IPO Note

September 05 2023

Jupiter Life Line Hospitals Limited

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Issue Snapshot:
Issue Open: Sep 06 – Sep 08, 2023

Price Band: Rs. 695 – 735

*Issue Size: 11,824,163 eq sh (Fresh Issue of Rs 542.0 cr + Offer for sale of 4,450,000 eq sh)

Reservation for:

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

Face Value: Rs 10

Book value: Rs 64.39 (March 31, 2023)

Bid size: - 20 equity shares and in multiples thereof

100% Book built Issue

Capital Structure:

Pre Issue Equity:	Rs.	58.19 cr
*Post issue Equity:	Rs.	65.57 cr

Listing: BSE & NSE

Book Running Lead Managers: ICICI Securities Limited, Nuvama Wealth Management Limited, JM Financial Limited

Sponsor Bank: Axis Bank Ltd & ICICI Bank Ltd

Registrar to issue: KFin Technologies Limited

Shareholding Pattern

Shareholding Pattern	**Pre issue %**	**Post issue %**
Promoter and Promoter Group	49.79	40.91
Public & Others	50.21	59.09
Total	100.0	100.0

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

Background & Operations:

Jupiter Life Line Hospitals Limited (JLLHL) 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 March 31, 2023. It has 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 operates 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 961 beds, as of March 31, 2023. and 1,306 doctors including specialists, physicians and surgeons, as of March 31, 2023. It is also currently in the process of developing a multi-specialty hospital in Dombivli, Maharashtra, which is designed to accommodate over 500 beds and has commenced construction in April 2023. It follows 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.

JLLHl’s 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, the 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 the National Accreditation Board for Hospitals & Healthcare Providers (“NABH”) and has been accredited in the field of medical testing by the National Accreditation Board for Testing and Calibration Laboratories (“NABL”). In the past, its Thane hospital has also received the NABH Safe-I certification and the NABH ‘Nursing Excellence’ accreditation. It commenced operations in 2007 with its hospital in Thane, Maharashtra and subsequently scaled its operations by setting up a hospital in Pune, Maharashtra in 2017 and acquiring a hospital in Indore, Madhya Pradesh in 2020. JLLHL’s hospitals are also located in densely populated micro markets which have a low presence of chained hospitals, and provides it an opportunity to offer its services to a larger population and helps patients with greater access and connectivity to healthcare services.

JLLHL’s clinical and operational track record has led it to build a brand presence largely on word-of-mouth marketing which is demonstrated through its patient volumes and payor mix (i.e., patients’ payment mode). Patient volumes (comprising inpatient and outpatient) at its hospitals were 447,573, 645,446 and 773,937 in Fiscals 2021, 2022 and 2023, respectively. The Company’s payor mix showcases that it has very low dependence on central and state government schemes for its revenues, with payments made through (i) self-payers; (ii) insurance companies, third party administrators and corporations; and (iii) government schemes, accounting for 45.33%, 53.35% and 1.32%, respectively, of its income from hospital services in Fiscal 2023.

Objects of Issue:

The Offer comprises of the Fresh Issue by the Company and the Offer for Sale by the Selling Shareholders.

Offer for Sale

Each of the Selling Shareholders will be entitled to the respective portion of the proceeds of the Offer for Sale, after deducting their portion of the Offer related expenses and relevant taxes thereon. The Company will not receive any proceeds from the Offer for Sale, and accordingly, the proceeds from the Offer for Sale will not form a part of the Net Proceeds.

Objects of the Fresh Issue

The net proceeds of the Fresh Issue (“Net Proceeds”) are proposed to be utilised in the following manner:

- Repayment/pre-payment, in full or part, of borrowings availed from banks by the Company and Material Subsidiary; and:

- General corporate purposes

In addition to the aforementioned Objects, the Company will receive the benefits of listing of its Equity Shares on the Stock Exchanges including creation of a public market for Equity Shares in India.

Utilisation of Net Proceeds

The Net Proceeds are proposed to be utilised in the following manner:

Particulars (In Rs million)	Amount to be funded from the Net Proceeds	Estimated schedule of deployment of Net Proceeds in Fiscal 2024
Repayment/pre-payment, in full or part, of borrowings availed from banks by the Company and Material Subsidiary	5104.06	5104.06
General corporate purposes	*	*
Total	*	*

Competitive Strengths

Key multi-specialty tertiary and quaternary healthcare provider with a track record of over 15 years, strong brand recognition and clinical expertise: JLLHL is a corporate quaternary care hospital in located in densely populated micro markets in the western region of India and, 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 March 31, 2023. It serves the healthcare needs of its patients and its hospitals were equipped with over 30 key specialties, as of March 31, 2023, 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. Its 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. It also operates one of the few multi-organ transplant centres in Thane. JLLHL has also received various awards and accolades such as the award for Hospital of the Year-India at the Healthcare Asia Awards 2019 for its Thane hospital, the award for Outstanding Contribution in Charitable Healthcare at the Stars of the Industry Awards in 2019 and the NavBharat Healthcare Excellence Awards Best Multispeciality hospital in Thane District in 2018.

In Fiscals 2021, 2022 and 2023, its patient volumes (comprising inpatient and outpatient) at its hospitals were 447,573, 645,446 and 773,937, respectively. Payments made through (i) self-payers; (ii) insurance companies, third party administrators and corporations; and (iii) government schemes accounted for 45.33%, 53.35% and 1.32%, respectively, of its income from hospital services in Fiscal 2023.

JLLHL's expertise and dedication has helped in enhancing the "Jupiter" brand and that its patients have placed a high degree of trust in it. It has a strategic focus on the western India healthcare market where it has a strong understanding of the regional nuances and where there is significant and growing need for quality and affordable healthcare services. Its three hospitals in Thane, Pune and Indore have an operational bed capacity (i.e. census and non-census beds) of 950 beds, as of March 31, 2023. It has also recently in May 2023 commissioned an additional 11 beds in its Thane hospital which has increased its operational bed capacity to 961 beds. Its total bed capacity for all three of its hospitals is 1,194 beds, as of March 31, 2023. Moreover, all three of its hospitals are located on land owned by it on a freehold basis, which allows it operational control and consistency in quality care resulting in long-term operational and financial efficiencies as well as eliminates risk such as lease escalation or nonrenewal of lease agreements.

