Closer or Larger?

How proximity and capacity shape multi-specialty hospital performance

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o3capital

Your Partners, Your Advisors

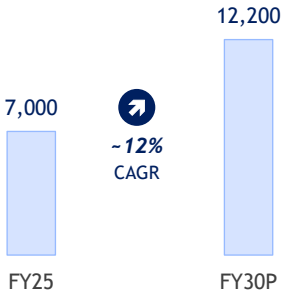
Closer or larger? Why this question matters now?

Proximity vs capacity, the buzz no one can scroll past

Large underpenetrated market

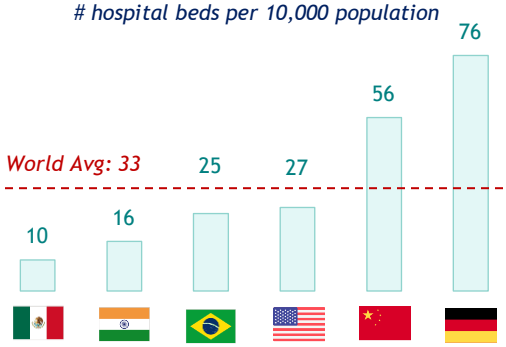
India's hospital sector is poised to grow at a CAGR of ~12%...

Market size (INR bn)



...fuelled by significant under-penetration, with bed density at nearly half the global median

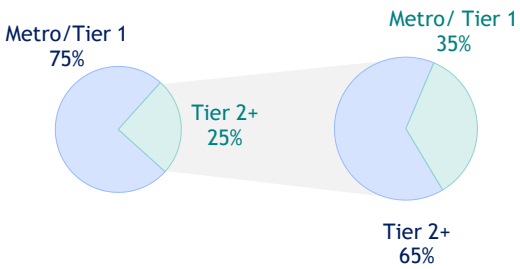
 # hospital beds per 10,000 population



Increasing need for accessibility in micro markets

Concentration of beds in metro/Tier 1 cities has led to access gap in healthcare delivery...

Hospital beds share (%) *Population share (%)*



...resulting in a large portion of the population travelling long distances for even basic medical care

Average distance travelled by patients[1]

~15 km

For routine checks and conditions requiring out-patient care

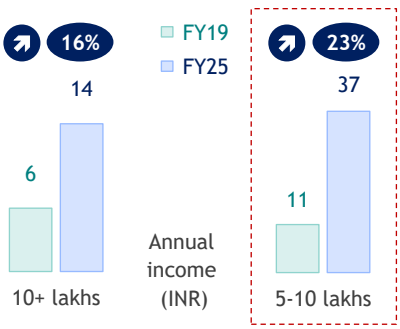
~45 km

For conditions requiring in-patient care

Rising demand for quality, affordable care

Growing middle-income population is driving the need for affordable healthcare...

Population in mn



...however, the quality of care is yet to keep pace with the rising demand

		% of total
# Full accredited NABH hospitals	~1,600	3%
# Entry level NABH hospitals	~3,050	6%
Total # of hospitals in India	54,000	

Under-penetration at the micro-market level, coupled with rising affordability, is driving demand for affordable, accessible, and high-quality healthcare

Source: Manipal Hospitals DRHP, "Miles to go before I seek" - June 2025 by Lancet, Transforming access to secondary-tertiary healthcare in India by Harvard Kennedy School, Income tax filing statistics, o3 analysis Note: 1. Old patients (60+ years)

Large vs small format hospital: What differs?

	Large format hospital	Small format hospital
1 # Beds	200+	100-200
2 Market presence	**Metro/ Tier 1 focused** *Large assets in prime locations*	**Micro market focused** *Small assets across metro/Tier 1 suburbs and Tier 2+ markets*
3 Scalability	**Limited scalability** *High capex requirement for expansion*	**Replicable playbook** *Lower capex requirement to grow through cluster approach*
4 Catchment area	**Wide catchment** *Core catchment:~20-30km* *Referral catchment: ~40-60km*	**Neighborhood catchment** *Core catchment: ~10-15km* *Referral catchment: limited*
5 Equipment availability	Comprehensive high-end equipment	Selective advanced equipment
6 Case mix	**Manage complex, uncertain cases** *Preferred for cases with unknown diagnosis & multi system failure, uncertainty on course*	**Absorb the predictable, repeatable cases** *Preferred for cases with a known condition, defined pathway and repeatable execution*
7 Driver for patient trust	Brand and clinical excellence	Local familiarity and accessibility

Source: o3 analysis

How the economics plays out?

