

# RAINBOW CHILDREN'S MEDICARE LIMITED

## Issue highlights

- ❑ **Rainbow Children's Medicare Limited ("RCML")** was incorporated on August 7, 1998. RCML is a leading multi-specialty pediatric and obstetrics and gynecology hospital chain in India, operating 14 hospitals and 3 clinics in 6 cities, with a total bed capacity of 1,500 beds, as of September 30, 2021.
- ❑ Their core specialties are **pediatrics**, which includes newborn and pediatric intensive care, pediatric multi-specialty services, pediatric quaternary care (including multi organ transplants); and **obstetrics and gynecology**, which includes normal and complex obstetric care, multi-disciplinary fetal care, perinatal genetic and fertility care.
- ❑ RCML had the highest number of hospital beds amongst comparable players in the maternity and pediatric healthcare delivery sector, as of March 31, 2021.
- ❑ As of December 31, 2021, they had 641 full-time doctors and 1,947 part time/visiting doctors.
- ❑ RCML follows a hub-and-spoke model in Hyderabad, with their Banjara Hills hospital (comprising 250 beds) being the hub and 4 spokes at 4 locations in Hyderabad, namely Secunderabad, LB Nagar, Kondapur and Hydernagar.
- ❑ Currently, 5 of their hospitals are accredited by NABH and 3 of their hospitals are certified by EDGE.
- ❑ They have also increased the scale of their reach to patients through a robust digital ecosystem. In the period from April 1, 2020 to March 31, 2021, they conducted over 125,000 outpatient video consultations through their video consultation platform.

## Brief Financial Details\*

*(₹ In Cr)*

|                         | As at Dec' 31,      |                    | As at Mar' 31, |          |          |
|-------------------------|---------------------|--------------------|----------------|----------|----------|
|                         | 2021(09)            | 2020(09)           | 2021(12)       | 2020(12) | 2019(12) |
| Share Capital           | 105.00              | 54.90              | 54.90          | 54.90    | 54.90    |
| Reserves#               | 484.41              | 388.73             | 390.57         | 349.61   | 316.36   |
| Net worth as stated     | 589.40              | 443.63             | 445.47         | 404.51   | 371.26   |
| Revenue from Operations | 761.31              | 486.17             | 650.05         | 719.39   | 542.79   |
| Revenue Growth (%)      | 56.59%              | -                  | (9.64)%        | 32.54%   | -        |
| EBITDA                  | 269.49              | 138.67             | 173.10         | 207.37   | 156.87   |
| Adj. EBITDA             | 256.74              | 130.54             | 162.83         | 197.03   | 148.51   |
| Profit before Tax       | 171.59              | 54.20              | 55.70          | 93.36    | 57.53    |
| Profit for the period   | 126.41              | 38.53              | 39.57          | 55.34    | 44.59    |
| Net Profit Margin (%)   | 16.60%              | 7.93%              | 6.09%          | 7.69%    | 8.21%    |
| EPS - Basic (₹)         | 13.39 <sup>^</sup>  | 4.22 <sup>^</sup>  | 4.36           | 5.98     | 4.83     |
| EPS - Diluted (₹)       | 13.12 <sup>^</sup>  | 4.12 <sup>^</sup>  | 4.25           | 5.92     | 4.74     |
| RoNW (%)                | 21.45% <sup>^</sup> | 8.68% <sup>^</sup> | 8.88%          | 13.68%   | 12.01%   |
| Net Asset Value (₹)     | 61.63               | 48.80              | 48.82          | 44.57    | 40.52    |

Source: RHP, \*Restated consolidated, <sup>^</sup> not annualised, #Reserve excluding Capital Reserve

