

Retail Research	IPO Note
Sector: Health Care	Price Band (Rs): 695 - 735
5th September 2023	Recommendation: Subscribe for long term Horizon

Jupiter Life Line Hospital Limited

Company Overview:

Jupiter Life Line Hospital Limited is amongst 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 3 hospitals as of March'23. Jupiter have been operating for over 15 years as a corporate quaternary care healthcare service provider in densely populated micro markets in the western regions of India. Jupiter currently operates 3 hospitals under the **Jupiter** brand in Thane, Pune and Indore. The hospital has 1,306 doctors including specialists, physicians and surgeons, as of March'23. Jupiter 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'23.

Key Highlights:

Specialized healthcare services: As of March'23, Jupiter hospitals were equipped with over 30 key specialties, including key specialties of organ transplant, oncology, orthopaedics, cardiology, paediatrics, and neurosciences as well as certain specialised quaternary services and precision-based treatments such as brachytherapy, radiotherapy, robotic knee replacement and robotic neuro rehabilitation.

Diversified revenue mix: In FY21, FY22, FY23, 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. The average occupancy rate of beds for the Thane and Pune hospital was 50.45% (decrease was on account of COVID-19), 62.16% and 69.99% in FY21, FY22 and FY23, respectively. The ARPOB for the Thane and Pune hospital also have consistently increasing and was Rs 47,234, Rs 50,647 and Rs 53,274 in FY21, FY22 and FY23, respectively.

Skilled and experienced healthcare professionals: As of March'23, their healthcare professionals included 1,306 doctors (who work as consultants at hospitals and include visiting consultants, full-time consultants, minimum guarantee consultants, junior consultant and associate consultant), 1,416 nurses and 1,585 other professionals (comprising clinical associate, clinical and physician assistant, physiotherapy, paramedical and support staff).

Equipped with advance technology equipment's: Jupiter 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.

Valuation: The company is valued at a FY23 PE multiple of 66.1x, EV/Bed of Rs 4.8 cr and EV/EBITDA of 22.9x, at the upper price band on post-issue capital. The IPO looks fairly valued across various valuation parameters when compared with its peers. With decent return ratios and margins, the risk reward ratio for long term investors looks favourable. The investors can subscribe to the IPO for a long-term investment perspective.

Issue Details	
Date of Opening	6 th September 23
Date of Closing	8 th September 23
Price Band (Rs)	695 – 735
Issue Size (Rs cr)	851 – 869
No. of shares	1,22,48,576 – 1,18,24,163
Face Value (Rs)	10
Post Issue Market Cap (Rs cr)	4,586 – 4,819
BRLMs	ICICI Securities, Nuvama Wealth Management, JM Financials
Registrar	KFin Technologies Limited
Bid Lot	20 shares and in multiple thereof
QIB shares	50%
Retail shares	35%
NIB (HNI) shares	15%

Objects of Issue	
	(Rs Cr.)
Gross proceeds from fresh issue*	542.0
(less) Offer related expenses to be borne by our Company**	-
Net Proceeds	-

* Subject to full subscription of the Fresh Issue component

** For further details, see "Objects of the Offer – Offer related expenses" on page 114. To be finalised upon determination of the Offer Price and updated in the Prospectus prior to filing with the RoC

Shareholding Pattern		
Pre-Issue	No. of Shares	%
Promoter & Promoter Group	2,82,95,623	49.2
Public & Others	2,92,16,236	50.8
Total	5,75,11,859	100.0

Post Issue @Lower Price Band	No. of Shares	%
Promoter & Promoter Group	2,61,45,623	40.0
Public & Others	3,91,64,812	60.0
Total	6,53,10,435	100.0

Post Issue @Upper Price Band	No. of Shares	%
Promoter & Promoter Group	2,61,45,623	40.3
Public & Others	3,87,40,399	59.7
Total	6,48,86,022	100.0

