

IHH, Hinduja Keen on Deal to Run Jaslok Hospital

Said to be talking to trustees to run 348-bed hospital via ops, management alliance

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Mumbai: Malaysia's IHH Healthcare and the Hinduja Group are wooing Mumbai's iconic Jaslok Hospital & Research Centre as large healthcare chains look at expanding their footprint in Indian cities.

IHH, fresh from its acquisition of Fortis Healthcare, and the Hinduja Group are in talks with the trustees of Jaslok Hospital to run the 348-bed multi-speciality hospital in south Mumbai through an operations and management alliance, ET has learnt.

Jaslok Hospital, which was established in 1973 by businessman and philanthropist Seth Lokomal Chandrai, is considered to be one of the oldest tertiary hospitals

in the country. Jaslok Hospital did not respond to an email query by ET. "We do not comment on market speculation," IHH said in response to an email query by ET. The Hinduja Group did not respond to emails sent by ET.

TAKING OVER CHAINS

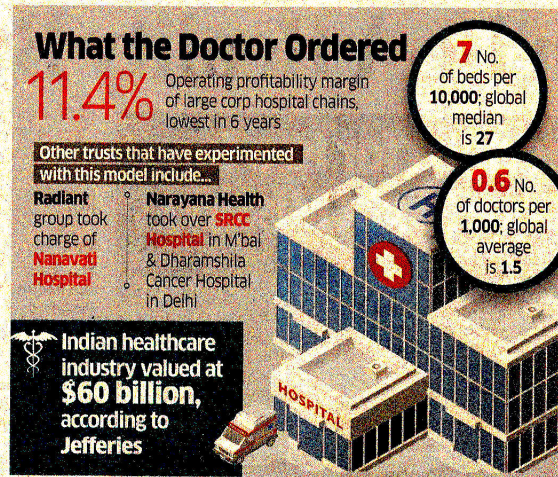
Hospital trusts in India are increasingly looking to hand over management of their facilities to entities that can bring in greater levels of professionalism and global medical practices.

In 2014, KKR-backed Radiant Life Care took over the management of Mumbai's Nanavati Hospital in a profit-sharing agreement.

Bengaluru-based Narayana Health has similar arrangements with Mumbai's SRCC Children's Hospital and Dharamshila Narayana Superspeciality Hospital in New Delhi.

Experts said the trend of taking over trusts is peculiar to cities like Mumbai, which are yet to see an influx of corporate-run hospitals.

"Unlike Delhi or Chennai, Mumbai has traditionally been dominated by individual trust hospitals,



While there is significant headroom for growth of private corporate healthcare in Mumbai in specific and in western India in general, large hospital chains wanting to inorganically expand their pre-

sence here may have to rely on this route of O&M," said Kaustav Ganguli, a MD at consulting firm Alvarez & Marsel, leading its healthcare vertical in India and the Middle East.

HEALTHCARE SECTOR

The Indian healthcare sector has seen consolidation over the past year and financial investment by global chains as the finances of hospitals dwindle.

Rating company ICRA said in a report that the operating profitability margin of large corporate

MAKING OF A TREND

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hospital chains in India has declined to 11.4%, the lowest in more than six years, and pricing pressures owing to policy decisions including stent and knee implant price curbs, have eroded their earnings.

Still, India's second-largest hospital chain Fortis was able to attract investment commitments to

the tune of \$1 billion, demonstrating how the country's healthcare sector continues to attract investors.

Experts said this is because of the low ratio of beds in the country's health sector. Investors including Bain, KKR and Cadila Healthcare are scouting for multi-speciality hospitals in the metros and tier-2 towns, mainly because of low levels of bed capacity.

Jefferies, an analyst firm, said in August last year that India's \$60 billion healthcare industry is capacity-constrained with only seven beds per 10,000 compared with the global median of 27 and only 0.6 doctors per 1,000 compared with the global average of 1.5.

"Indian hospitals need to alter their business model to focus on affordable healthcare and patients outside tier-1 cities to sustain the rich valuations. The premium segment is slowing on rising competition and narrowing supply-demand gap with margins under pressure, too," Piyush Nahar, equity analyst at Jefferies, wrote in the report.