## Issue Details

**Fresh Issue of Equity shares aggregating upto ₹280 Cr and Offer for sale of 24,000,900 Equity shares**

### Issue summary

**Issue size:** ₹ 1,518 – 1,581 Cr

**No. of shares('000):** 29,427 – 29,167

**Face value:** ₹ 10/-

**Employee Reservation:** 300,000 Shares

**Price band:** ₹ 516 – 542

**Bid Lot:** 27 Shares and in multiple thereof

**Employee Discount:** ₹ 20/- per share

**Post Issue Implied Market Cap =**

**₹ 5,251 – 5,501 Cr**

**BRLMs:** Kotak Mahindra capital, J.P.Morgan India, IIFL Securities

**Registrar:** KFin Technologies Ltd.

**Issue opens on:** Wednesday, 27<sup>th</sup> Apr'2022

**Issue closes on:** Friday, 29<sup>th</sup> Apr'2022

## Indicative Timetable

| Activity                           | On or about |
|------------------------------------|-------------|
| Finalisation of Basis of Allotment | 05-05-2022  |
| Refunds/Unblocking ASBA Fund       | 06-05-2022  |
| Credit of equity shares to DP A/c  | 09-05-2022  |
| Trading commences                  | 10-05-2022  |

## Issue break-up

|              | No. of Shares ('000) |               | ₹ In Cr      |              | % of Issue  |
|--------------|----------------------|---------------|--------------|--------------|-------------|
|              | @Lower               | @Upper        | @Lower       | @Upper       |             |
| QIB          | 14,563               | 14,433        | 751          | 782          | 50%         |
| NIB          | 4,369                | 4,330         | 225          | 235          | 15%         |
| RET          | 10,194               | 10,103        | 526          | 548          | 35%         |
| EMP          | 300                  | 300           | 15           | 16           | -           |
| <b>Total</b> | <b>29,427</b>        | <b>29,167</b> | <b>1,518</b> | <b>1,581</b> | <b>100%</b> |

## Listing: BSE & NSE

## Shareholding (No. of Shares)

| Pre issue  | Post issue <sup>~</sup> | Post issue <sup>^</sup> |
|------------|-------------------------|-------------------------|
| 96,334,008 | 101,760,365             | 101,500,060             |

<sup>~</sup>@Lower price Band <sup>^</sup>@ Upper Price Band

## Shareholding (%)

|                      | Pre-Issue      | Post-Issue     |
|----------------------|----------------|----------------|
| Promoters            | 54.98%         | 43.58%         |
| Promoter Group       | 7.21%          | 6.25%          |
| Public – Selling S/h | 30.45%         | 14.45%         |
| Public - Others      | 7.36%          | 35.72%         |
| <b>Total</b>         | <b>100.00%</b> | <b>100.00%</b> |

## BACKGROUND

### Company and Directors

The Company was incorporated as 'Rainbow Children's Medicare Private Limited', on August 7, 1998. Dr Ramesh Kancharla, Dr Dinesh Kumar Chirla and Dr Adarsh Kancharla are the Promoters of the company. The Promoters currently hold 52,964,736 Equity Shares, representing 54.98% of the Pre-offer issued, subscribed and paid-up equity share capital of the company.

### Brief Biographies of Directors

**Dr Ramesh Kancharla** is the Promoter, Chairman and Managing Director of the company. He has over 23 years of experience with the company. Prior to setting up the company, he was associated with King's College Hospital, where he completed his specialist training in paediatric gastroenterology, hepatology and nutrition.

**Dr Dinesh Kumar Chirla** is the Promoter and Whole-time Director of the company. He has over 18 years of experience in the healthcare industry.

**Aluri Srinavasa Rao** is the Independent Director of the company. He was appointed to the Board on March 15, 2019. He has over 22 years of experience. He has worked at Natco Pharma Ltd in several capacities. He has also headed the operations as the Managing Director at Morgan Stanley Private Equity Asia and has also worked at ICICI Venture. He also serves as a member of the Board of several pharmaceutical companies like Medisys Eductech Pvt Ltd, Qunu Labs Pvt Ltd and Janaadhar (India) Pvt Ltd.

**Dr Anil Dhawan** is the Independent Director of the company. He was appointed to the Board on August 30, 2018. He has over 25 years of experience in the Healthcare Industry.

**Sundari Raviprasad Pisupati** is the Independent Director of the company. She was appointed to the Board on September 16, 2021. She has over 27 years of experience as a lawyer in India and is qualified to practice in the USA.

**Santanu Mukherjee** is the Independent Director of the company. He was appointed to the Board on October 22, 2021. He has over 37 years of experience in the banking sector. He was the Managing Director of State Bank of Hyderabad, headed the French operations of State Bank of India in Paris.

### Key Managerial Personnel

**Mahesh Madduri** is the Head of Strategy of the company. He has been associated with the company since September 1, 2021.