All-hub-no-spoke' model with focus on quality patient care supported by modern infrastructure and technological capabilities: Each of JLLHL's three hospitals is a full-service hospital, operating on an 'all-hub-no-spoke' model where each hospital is independent, individually well-equipped with skilled healthcare professionals as well as advanced infrastructure to serve the healthcare needs of the patients, right from diagnostics to surgery and rehabilitation. It has constructed its "greenfield" hospitals at Thane and Pune, and designed its Indore hospital in line with its "patient first" ideology, which primarily focuses on patient's care, comfort, privacy and dignity. In each of its hospitals, care has been taken to ensure a patient and companion centric atmosphere and design choices. It typically maintains an over 1,000 square foot to bed ratio (i.e., square footage dedicated to bed areas) in its hospitals and care has been taken to provide patients with a visual connection to the outside environment by bringing daylight and large viewing windows into every patient space possible along with dedicated step-out gardens in order to efficiently use space and ensure natural light. Keeping in mind patient's privacy, it has isolated rooms even in intensive care units ("ICUs"), private day-care cubicles, individual dialysis bays as well as in some of its twin sharing rooms, which are built with a partition from top to bottom along with separate air conditioning units and entertainment systems. Additionally, JLLHL has a dedicated lounge for companions of ICU patients, where each patient is allotted a dedicated and numbered companion bed at no additional charge. Further, its Thane hospital has a luxury hotel adjacent to it, which is managed by a leading hotel chain, which supports its medical tourism initiatives as well as helps in catering to its patient's families and attendants.

JLLHL continuously invest in the latest medical technology and equipment and diagnostic instruments to provide its doctors, nurses and medical staff with all the tools they need to provide quality medical care as well as provide patients with accurate diagnoses and effective treatments. Its hospitals are equipped with technologically advanced equipment and diagnostic instruments including Stereotactic Linear Accelerator ("LINAC"), Multi Slice Positron Emission Tomography/Computed Tomography ("PET/CT"), 3 Tesla MRI, 128 Slice CT Scanner, catheterization lab, Gait Labs, Endoscopic Ultra Sound and Endo-Bronchial Ultrasound, Sleep Labs, Non-Invasive Cardiac Labs, and robotic equipment for orthopaedic surgery. It has also set up neurorehabilitations centres with advanced infrastructure and technology at its Thane and Indore hospitals which allows it to cater to patients that require extensive care to recover from various types of injuries. It also has an in-house 24x7 engineering team which not only helps in minimizing any disruption and quick repairs of its infrastructure, but also supports it in providing clinical care. Its engineering team aims to keep minimal response time and high in-house resolution rates relating to technical faults in the medical technology and equipment located at its hospitals

Ability to attract and retain skilled and experienced healthcare professionals: JLLHL maintains its standard of quality healthcare services by consistently employing a diverse pool of talented healthcare professionals including doctors and nurses. Its multi-specialty approach, combined with its "patient first" ideology, a tertiary and quaternary care model, long-standing presence in western India, investment in medical technology and advanced equipment and focus on teaching and research, has helped it in attracting and retaining skilled and experienced healthcare professionals including doctors and nurses. In Fiscals 2021, 2022 and 2023, the attrition rate for doctors (who work as consultants at its hospitals) was 3.40%, 5.08% and 1.85%, respectively, while the attrition rate for nurses was 26.58%, 31.81% and 27.97%, respectively, in the same periods. In order to continue to provide quality care to its patients, JLLHL place a key focus on academics and training for continuous development of skills of its healthcare professionals, particularly its doctors. The Company conduct courses ranging from small certifications to diplomas and degrees including the DNB Post Graduate and DNB Super Specialty in various branches of medicine and surgery.

Track-record of operational and financial performance with a diversified revenue mix: JLLHL has 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 March 31, 2023. 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. In Fiscals 2021, 2022, 2023, its inpatient volumes were 24,553, 34,650 and 42,956, respectively, while outpatient volumes were 423,020, 610,796 and 730,981, respectively, during the same periods. Its average occupancy rate of beds for its Thane and Pune hospital was 50.45% (decrease was on account of COVID-19), 62.16% and 69.99% in Fiscals 2021, 2022 and 2023, respectively. Its operational and financial position illustrates not only the growth of its operations over the years, but also the effectiveness of allocation of its capital and strong working capital management across its business. JLLHL's inpatient and outpatient revenue is diversified across hospitals with Thane, Pune and Indore hospitals accounting for 54.18%, 34.03% and 11.79%, respectively, of its revenue from operations in Fiscal 2023. Moreover, its operations and revenues are not dependent on any single-doctor or specialty.

Experienced and qualified professional management team with a focus on environmental, social and governance ("ESG") initiatives: JLLHL's senior management team is led by its founder, Dr. Ajay Thakker, who is also its Chairman and Managing Director and who holds a bachelor of medicine and a bachelor of surgery degree from Grant Medical College, University of Bombay and a diploma in medical radio diagnosis, from Topiwala National Medical College, University of Bombay. He has been associated with the Company since inception and has over 31 years of experience in the field of medicine and healthcare. It has also been conscious towards ESG initiatives and integrating them into its business operations to enhance its performance:

Environmental. JLLHL's Pune hospital has been designed in collaboration with the Government of Switzerland under the Building Energy Efficiency Project. It has also purchased four wind turbines for its Thane and Pune hospitals with the aim of reducing its carbon footprint and energy costs.

Social. JLLHL has significantly invested in various social activities, such as medicine camps and special education sessions, to contribute towards the welfare of the society. As part of its corporate social responsibility activities, it has served numerous patients suffering from cancer, birth defects, cardiac problems and end stage organ failures. It also operates a centre for eye care "Jupiter Netralaya" where it conducts free surgeries. Through its paediatric cardiac clinic, it provides paediatric cardiac surgery, paediatric cardiology diagnostic services and paediatric cardiac procedures for free or at subsidized rates. It has also focused on providing subsidized critical care in super specialized critical treatments, such as chemotherapy drugs and organ transplants. Additionally, it provides cochlear implant surgery for hearing impaired children for free or at subsidized rates.

Governance. The Company strives to adhere to high standards of corporate governance and has established policies and procedures to support transparency, strong business ethics and a well-established compliance framework, including internal audit functions.

Business Strategy:

Strategically expand footprint in western markets: With long term structural factors supporting growth, renewed impetus from Pradhan Mantri Jan Arogya Yojana (PMJAY) and government focus shifting onto healthcare sector, the healthcare delivery market in India is expected to grow at a CAGR of approximately 11.3% and reach ₹8.6 trillion in Fiscal 2027. In particular, the healthcare market for west India is expected to grow at a CAGR of approximately 14%-16% from ₹1.05-₹1.15 trillion in Fiscal 2022 to ₹2.15-₹2.25 trillion in Fiscal 2027. Moreover, the western region of India has performed strongly in terms of GDP and per capita income growth. The increase in per capita income is expected to support demand for better healthcare services in the western region of India. Accordingly, JLLHL intends to expand its hospital network into focus micro-markets in western India that are adjacent to its core markets that are under-served and densely populated. It is currently in the process of establishing a quaternary care hospital in Dombivli, Maharashtra, which will be spread over 600,000 sq. feet. In addition to its proposed Dombivli hospital, it intends to establish additional hospitals in western India with the aim of having a network of several hospitals with an aggregate bed capacity of 2,500 in the next few years.