	Key metrics	Large format hospital	Small format hospital	o3 views
Model dynamics	# beds	200+	100-200	▪ ~50-60% lesser number of beds compared to large hospital
	Time to setup (months)	18-24	9-12	▪ ~2x faster to go-live vs large format hospital
	Capex per bed (INR mn)	12-14	3-5	▪ ~60-70% lower capex for small hospital, enabling better capital efficiency
	Breakeven period (months)	~24	~12	▪ Faster breakeven at small hospital due to lower upfront fixed costs
Financial metrics[1]	Revenue (INR mn)	3,500-5,500	1,000-2,000	▪ Limited beds and lower acuity mix lead to lower revenues at small hospital
	EBITDA (%)	18-23%	15-20%	▪ Low acuity cases & high invt. in referral networks leads to lower margins at small hospital
	Asset turnover (times)	0.8x-1.2x	1.4x-1.6x	▪ ~1.5x asset turnover at small hospital due to low capex/bed
	RoCE (%)	20-25%	25-30%	▪ Low capex and faster payback enable small hospital to generate higher ROCE
Operating metrics[1]	Occupancy (%)	60-70%	60-70%	▪ Occupancy is format neutral and remains consistent across both
	ARPOB (INR 000's)	55-60	30-35	▪ ARPOBs at small hospital are shaped by the markets they serve and the cases they take
	ALOS (days)	3.5-4.0	3.0-3.5	▪ Repeatable procedures with predictable recoveries at small hospital leads to leaner stays
	CONGO mix (%)	60-65%	50-55%	▪ Comparatively lower CONGO mix at small hospital due to the market they serve

Source: o3 analysis; Note 1: Assumed at year 5

What the evidence suggests: Proximity or scale?

The integrated model wins. Demonstrated by HCA Healthcare's success[1]

HCA Healthcare

The world's largest for-profit hospital operator, HCA builds tightly integrated regional networks around flagship hospitals, achieving deep market penetration, full care-continuum coverage, and leadership in the markets it serves

Network across USA and UK[1]

190	~50,500	$75,600mn	20.6%	73%	$18,407	2,500
# Hospitals	# Beds	Revenue	EBITDA %	Occupancy	Blended ARPP	# OP centers[2]

Network split

Hospital type	Beds range	# of hospitals	% of network
Large format hospitals	>300	69	~36%
Small format hospitals	<300	121	~64%

Leadership in Texas & Florida is underpinned by deep penetration of hospitals across the two states combined with a dense outpatient network enabling elimination of patient leakages and compounding of market share

Texas network[1]

55	14,506	476	7
# Hospitals	# Beds	# OP centers[2]	# Clusters

Cluster	# Hospitals
Dallas/ Ft. Worth	19
San Antonio	11
Houston	13
Austin	7
Others	5

Benefits of a seamlessly integrated multi-tier hospital network

- Flagship hospitals at prime locations in large cities, strengthen brand and attract premium cases
- Small hospitals handle high-volume, repeatable cases while complex care flows to the large centers
- Small hospitals and OP centers[2] in growth corridors act as low-capex referral feeders for the large hospitals
- Patients move seamlessly between spokes and hubs for complex care and follow-ups, enhancing patient experience and eliminating leakage to competitors

Source: FY25 annual report and investor presentation, o3 analysis. Note: 1. For CY25, 2. Includes ambulatory surgery centers, freestanding emergency rooms, urgent care clinics, home health and hospice agencies, and physician clinics

o3 Capital Healthcare practice: An overview

48 Number of deals

~3.4 Deal value ($ bn)

~23% o3 market share

17 YEARS — 17-year track record

Knack for identifying future leaders early

Life-cycle banker for multiple clients

12 Multi-specialty hospitals

Blackstone Acquired evercare	BPEA Investment in AIG Hospitals	kauvery Investment by IIFL Asset Management	KIMS Investment by Emerging India Fund	

11 Single specialty hospitals

Sabine Investment by CX partners	CSI Centre for Sight Investment by ChrysCapital	HCG Investment by Religare	RG Stone Investment by Morgan Stanley	

6 Diagnostics

Neuberg Diagnostics Investment by Kotak	Redcliffe labs Investment by IFU	Metropolis Investment by Warburg Pincus	NMMedical Acquired by Neuberg Diagnostics	

5 Health tech

TPG Investment in	PharmEasy Acquired Med Life	Mahindra Partners Investment by Eight Roads		

7 Healthcare supply chain

Advent International Investment in[1] Apollo HealthCo	aknamed Acquired by	MedPlus Investment by Warburg Pincus Premji Invest		

7 Med products

Acquired by smith&nephew	Sutures India Investment by TPG	DentCare Investment by ICICI Venture		

- National chains
- Regional chains
- PE-backed platforms
- Large standalone hospitals
- Eye care
- Oncology
- Gastro-enterology
- IVF
- Obstetrics & gynaecology
- Pediatrics
- Nephrology
- Urology
- Orthopedics
- Cardiology
- Dental care
- Pharmacy chains
- Device distributors
- Pharma distributors
- Diagnostic imaging
- Surgical devices
- Implants & prosthetics
- Consumer health products
- Dental products
- Medical consumables
- In-vitro diagnostics
- Ophthalmic products
- Lab devices
- e-pharmacy
- e-diagnostics
- e-consultation
- Monitoring apps & wearables
- Pathology
- Radiology
- Genomics
- Integrated diagnostics
- Healthcare analytics & AI
- Home healthcare
- EMR/EHR
- Corporate wellness

xx *Denotes total numbers of transactions in the sub-segment*

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