**R Gowrisankar** is the Chief Financial Officer of the company. He has been associated with the company in his current position since June 14, 2019. He has over 21 years of professional experience.

**Ashish Kapil** is the Company Secretary and Compliance Officer of the company. He has been associated with the company since October 18, 2021. He has over 11 years of work experience in legal, compliance and company secretarial matters.

**Dr Rohit Manipl Bhojaraj** is the Group – Chief Operating Officer of the company. He has been associated with the company since March 28, 2020. He has over 16 years of experience in diversified service industries.

**Dr Prashanth Katragadda** is the Vice President – Medical and Operations for the Hyderabad cluster of the company. He has been associated with the company since December 3, 2014. He has over 6 years of clinical experience.

## OBJECTS OF THE ISSUE

The net proceeds of the Fresh Issue are proposed to be utilised as:

| Objects   | Amount ( ₹ Cr) |
|---|----------------|
| • Early redemption of NCDs issued by the company, in full;  | 40.00          |
| • Capital expenditure towards setting up of new hospitals and purchase of medical equipment for such new hospitals; and | 170.00         |
| • General Corporate Purposes  | [ • ]          |
| <b>Total</b>  | <b>[ • ]</b>   |

**Proposed schedule of Implementation and Utilization of Net Proceeds:**

(₹ In Cr)

| Particulars  | from the Net Proceeds | Estimated deployment of the Net Proceeds |             |             |
|--|-----------------------|--|-------------|-------------|
|  |                       | Fiscal 2023                              | Fiscal 2024 | Fiscal 2025 |
| • Early redemption of NCDs issued by the company, in full  | 40.00                 | 40.00                                    | -           | -           |
| • Capital expenditure towards setting up of new hospitals and purchase of medical equipment for such new hospitals | 170.00                | 106.50                                   | 43.50       | 20.00       |
| • General Corporate Purposes   | [●]                   | [●]                                      | [●]         | [●]         |

**OFFER DETAILS**

| The Offer   | No. of Shares                                      |  |
|---|--|--|
| Fresh Issue (₹ 280 Cr)  | Approx. upto 5,426,357~ - 5,166,052^ Equity Shares |  |
| Offer for Sale : Name of Selling Shareholder                                  | Upto 24,000,900 Equity Shares                      | Weighted Average Cost of Acquisition per Equity Share on a fully diluted basis (₹) |
| <b>The Promoter Selling Shareholder:</b>                                      |  |  |
| <i>Dr Ramesh Kancharla</i>  | <i>Upto 5,354,630 Equity Shares</i>                | <i>7.32</i>  |
| <i>Dr Dinesh Kumar Chirla</i>   | <i>Upto 1,926,690 Equity Shares</i>                | <i>0.91</i>  |
| <i>Dr Adarsh Kancharla</i>  | <i>Upto 1,445,020 Equity Shares</i>                | <i>Nil</i>   |
| <b>The Promoter Group Selling Shareholders:</b>                               |  |  |
| <i>Padma Kancharla</i>  | <i>Upto 608,448 Equity Shares</i>                  | <i>Nil</i>   |
| <b>The Investor Selling Shareholders:</b>                                     |  |  |
| <i>British International Investment PLC (Formerly known as CDC Group PLC)</i> | <i>Upto 9,632,876 Equity Shares</i>                | <i>54.50</i>   |
| <i>CDC India</i>  | <i>Upto 5,033,236 Equity Shares</i>                | <i>110.29</i>  |

(~ at lower price band and ^ upper price band)