Source: RHP, SSL Research

Risk factors

- Jupiter revenues are significantly dependent on the hospital in Thane (54.2% in FY23). Further, all the hospitals are located in the western regions of India. Any impact on the revenues of the 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.
- The Hospital is highly dependent on the 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.
- Healthcare industry is highly regulated and requires Jupiter to obtain, renew and maintain statutory and regulatory permits, accreditations, licenses and comply with applicable safety, health, environmental, labour and other governmental regulations. Any regulatory changes or violations of such rules and regulations may adversely affect the business, financial condition and results of operations.
- Jupiter incur high expenses in relation to medical equipment cost, manpower cost, infrastructure maintenance and repair costs, ancillary items and pharmaceuticals. If Jupiter is unable to obtain favourable pricing from suppliers or negotiate compensation of the healthcare professionals effectively, it could affect the profitability. Any inability to pass on such costs to the patients, may have an adverse impact on the business, financial condition and results of operations.

Growth strategy

- Strategically expanding the footprint in western markets.
- Continue to recruit and retain skilled healthcare professionals.
- Pursue strategic inorganic growth opportunities in the focus micro-markets.
- Continue to improve quality of care and invest and employ latest technology.

Revenue Break-up (Rs cr)

Particulars	FY21	FY22	FY23
Thane Hospital			
Operational bed capacity	366	366	366
Census bed capacity	318	318	318
Average occupancy rate (%)	52.3%	66.5%	72.0%
APROB (Rs)	51,209	53,980	56,448
ALOS (days)	4.6	4.6	4.4
Revenue from operation (Rs cr)**	313.6	423.6	483.6
As a percentage of revenue from operations (%)	64.5%	57.8%	54.2%
Pune Hospital			
Operational bed capacity	228	303	353
Census bed capacity	209	248	298
Average occupancy rate (%)	47.6%	56.6%	67.5%
APROB (Rs)	40,592	45,623	48,996
ALOS (days)	4.6	4.1	3.9
Revenue from operation (Rs cr)**	147.5	233.7	303.8
As a percentage of revenue from operations (%)	30.3%	31.9%	34.0%
Indore Hospital*			
Operational bed capacity	150	200	231
Census bed capacity	139	191	186
Average occupancy rate (%)	25.6%	29.7%	40.0%
APROB (Rs)	19,337	36,684	38,747
ALOS (days)	3.7	3.8	3.5
Revenue from operation (Rs cr)**	25.1	75.8	105.2
As a percentage of revenue from operations (%)	5.2%	10.4%	11.8%

Source: RHP, SSL Research

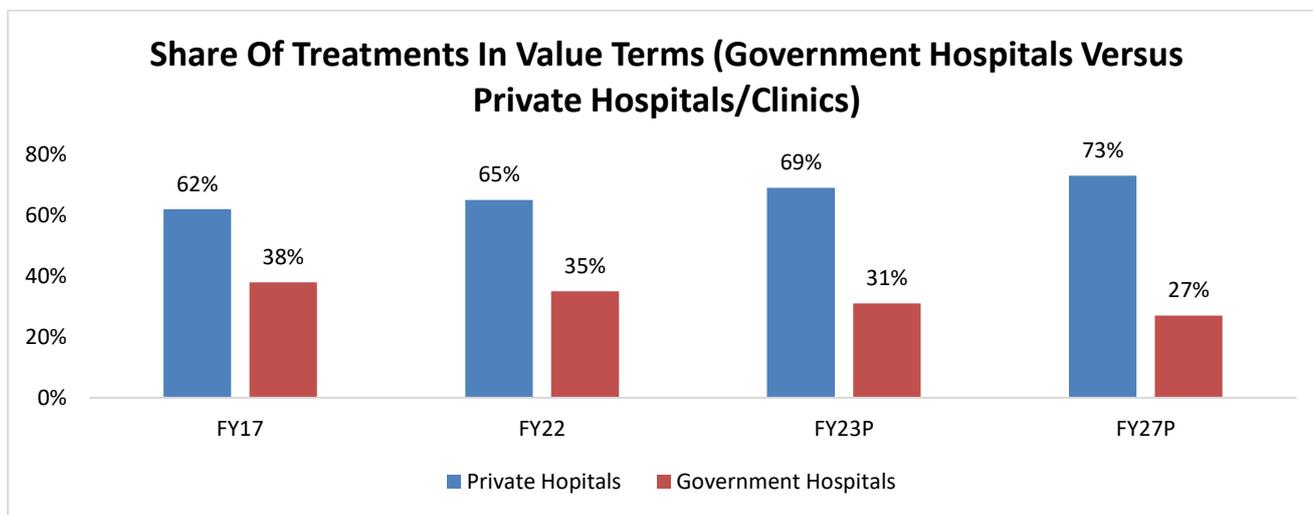
* Indore hospital's acquisition was completed on November 15, 2020. Accordingly, the key operational and financial indicators indicated above for Fiscal 2021 of our Indore hospital only reflects the key operational and financial indicators of our Indore hospital from November 16, 2020 to March 31, 2021.