Continue to recruit and retain skilled healthcare professionals: Healthcare professionals are key to JLLHL's operations and success, and its ability to recruit, retain and train skilled healthcare professionals is crucial for the successful implementation of its strategy to provide quality healthcare services to patients. Hiring surgeons and physicians with an established reputation in their respective specialisations is crucial for its branding, growth and expansion. It intends to leverage its brand, clinical and operational expertise to continue to attract healthcare professionals and aims at continue to develop long term relationships with them. In addition to regular training, it encourages its healthcare professionals to attend medical conferences and participate in communications and collaborations with leading institutions and experts in different medical areas to holistically improve its diagnostic and treatment capabilities. Additionally, it intends to continue to invest in academics and research in order to enable further growth and continuous upgradation of skills of its healthcare professionals.

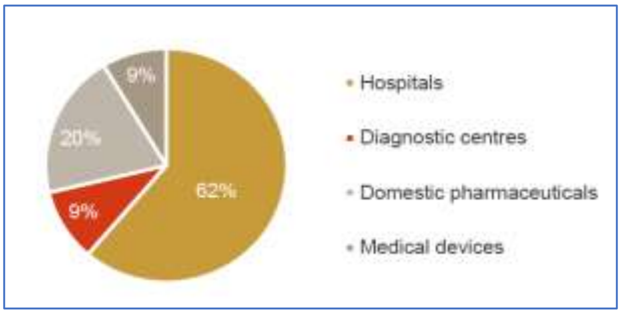
Pursue strategic inorganic growth opportunities in focus micro-markets: To complement JLLHL's organic growth and clinical expertise, it may pursue selective acquisitions and strategic alliances in its focus micro-markets that provides it access to better infrastructure, high-value technological and operational capabilities, industry knowledge and geographical reach, and allows it to expand its patient base and service offerings. It also intends to leverage its experience to successfully identify, execute and integrate new opportunities that may arise in the future. In addition, it has also entered into operations and maintenance arrangements with a corporate to manage their occupational health centres.

Continue to improve quality of care and invest and employ latest technology: In line with JLLHL's "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 aims to adopt the latest medical technologies and equipment to provide better treatment for its patients and by incorporating such new technologies in its operations, it will be able to improve patient care, expand the scope of treatments that it offers and increase affordability, efficiency and cost savings. JLLHL also plans to further implement advanced technology to improve its hospitals' offering. Moreover, greater integration of technology in operations can also reduce its costs, and accordingly, it intends to improve technological absorption and equipment utilization as well as optimize operations at its hospitals by continuing to train its healthcare professionals to improve their productivity and streamlining technology and processes.

Industry:

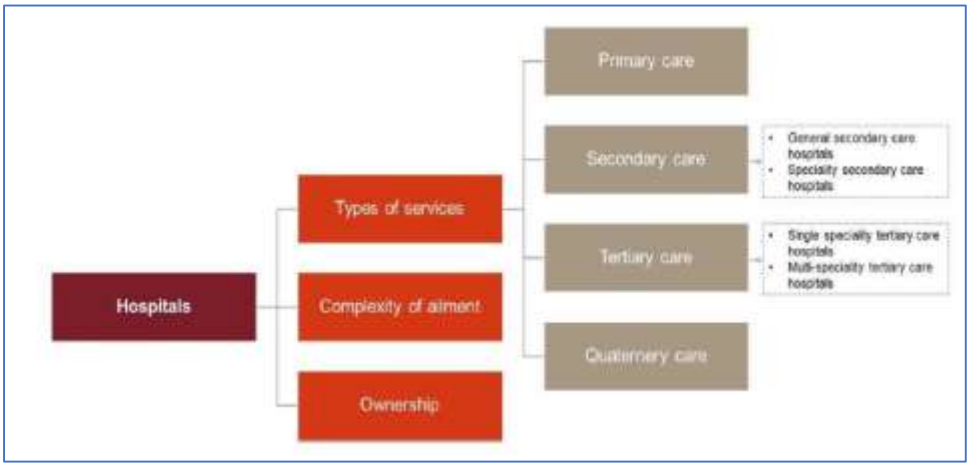
Structure of the healthcare delivery industry in India

Overview of the healthcare industry



Healthcare market consists of hospitals, diagnostic centres, domestic pharmaceuticals and medical devices. CRISIL MI&A Research estimates show hospitals account for a major share of the healthcare pie (62%), followed by domestic pharmaceuticals (20%), medical devices market (9%) and diagnostics (9%) as of Fiscal 2023.

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). 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.

o 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 to 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.

o 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.

o Single-specialty tertiary care hospitals

These treat a particular ailment (such as cardiac, cancer etc.). 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).

o Multi-specialty tertiary care hospitals

These hospitals offer all medical specialities 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 from across states. They usually have more than 150-200 beds. 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, Hiranandani Hospital, Jupiter Hospitals, Jaslok Hospital, Ruby Hall Clinic, Sahyadri Hospital, Bombay Hospital in West India are multi-specialty tertiary care hospitals.

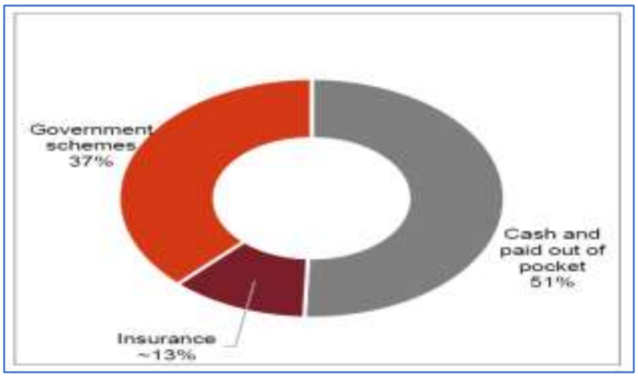
Quaternary care hospitals

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.

Payment modes in Indian healthcare

Government schemes accounted for 37% of the Indian healthcare expenditure in 2020, with PMJAY's contribution being less than 5%. Insurance accounted for 12%, while the major chunk came from cash/out of pocket expenses.

