

# 'Organized healthcare in demand'

Anuj Suvama  
anuj.s@livemint.com  
BENGALURU

Private equity firm TPG's healthcare platform Asia Healthcare Holdings (AHH), which runs Motherhood Hospitals and Nova Fertility Clinics in India, has been actively making acquisitions. AHH focuses on single-specialty verticals, with Nova IVF specializing in IVF for couples, and Motherhood Hospitals focusing on neonatal care and gynaecology.

In an interview, AHH executive chairman Vishal Bali spoke about acquisitions, profit margins, entering new verticals, and growth of the IVF segment in India. *Edited excerpts:*

## What did you do differently with Motherhood compared to your peers?

We invested in Motherhood in FY17. Our thesis behind the company right from that time was to create an integrated women and children's hospital network across the country. In a sector which was dominated by obstetrics, this represented an opportunity of multiple other service lines. Today the network offers a combination of obstetrics, gynaecology, IVF, neonatology and pediatrics. Neonatology has grown exponentially; the network has more than 300 Neonatal Intensive Care Units (NICU) beds now.



At AHH, our focus on unit economics for all our companies has been integral to the business model. ROIC (return on invested capital) for each of our businesses is a metric that we monitor very closely right from our first investment in CTSI, which was fairly capex heavy, given we established 12 oncology hospitals in three years with 25%+ ROIC. Likewise, we have invested upwards of \$55 million till date and ROIC upwards of 45%.

## What is the rationale behind getting into neonatology?

Newborn mortality is a big issue in India with 26 deaths per 1,000 live births. While healthcare investments in the country have focused on adult ICU care, NICU haven't received adequate attention and investments, both from the perspective of infrastructure and clinical competency. In addition, there is a big divide between the availability of Level 3 NICU's between urban and rural cities.

The company now has 15-20 NICU beds. It has also started a eNICU (e-Neonatal Intensive Care Unit) net-

work with a hub-and-spoke model covering tier 2 cities that are monitored by full-time neonatologists based in metro cities.

## Did this focus help in gaining better unit economics?

Motherhood's unit economics are the result of a broad-based strategy of multiple service lines on the revenue side which cumulatively contribute 55-56% gross margin and Ebitda margins of all mature hospitals upwards of 20%.

## You plan to have 35-40 hospitals; will these mainly be in urban areas?

Both Motherhood Hospitals and Nova IVF centres are in metro and tier 2 cities. Motherhood is in tier 2 cities like Indore, Coimbatore, Mohali, Mysore. We see the opportunity of growing the Motherhood network to 35-40 hospitals, so the company's presence will be equally in metro and tier 2 cities as the demand for better healthcare services grows in these cities. Consumers are clearly gravitating towards organized healthcare providers even in tier 2 cities.

## What are the major challenges in operating a model like AHH?

The challenge is not about growth. The challenge is not about adding more hospitals and more beds. The challenge

is not about the markets, but it is more around the fact that how do we grow sustainably with the right return on capital. We are investing behind single speciality healthcare providers which are at an early stage and are taking the accountability of scaling and growing these enterprises. Each enterprise has challenges and opportunities of its own, so powering them with the right talent also becomes critical. To do this across

multiple enterprises at the same time under one platform is the distinction AHH has created in the Indian healthcare ecosystem and the growth of all our enterprises till now is a good proof point.

## How has Nova performed since you acquired it?

We acquired Nova IVF in 2019 with 19 centres which has now grown to a network of 68 IVF centres across 44 cities.

We acquired Nova IVF in 2019 with 19 centres which has now grown to a network of 68 IVF centres across 44 cities

## Vishal Bali

AHH executive chairman