** Revenue from operations comprises income from hospital services, which consists of inpatient income and outpatient income, and income from hotel.

Industry Overview

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

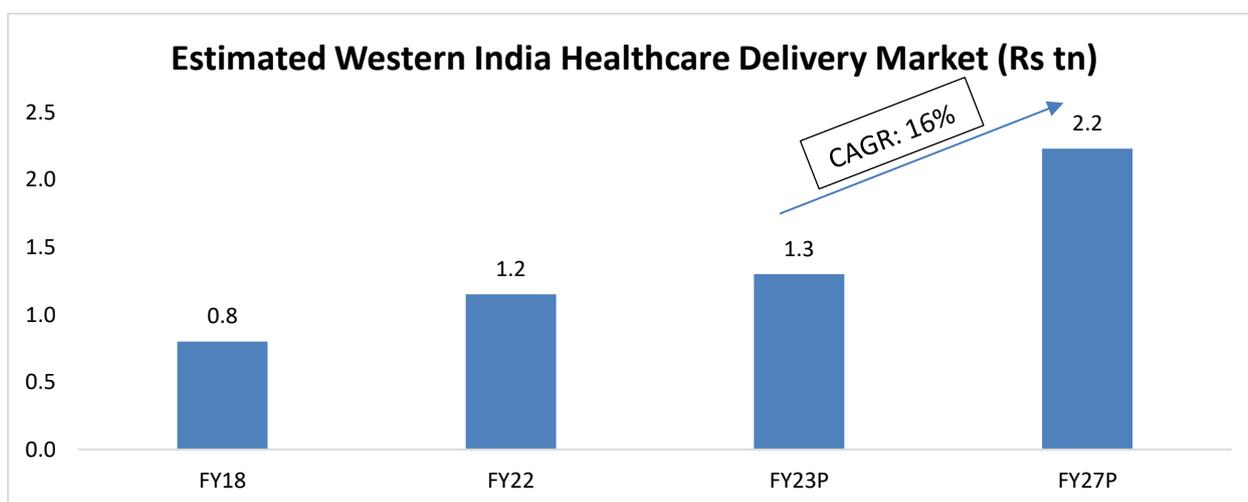
In India, healthcare services are provided by the government and private players, and these entities provide both IPD and OPD services. However, the provision of healthcare services in India is skewed towards the private players (both for IPD and OPD). This is mainly due to the lack of healthcare spending 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 FY17 to nearly 73% in FY27, the share only witnessing a slight dip in FY21. 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.



Source: RHP, SSL Research

Estimated western India healthcare delivery market

The healthcare market for West India is expected to grow from the current levels of Rs 1.05 tn to Rs 1.15 tn in FY22 to Rs 2.15 tn to Rs 2.25 tn by FY27, at a CAGR of 14% to 16% between FY22 to FY27. 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.



