoring (ASM)

- Term Loan, Working Capital and Cash Flow Monitoring

### Financial & Treasury Risk Advisory

- Assessment of risks - ALM, Credit, Market, Interest Rate & Liquidity Risk
- Asset Quality Review & Stress Testing
- Assessment of Expected Credit Loss

### Business Risk Advisory

- Internal audits, Process and Internal Financial controls review
- SOP, policies and Authority level matrix development
- Supply chain improvement and Working capital optimization
- Enterprise Risk Management
- Regulatory compliance review

## Dispute & Litigation Support

- Valuation Services
- Damages & Loss of Profit Analysis
- Independent Expert testimony
- Anti-trust & Competition Advisory
- Post-Acquisition Disputes, Joint Venture & Shareholder Disputes
- Civil & Construction Disputes, Real Estate Disputes
- Intellectual Property Rights Dispute

## Investment Banking

(Category 1 Merchant Bank)

- M&A Advisory:
  - Sell Side & Buy Side
  - Domestic & Cross Border
- Partner Search, Joint Ventures & Strategic Alliances
- Government Disinvestment & Privatization
- Fund Raising - Equity, Mezzanine, Structured Finance & Debt (Corporate & Project Finance)
- Distressed Investment Banking - One-Time Settlement, Priority and Interim Funding, Rescue Financing, and Buyouts
- Capital Market Advisory

## Transaction Services

- Buy side due diligence and closing due diligence
- Vendor due diligence and vendor assistance
- Setting up and managing dataroom
- Advice on sale and purchase agreements (SPA) and business transfer agreements (BTA)
- Assistance in deal negotiation

## Transaction Tax

### Deal Tax Advisory (Strategic, IBC, PE/VC)

- Tax Due-Diligence
- Tax Structuring
- Deal Negotiation Review
- Transaction Documentation Review
- Post-Deal Integration

### Corporate Restructuring

- Group Restructuring
- Financial/Capital Restructuring

### Succession Planning

### Holistic Implementation Support

- Merger/Amalgamation
- Demerger/Spin-off
- Capital Reduction
- Share Buyback
- Business Transfers
- Liquidation/Wind-up

## Restructuring

- Insolvency Professional Services
- Assistance in the preparation of Resolution Plan
- Independent Bid Evaluation of Restructuring Proposals
- Process Advisor
- Advisor to Committee of Creditors / Creditor Advisory
- CRO services - Chief Restructuring Officer
- Priority and Interim Funding
- Turnaround Advisory and Business Transformation
- Interim Management Services



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