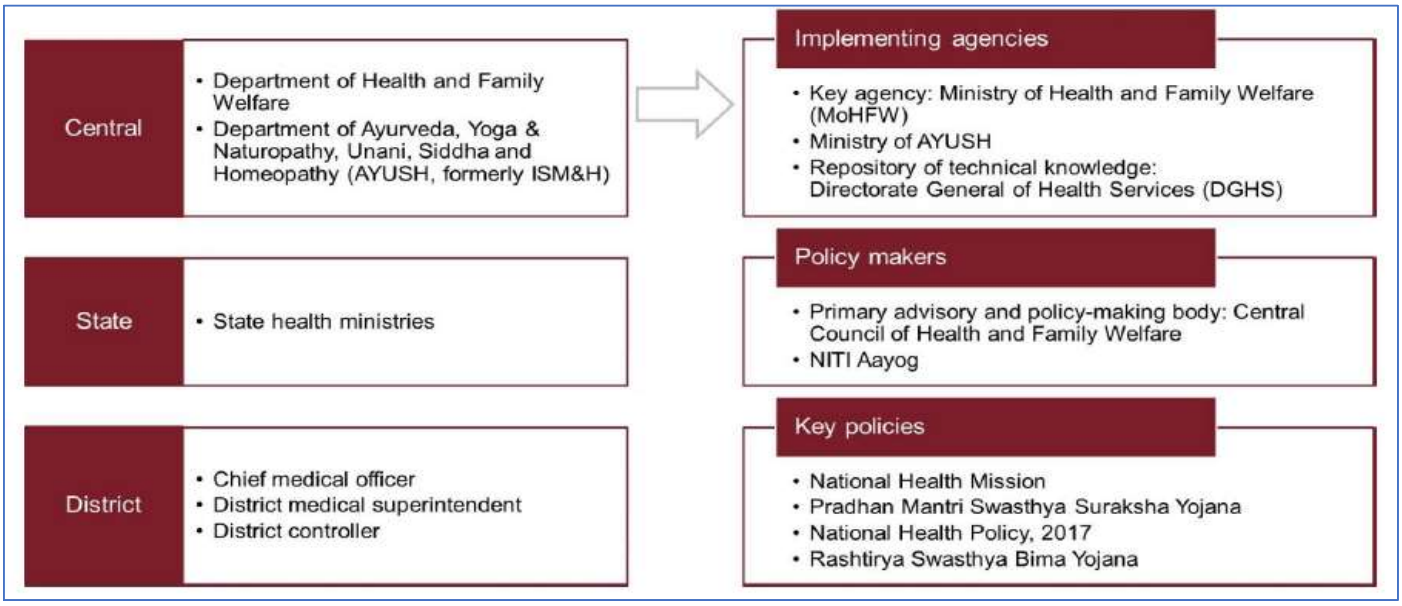
Payor mix (India) 2020



Government schemes accounted for 37% health expenditure in the country in 2020. PMJAY's contribution was low and accounted for less than 5% of the total healthcare expenditure. 63% of health expenditure was funded using cash and insurance.

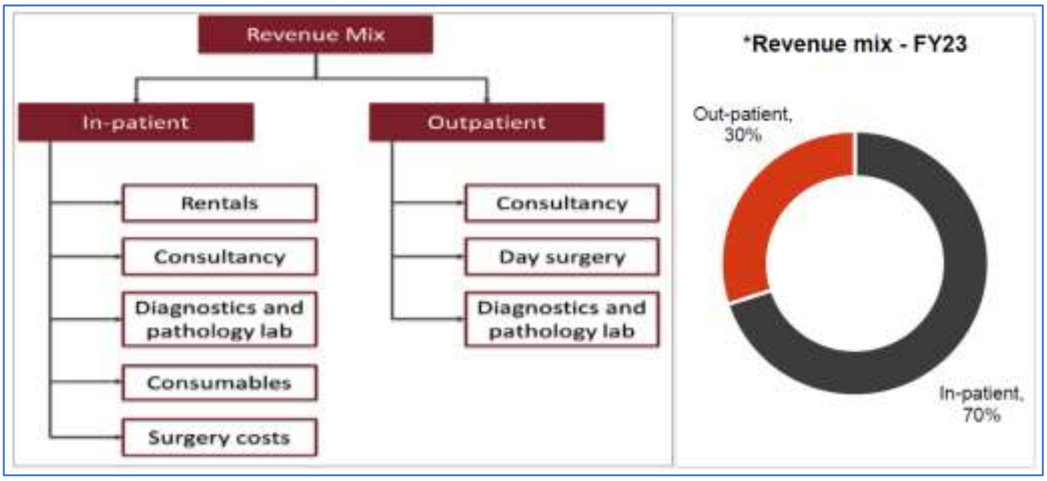
Regulatory framework for hospitals and healthcare in India

Government framework for healthcare delivery



Revenue and cost structure review of hospitals

Hospitals derive bulk of their revenue from IPD The primary revenue streams of hospitals are the in-patient department ("**IPD**") and out-patient department ("**OPD**") segments. Typically, in most hospitals, the OPD contributes to more than three-fourths of total volumes; whereas the IPD accounts for as much as approximately 70% of the overall revenue as of Fiscal 2023. This ratio could vary with hospitals, depending on the type of services rendered and the ailment mix. Similar to these estimates, Jupiter Life Line Hospitals Limited ("**JLHL**") derives approximately 78.6% of their revenues from IPD while OPD accounts for approximately 18.9% of their revenues for Fiscal 2023. Remaining revenue comes from hotel and other income.



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 rationalised 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.

Other monitorables that may boost revenue include:
Occupancy levels: Given the high fixed costs (equipment, beds and other infrastructure), occupancy levels need to be commensurate for a hospital to break-even. Most large hospitals operate at over 65% to 70% occupancy ratio (OR). The following factors aid in ensuring high occupancy levels:

- Good brand recognition
- Reputed doctors
- A strong referral network

Average length of stay (ALOS): Large hospitals usually operate at high occupancy levels but try to keep the ALOS short, which enables them to record higher utilisation levels and ensure that more patients are treated at the same time.

Ailment-wise length of stay

Ailment	ALOS	Remarks
Cardiac	5 days	In complex, surgical cases, ALOS is 7-8 days Angiography – day care; and angioplasty – 2 days
Orthopaedics	3-4 days	Joint replacement surgeries would have relatively higher ALOS
Oncology	5-6 days	Hospitalisation is for surgical cases only. For chemotherapy, there are day-care beds and for radiotherapy, no stay is required
Neurosurgery	8-10 days	Would vary on case-to-case basis depending on the complexity of the case
Ophthalmology	1 day	Day care

Medical patients versus surgical patients: Having a higher number of surgical patients versus medical patients helps hospitals boost revenue. This is because average revenue per surgical patient is higher, given the extensive use of operation theatre and diagnostic facilities.

Players with available land bank in top metro cities have an inherent advantage
The biggest capital costs incurred by hospitals while expanding/entering into top cities are in procuring lands in these cities. Players with available land bank in top cities create a barrier for other players to enter a particular market. Apart from cost of land, availability of land in top cities is also a huge factor. For example, availability of land in Mumbai for a large multi-speciality hospital is scarce and would cost huge capital. Hence, players with available land bank in Mumbai would have an inherent advantage to expand into the market. Jupiter Hospital and Shalby Hospital, with land parcels in Dombivli and Santacruz respectively, are well positioned to capitalise on the opportunity.