Source: RHP, SSL Research

Financial Snapshot

Jupiter Life Line Hospital Limited			
(Rs. Cr.)	Pre-Issue	Post Issue	
	FY22	FY23	
Particulars		Price Band	
	695.0	695.0	735.0
Net Sales	733.1	892.5	892.5
Total Income	737.1	903.0	903.0
EBIDTA	153.2	199.1	199.1
PAT	51.1	72.9	72.9
Equity Share Capital	50.9	66.0	65.6
No of Equity Shares	5.1	6.6	6.6
Face Value	10.0	10.0	10.0
EPS	10.1	11.0	11.1
CMP	695.0	695.0	735.0
Cash and Bank	103.4	676.5	676.5
Debt	495.2	425.5	425.5
Market Cap	3,535.3	4,586.3	4,819.1
BV per share (Rs)	56.7	137.3	138.2
PE(x)	69.1	62.9	66.1
P/BV (x)	12.3	5.1	5.3
Enterprise Value	3,927.1	4,335.4	4,568.2
Mcap/Sales (x)	4.8	5.1	5.4
EV/Sales (x)	5.4	4.9	5.1
EV/EBIDTA (x)	25.6	21.8	22.9
EBITDA Margins (%)	20.9	22.3	22.3
Net Margins (%)	7.0	8.2	8.2
ROE (%)	19.1	12.2	12.2
ROCE (%)	16.2	16.2	16.2
Debt/Equity	1.7	0.5	0.5
Net worth	288.4	905.9	905.9

Source: RHP, SSL Research (Post Issue)

Year	FY21	FY22	FY23
Net Sales	486.2	733.1	892.54
EBITDA	67.2	153.2	199.1
Net Profit	-2.3	51.1	72.91
EBITDA Margin (%)	13.8	20.9	22.3
Net Profit Margin (%)	-0.5	7.0	8.2

Source: RHP, SSL Research

	FY21	FY22	FY23
Debtor's days	16	14	19
Inventory days	48	39	42
Creditor's days	217	157	157
Working Capital Days	-152	-104	-96

Source: RHP, SSL Research

	FY21	FY22	FY23
Cash flow from Operating Activities	123.4	137.0	176.4
Cash flow from Investing Activities	-295.5	85.2	94.2
Cash flow from Financing Activities	184.3	32.2	-51.1
Free Cash Flow	-118.2	45.2	99.2

Source: RHP, SSL Research

Peer Comparison

	Jupiter Life Line Hospitals Limited	Apollo Hospitals Enterprise Limited	Fortis Healthcare Limited	Max Healthcare Institute Limited	Narayana Hrudayalaya Limited	Global Health Limited	Krishna Institute of Medical Sciences Limited
Capacity Beds (March'23)	1,194	9,957	4,500	3,444	6,086	2,595	3,940
Operational Bed Capacity	950	7,860	4,500	3,282	5,888	2,049	3,468
EV (Rs cr)	4,568.2	75,232.6	25,782.4	57,035.5	21,365.4	18,575.4	16,777.5
EV/EBITDA	22.9	36.4	23.4	46.0	21.6	29.9	28.0
EV/Bed	4.8	9.6	5.7	17.4	3.6	9.1	4.8
CMP	735.0	4,985.0	334.1	595.2	1,020.8	698.0	2,020.0
Sales (Rs cr)	892.5	16,612.0	6,298.0	4,563.0	4,525.0	2,694.0	2,198.0
EBITDA (Rs cr)	199.1	2,065.0	1,101.0	1,241.0	987.0	621.0	599.0
Net Profit (Rs cr)	72.9	844.0	633.0	605.0	607.0	326.0	366.0
M.Cap (Rs Cr)	4,819.1	71,676.0	25,219.4	57,814.6	20,861.1	18,731.6	16,165.6
EBITDA Margin (%)	22.3	12.4	17.5	27.2	21.8	23.1	27.3
PE(x)	66.1	107.2	48.3	49.4	30.7	50.7	48.0
RoE (%)	12.2	13.7	7.8	16.1	33.1	16.2	21.3
RoCE (%)	16.2	14.9	10.9	15.0	31.6	17.1	25.4

(Source: RHP, SSL Research)

The data is based on FY23 financial data, For Jupiter Life Line Hospital Ltd the data is calculated on post-issue equity share capital.

CMP as on 5th September'23.

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