Assessment of India's hospital market
Review and outlook
Indian healthcare delivery market poised for robust growth in the medium term Breaching pre-COVID level in Fiscal 2022, CRISIL MI&A Research estimates the Indian healthcare delivery industry to post healthy 10% to 12% compound annual growth rate between Fiscal 2022 and Fiscal 2027, driven by long term structural factors, strong fundamentals, increasing affordability and potential of the Ayushman Bharat scheme.

Overall healthcare delivery market in India

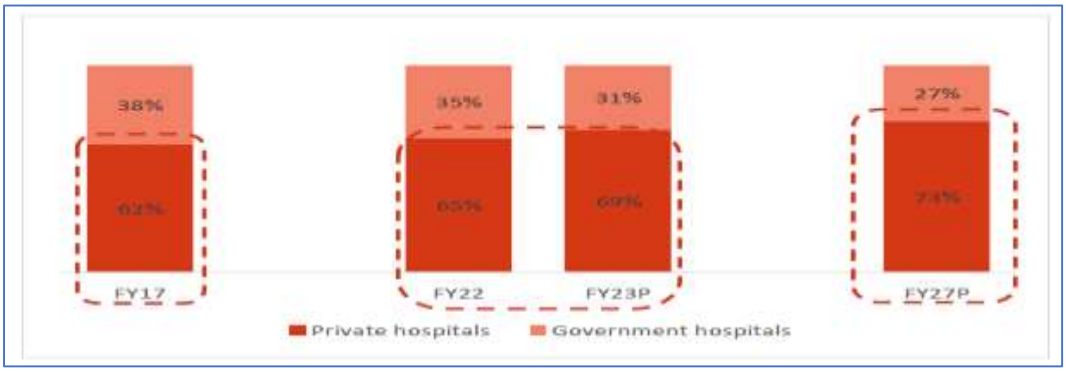
Healthcare delivery industry estimated to have grown to approximately Rs.5.6 trillion in Fiscal 2023 CRISIL MI&A Research estimates the Indian healthcare delivery market to have reached approximately Rs.5.6 trillion in value terms by end of Fiscal 2023, with growth being contributed by stabilisation of regular treatments, surgeries and OPD amid minimization of disruption due to the pandemic and expansion of 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. As opposed to Fiscal 2022, when government investment growth in the sector reduced on the high base of Fiscal 2021 to combat the pandemic, 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.

Healthcare delivery industry to grow at a CAGR of approximately 11.3% over the next four years with long term structural factors supporting growth, renewed impetus from PMJAY and government focus shifting onto healthcare sector, the healthcare delivery market is expected to grow at approximately 11.3% CAGR and reach Rs.8.6 trillion in Fiscal 2027.

From Fiscal 2018 to Fiscal 2022, major hospital chains have added supply (approximately 2% to 3% of their incremental supply during the period). The supply was largely affected during the COVID-19 period as from Fiscal 2020 to Fiscal 2022, major hospital chains supply declined by approximately 1% to 2%. The government had also converted many hospitals into full time COVID-19 treatment centres during this time. The government is also expected to augment this via the Ayushman Bharat scheme which aims to create 1,50,000 Health and Wellness centers ("**HWCs**") (approximately 1,54,338 HWC's created until December 2022) for strengthening primary & secondary 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.

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 73% in Fiscal 2027, 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.

Share of treatments in value terms (government hospitals versus private hospitals/clinics)



Western region to witness strong growth in healthcare sector

Some western region states such as Gujarat and Goa have increased focus on healthcare spending to improve healthcare infrastructure and services ranking 4th and 12th respectively in terms of healthcare spending compared to overall spending. Health infrastructure of Maharashtra is better compared to many states in the country as it ranked 7th on Niti Ayog health index (index ranks states based on various health parameters). The region has also performed strongly in terms of GDP and per capita income growth. In Fiscal 2021, Maharashtra, and Gujarat were top rankers in terms of gross state domestic product (GSDP) at constant prices. Also, in terms of per-capita net state domestic product (NSDP) at constant prices, Goa led all the states in India in Fiscal 2021 with a per capita income of Rs.0.30 million. Gujarat and Maharashtra had a per capita NSDP of Rs.0.16 million and Rs.0.13 million respectively, which is higher than the national per capita income of Rs.0.085 million in Fiscal 2021, indicating a higher paying capacity of the population in the Western region. This trend in growth for the Western region is expected to continue supported by central and state government initiatives for the region and the industrial growth following it. Increase in per capita income is expected to support demand for better healthcare services in Western region of India. As per Insurance Regulatory and Development Authority of India (IRDAI) data for Fiscal 2022, western region comprising of Gujarat, Maharashtra, Goa and Madhya Pradesh has health insurance penetration of 78% in terms of number of persons covered compared to the population, which is higher than the national average of 38%. The western region being better served by health insurance will also support the growth of healthcare delivery market.

The healthcare market for West India is expected to grow from the current levels of Rs.1.05 trillion to Rs.1.15 trillion in Fiscal 2022 to Rs.2.15 trillion to Rs.2.25 trillion by Fiscal 2027, at a CAGR of 14% to 16% between Fiscal 2022 to Fiscal 2027. Lower penetration of chained hospitals, high population density of the region, increasing average revenue per occupied bed (ARPOB) figures of private players in the region and increasing penetration of health insurance in the region are expected to drive the growth of the healthcare delivery market in the western region of India.

Estimated Western healthcare delivery market (Rs. billion)

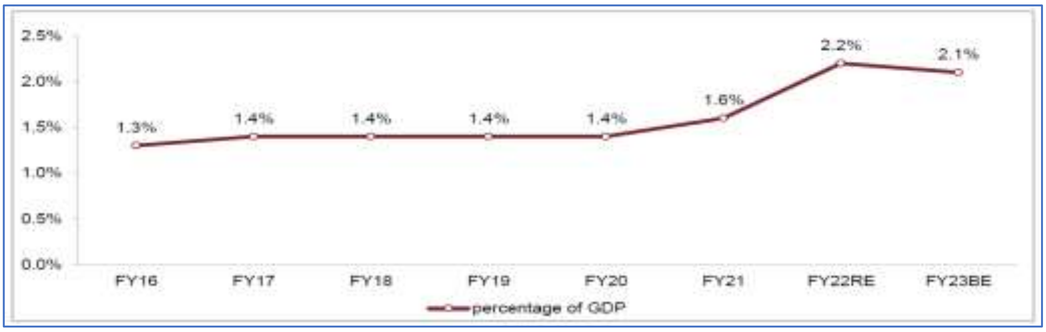
Key growth drivers of healthcare delivery industry

A combination of economic and demographic factors is expected to drive healthcare demand in India. CRISIL MI&A Research believes the PMJAY scheme launched by the government would also support these drivers. These drivers are expected to lead to better health infrastructure and improvement in overall accessibility of healthcare facilities in the country.

Government policies to improve healthcare coverage

The National Health Policy, 2017 foresees its goal as "the attainment of the highest possible level of health and well-being for all at all ages, through a preventive and promotive healthcare orientation in all developmental policies, and universal access to good quality healthcare services without anyone having to face financial hardship as a consequence. This would be achieved through increasing access, improving quality, and lowering the cost of healthcare delivery". Accordingly, the policy suggested an increase in the Government's health expenditure from the existing 1.3% in Fiscal 2016 to 2.5% of GDP by 2025. Also, the Fifteenth Finance Commission, in its report, had recommended that public health expenditure of Union and States together should be increased in a progressive manner to reach 2.5% of GDP by 2025. In keeping with this objective, Central and State Governments' budgeted expenditure on the health sector reached 2.1% of GDP in Fiscal 2023 (budgeted) and 2.2% in Fiscal 2022 (revised), against 1.6% in Fiscal 2021.

Public expenditure as a proportion of GDP



According to the government, inpatient hospitalisation costs have risen by 300% over the past 10 years and nearly six million families had to sell assets or borrow money to undertake treatment, thereby driving them to poverty. The PMJAY was launched on September 23, 2018, with the objective of providing affordable healthcare. The scheme primarily has three objectives:

Strengthening of physical health infrastructure: Sub-centres

Upgradation of 0.15 million 'Health and Wellness' centres 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 (PMSSY), 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), Bhubaneshwar (Odisha), Jodhpur (Rajasthan), and Rishikesh (Uttarakhand), have been set up. An AIIMS is under construction at Rae Bareli (OPD services have started) and 13 new ones have been announced by the government. The aim is to tackle issues of inadequate healthcare infrastructure and personnel.

Expansion of health insurance coverage: Ayushman Bharat

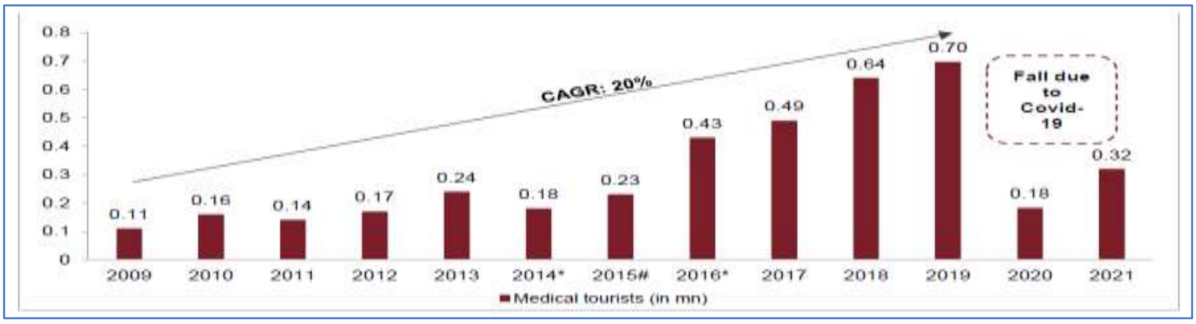
This involves a provision of Rs.0.5 million assured healthcare coverage to each family that is eligible, selected on the basis of inclusion under the Socio-Economic Caste Census (SECC) list. Nearly 107.4 million families will be covered under the scheme. All existing central and state health insurance schemes will be subsumed under Ayushman Bharat. The model of implementation of the scheme (via insurance company, trust or mixed model) is the state's prerogative. However, healthcare delivery at affordable prices would require a shift in focus towards capitalising on volumes (with nearly 165 million new people coming under a healthcare scheme) rather than on value (via margins). The government has started an initiative of National Health Stack (NHS), a shared digital framework for both private and public hospitals. It is expected to digitise all health records and keep track of all details concerning healthcare enterprises in the country. 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.

Medical tourism in India

The healthcare costs in developed countries are relatively higher in comparison to India. Some of the factors which makes India an attractive destination for medical tourism is presence of technologically advanced hospitals with specialized doctors and facilities like e-medical visa. Also, medical tourists from neighboring countries (like Bangladesh – which sees the highest footfall of medical tourists to India) along with Iraq, Yemen, Afghanistan, Oman and some parts of Nepal come to India as they don't have quality care in their countries. Medical tourism is not just driven by cheaper prices. Mumbai and Pune being tier-I cities are well connected by flights to these countries. The health infrastructure offered along with the tourism has made both Mumbai and Pune important medical tourism destinations in West India. Treatments mostly sought after in India are for heart surgery, knee implant, cosmetic surgery and dental care, due to their relatively low costs. Medical tourism in India is driven by the private sector. 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 9 billion USD by 2020 garnering 20% of the global share, up from the 3 billion USD in 2015, however it might have fallen short of this figure in the year 2020 owing to travel restrictions put in place due to the COVID-19 pandemic.

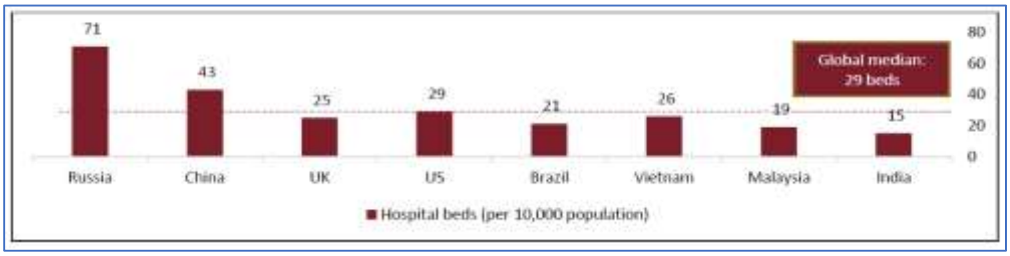
Growth in medical tourists*



Key challenges for the healthcare delivery industry

The potential demand and opportunities in healthcare in India aside, many challenges exist, mainly: inadequate health infrastructure and unequal quality of services provided based on affordability and healthcare financing. Health infrastructure in dire need of improvement The adequacy of a country's healthcare infrastructure and personnel is a barometer of its quality of healthcare. This, in turn, can be assessed from bed density (bed count per 10,000 population) and availability of physicians and nurses (per 10,000 population). For India, that's where the concern begins. The country comprises nearly a fifth of the world's population, but has an overall bed density of merely 15, with the situation being far worse in rural than urban areas. India's bed density not only falls far behind the global median of 29 beds, it also lags that of other developing nations, such as Brazil (21 beds), Malaysia (19 beds) and Vietnam (26 beds).

Hospital bed density: India v. other countries



The total number of government beds in India are estimated at approximately 0.85 million. An estimated population of approximately 1.37 billion implies a government bed density of 6.2 per 10,000 population in the country. Among the Indian states (excluding union territories), Sikkim (33), Himachal Pradesh (20), Goa (19) have the highest government bed density per 10,000 population. Bihar (2), Maharashtra, Chhattisgarh and UP (3 each) have the lowest.

Healthcare financing has been a pain point

In India, out-of-pocket (OOP) expenditure on health accounted for nearly 51% of total health expenditure as of 2020 Insurance earlier did not cover out-patient treatments (Insurance companies started covering OPD treatments under health insurance only recently). Hence, OOP expenditure on out-patient treatments greater than in-patient treatments. Nearly 17% of the rural population and 13% of the urban population are dependent on borrowings for funding their healthcare expenditure for July 2017 to June 2018 as per NSS 75th Round Health in India Report. And nearly 80% of the rural population and 84% of the urban population use their household savings on healthcare-related expenditure as per "Health in India – 2018, NSS 75th Round. Health expenditure contributes to nearly 3.6% and 2.9% of rural and urban poverty, respectively. And annually, an estimated 60 to 80 million people fall into poverty due to healthcare-related expenditure. However, with Pradhan Mantri Jan Arogya Yojana (PMJAY), the affordability aspect of healthcare expenditure is expected to be taken care of to some degree, especially for the deprived population.

Government price capping of medical equipment

The government has restricted price capping to four devices – cardiac stents, drug-eluting stents, knee implants and intra-uterine devices. However, the National Pharmaceutical Pricing Authority (NPPA) is proposing to bring in capping of trade margins instead of extending the list of devices under the National List of Essential Medicines. Even state governments have been resorting to measures to curb profiteering by hospitals. The Delhi government had, earlier this year, proposed norms for restricting hospitals and nursing homes from marking up prices of consumables and medicines from their procurement prices, to limit their profits. Price capping on cardiac stents introduced in February 2017, and on knee-implants, in August 2017 was a deterrent for the industry, which is majorly run by the private sector. However, players have since been able to come back to normalcy after taking a hit on operating margins initially, through price rationalisation via bundle pricing. The NPPA has further extended the capping of prices of knee implants, ranging from Rs.0.054 million to Rs.0.114 million, for one more year. Post implementation of price caps on stents and implants, the government has identified 23 medical devices to put price controls on.

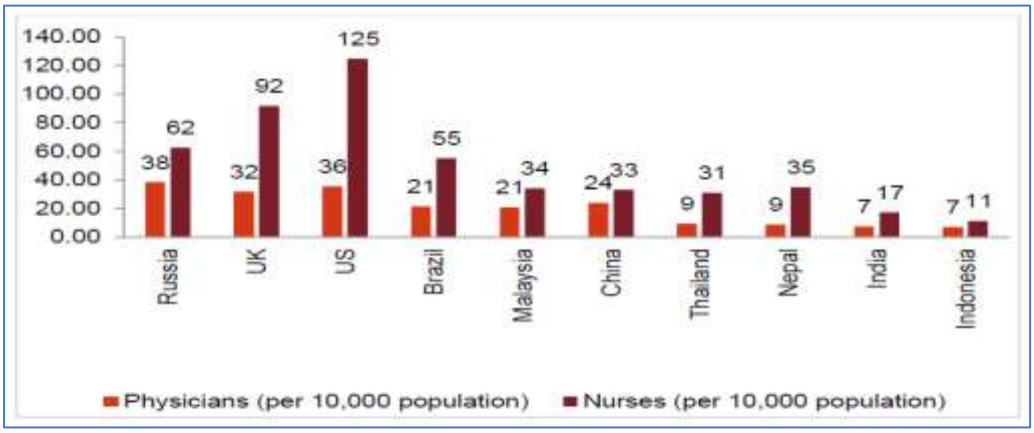
Outstanding receivables affecting fiscal profile of hospitals

The financial profile of many hospitals empanelled under state schemes became weak due to rising outstanding receivables from the government (state and Centre) for providing treatments to beneficiaries under health insurance schemes. However, this challenge is expected to be dealt with on priority under the PMJAY, by fixing a particular timeline for reimbursements of claims.

Paucity of experienced specialised doctors

Paucity of experienced specialised doctors is another challenge. Experienced specialised doctors also contribute to the reputation and brand of the hospitals. Paucity of such doctors, thus, impacts the growth of the hospital sector. At seven physicians and 17 nursing personnel per 10,000 population, India trails the global median of 18 physicians and 40 nursing personnel. Even on this parameter, India lags behind Brazil (21 physicians, 55 nurses), Malaysia (21 physicians, 34 nurses).

Healthcare personnel: India v. other countries (latest as reported by each country)



Key Concerns

- Revenues are significantly dependent on the hospital in Thane. Further, all its hospitals are located in the western regions of India. Any impact on the revenues of its Thane hospital or any change in the economic or political circumstances of western India or particularly in or around Thane, could materially affect the business, financial condition and results of operations.

- Highly dependent on healthcare professionals including doctors and nurses, and any future inability to attract/ retain such professionals will adversely affect the business, financial condition and results of operations.

- Industry is highly regulated and requires to obtain, renew and maintain statutory and regulatory permits, accreditations, licenses and comply with applicable safety, health, environmental, labour and other governmental regulations.

- JLLHL incurs high expenses in relation to medical equipment cost, manpower cost, infrastructure maintenance and repair costs, ancillary items and pharmaceuticals. If it is unable to obtain favourable pricing from suppliers or negotiate compensation of its healthcare professionals effectively, it could affect its profitability.

- There are outstanding litigation against the Company, Promoter(s), Directors and Subsidiaries.

- Company's ability to provide affordable healthcare depends on the maintenance of a high volume of patients, occupancy rates, managing project costs and effective capital management. Any increase in such costs could adversely affect its business, financial condition and results of operations.

- JLLHL may experience delays in construction or commencement of operations of its proposed hospitals or it may be unsuccessful in implementing its growth plans of expansion in western India in a timely manner or at all, which may have an adverse effect on the business, financial condition and results of operations.

- JLLHL relies on certain third parties, including suppliers, and also enter into contracts with third-party payers such as insurance companies, third party administrators, corporations and government departments.

- Pricing regulations and related government reforms in the healthcare industry and associated uncertainty may adversely affect the business, financial condition and results of operations.

- JLLHL incurred losses in Fiscal 2021 and may incur losses in the future. Its Subsidiaries have also incurred losses and have had negative cash flows from operating activities in the past and may continue to incur losses and have negative cash flows in the future.

- The Company could be exposed to risks relating to the handling of personal information, including medical data.

- An inability to keep pace with technological changes, new equipment, replacement of obsolete equipment and service introductions, changes in patients' needs and evolving industry standards as well as failure or malfunction of its medical or other equipment could adversely affect the business, financial condition and results of operations.

- Any failure to maintain and enhance brand and reputation, and any negative publicity and allegations in the media against JLLHL, may adversely affect the level of trust in its services and market recognition, which could further result in an adverse impact on its business, financial condition and results of operations.

- If JLLHL does not receive payments on time from its payers, its business, financial condition and results of operations may be adversely affected.

- JLLHL face competition from other healthcare service providers and inability to compete effectively could adversely affect its business, financial condition and results of operations.

- Business depends significantly on the continued effectiveness of information technology infrastructure, and failure of such technology could adversely impact the business, financial condition and results of operations.

- Bed occupancy rate is lower than majority of the listed peers and to increase occupancy rates, JLLHL may have to offer its healthcare services at discounted and competitive rates to its patients, which could adversely affect its profitability, business, financial condition and result of operations.

- Non-compliance with regulations applicable to the healthcare industry and applicable safety, health and environmental regulations may subject JLLHL to fines and adversely affect its competitive position and results of operations.

- An inability to maintain optimum levels of doctor-patient ratio at hospitals could adversely affect the business, operations, financial condition and results of operations.

- Any failure to provide quality medical treatment and service to patients and any lapses on part of medical staff may adversely affect the reputation of the hospitals, and as a result, its business, financial condition and results of operations.

- Insurance coverage may not be sufficient to cover all possible economic losses, which could have an adverse effect on the business, financial condition and results of operations.

- Indebtedness and the conditions and restrictions imposed by financing agreements and any noncompliance may lead to, amongst others, suspension of further drawdowns, which may adversely affect the business, financial condition and results of operations

- An inability to protect intellectual property rights, or any exposure to misappropriation and infringement claims by third parties, could have an adverse effect on the business, reputation, financial condition and results of operations.

- JLLHL may be exposed to risks associated with intellectual property infringement and misappropriation claims by third parties, which could have an adverse effect on the business, reputation, financial condition and results of operations.

- JLLHL may be subject to labour unrest, slowdowns and work stoppages, which could affect its reputation, business, financial condition and results of operations.

- Patients may contract serious communicable infections or diseases at hospitals due to the risks typically associated with the operation of medical care facilities.

- The Company uses highly flammable and explosive materials in its activities which expose it to the risk of loss due to fire. Any fire accidents may have a material adverse effect on its business, financial condition and results of operations.

- An inability to establish and maintain effective internal controls could lead to an adverse effect on the business and reputation.

- JLLHL is dependent upon the experience and skill of its management team, a number of key managerial personnel and senior management personnel. If it is unable to attract or retain such qualified personnel, this could adversely affect its business, financial condition and results of operations

- The COVID-19 pandemic had affected the business operations which had an adverse effect on the business, financial condition and results of operations.

- Lack of health insurance in India may adversely affect the business, financial condition and results of Operations.

- Acquisitions, strategic investments, partnerships or alliances may be difficult to integrate, and may adversely affect the business, financial condition and results of operations.

- Promoters and Promoter Group will continue to retain significant shareholding in the Company after the Offer, which will allow them to exercise significant influence over it.

- Changing laws, rules and regulations and legal uncertainties, including adverse application or interpretation of corporate and tax laws, may adversely affect the business, financial condition and results of operations.

- Business is dependent on the Indian economy. Any adverse development, slowdown in Indian economy, political or any other factors beyond control may have an adverse impact on the business, financial condition and results of operations.

- Business may be adversely affected by adverse application or interpretation of competition laws in India.
- Financial instability in other countries may cause increased volatility in Indian financial markets.
- Any adverse revision to India's debt rating by a domestic or international rating agency 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, the Equity Shares, independent of its operating results.

Profit & Loss

Particulars (Rs in million)	FY23	FY22	FY21
Revenue from operations	8925.4	7331.2	4861.6
Other Income	104.2	40.2	41.1
Total Income	**9029.6**	**7371.4**	**4902.7**
Total Expenditure	**6912.2**	**5797.4**	**4190.0**
Purchases of stock-in-trade	1608.6	1445.4	975.3
Change In Inventories of Finished Goods & Work-In-Progress	-36.8	-23.1	9.1
Employee Benefits Expenses	1556.4	1337.8	1043.6
Other Expenses	3784.1	3037.3	2162.0
PBIDT	**2117.4**	**1574.1**	**712.7**
Interest	422.7	439.4	389.8
PBDT	**1694.7**	**1134.7**	**322.9**
Depreciation and amortization	385.6	361.6	307.4
Exceptional Item	-22.0	-2.0	0.0
PBT	**1287.1**	**771.2**	**15.6**
Tax (incl. DT & FBT)	558.0	259.9	38.5
PAT	**729.1**	**511.3**	**-23.0**
EPS (Rs.)	14.0	10.1	-0.5
Face Value	10	10	10
OPM (%)	22.6	20.9	13.8
PATM (%)	8.2	7.0	-0.5

Balance Sheet

Particulars (Rs in million) As at	FY23	FY22	FY21
Non-current assets			
Property, plant and equipment	7,189.5	6,830.8	6,294.5
Capital work-in-progress	291.5	266.2	259.1
Other Intangible assets	7.5	8.3	5.5
Financial assets			
Investments	1.5	1.5	1.5
Other financial assets	228.92	105.95	69.92
Other non-current assets	43.8	69.8	130.9
Total non-current assets	**7,762.7**	**7,282.6**	**6,761.4**
Current assets			
Inventories	190.0	153.6	130.5
Financial assets			
Investments	14.0	27.3	72.1
Trade receivables	456.9	278.7	218.4
Cash and cash equivalents	1,344.6	1,033.7	194.4
Loans & Advances	5.3	5.4	6.9
Other current assets	81.9	305.9	505.3
Total current assets	**2,092.6**	**1,804.4**	**1,127.6**
Total assets	**9,855.3**	**9,087.0**	**7,889.1**
EQUITY & LIABILITIES			
Equity			
Equity share capital	565.2	508.7	508.7
Instruments entirely equity in nature	0.0	17.9	0.0
Minority interest	-17.8	-51.2	74.7
Other equity	3,091.7	2,409.0	1,881.1
Total equity	**3,639.1**	**2,884.3**	**2,464.4**

Liabilities			
Non-current Liabilities			
Financial Liabilities			
Borrowings	4,525.1	4,645.2	4,211.5
Deferred tax liabilities (net)	369.8	325.4	254.6
Total non-current liabilities	**4,894.9**	**4,970.6**	**4,466.1**
Current liabilities			
Financial liabilities			
Borrowings	161.2	307.3	43.7
Trade payables			
Due to micro, small and medium enterprises	55.4	9.7	49.2
Due to other than micro, small and medium enterprises	651.9	601.5	536.5
Other financial liabilities			
Other current liabilities	180.4	114.0	102.0
Provisions	256.0	183.2	197.1
Current tax liabilities (net)	16.5	16.5	30.1
Total current liabilities	**1,321.4**	**1,232.0**	**958.5**
Total liabilities	**6,216.2**	**6,202.6**	**5,424.6**
Total equity and liabilities	**9,855.3**	**9,087.0**	**7,889.1**

Source: RHP