**SHAREHOLDING PATTERN**

| Shareholders                                 | Pre-offer               |                                 | No. of Shares offered | Post-offer              |                                 |
|--|-------------------------|---------------------------------|-----------------------|-------------------------|---------------------------------|
|  | Number of Equity Shares | % of Total Equity Share Capital |                       | Number of Equity Shares | % of Total Equity Share Capital |
| <b>Promoter and Promoters Group</b>          |                         |                                 |                       |                         |                                 |
| <i>Promoter</i>                              | <i>52,964,736</i>       | <i>54.98%</i>                   | <i>8,726,340</i>      | <i>44,238,396</i>       | <i>43.58%</i>                   |
| <i>Promoters Group</i>                       | <i>6,947,648</i>        | <i>7.21%</i>                    | <i>608,448</i>        | <i>6,339,200</i>        | <i>6.25%</i>                    |
| <b>Total for Promoter and Promoter Group</b> | <b>59,912,384</b>       | <b>62.19%</b>                   | <b>9,334,788</b>      | <b>50,577,596</b>       | <b>49.83%</b>                   |
| <b>Public - Selling Shareholders</b>         |                         |                                 |                       |                         |                                 |
| <i>Public - Selling Shareholders</i>         | <i>29,332,224</i>       | <i>30.45%</i>                   | <i>14,666,112</i>     | <i>14,666,112</i>       | <i>14.45%</i>                   |
| <b>Public - Other</b>                        |                         |                                 |                       |                         |                                 |
| <i>Public - Other</i>                        | <i>7,089,400</i>        | <i>7.36%</i>                    | <i>-</i>              | <i>36,256,352</i>       | <i>35.72%</i>                   |
| <b>Total for Public Shareholder</b>          | <b>36,421,624</b>       | <b>37.81%</b>                   | <b>14,666,112</b>     | <b>50,922,464</b>       | <b>50.17%</b>                   |
| <b>Total Equity Share Capital</b>            | <b>96,334,008</b>       | <b>100.00%</b>                  | <b>24,000,900</b>     | <b>101,500,060</b>      | <b>100.00%</b>                  |

**BUSINESS OVERVIEW**

Rainbow Children's Medicare Limited ("RCML") is a leading multi-specialty pediatric and obstetrics and gynecology hospital chain in India, operating 14 hospitals and 3 clinics in 6 cities, with a total bed capacity of 1,500 beds, as of December 31, 2021. RCML had the highest number of hospital beds amongst comparable players in the maternity and pediatric healthcare delivery sector, as of March 31, 2021. Their core specialties are pediatrics, which includes newborn and pediatric intensive care, pediatric multi-specialty services, pediatric quaternary care (including multi organ transplants); and obstetrics and gynecology, which includes normal and complex obstetric care, multi-disciplinary fetal care, perinatal genetic and fertility care.

RCML established their first pediatric specialty hospital in 1999 in Hyderabad. Since then, under the leadership of Dr Ramesh Kancharla, the founding Promoter, they have established their reputation as a leader in multi-specialty pediatric services, with strong clinical expertise in managing complex diseases. They have also expanded their operations to include obstetrics and gynecology services, whereby they offer comprehensive perinatal services to patients. Currently, 5 of their hospitals are accredited by NABH and 3 of their hospitals are certified by EDGE.

RCML's ability to recruit and retain high caliber medical professionals has been integral to the success of their business. They follow a doctor engagement model whereby most of their core specialists work exclusively at their hospitals on a full-time retainer basis. This model ensures that most of their core specialists are available 24/7 on a roster basis at their hospitals, which is particularly important for children's emergency, neonatal and pediatric intensive care services. As of December 31, 2021, they had 641 full-time doctors and 1,947 part time/visiting doctors. The number of their doctors in neonatal, pediatric intensive care, pediatric sub specialties, obstetrics and gynecology are trained or possess qualifications from the United Kingdom, United States, Canada and Australia, which provides them with a competitive advantage. They enter into retainership contracts with their newly hired doctors covering the initial 2-3 year periods, which provides them with stability and makes them a desirable workplace. They have successfully adopted this doctor engagement model across their hospitals, which have led to a high degree of full-time doctor retention (at 81% for the period from April 1, 2019 to March 31, 2021).

In recent years, RCML has expanded their hospital network and increased their bed capacity from 1,162 beds as of March 31, 2019 to 1,500 beds as of December 31, 2021. Over the same period, they increased the number of hospitals from 10 to 14. Going forward, they may seek to expand their hospital network through the acquisition of brownfield assets or development of greenfield assets (depending upon the location of the hospital and the timelines to complete the project).

RCML follows a hub-and-spoke model in Hyderabad, with their Banjara Hills hospital (comprising 250 beds) being the hub and 4 spokes at 4 locations in Hyderabad, namely Secunderabad, LB Nagar, Kondapur and Hydernagar. At their hub hospital, they provide comprehensive outpatient and inpatient care with a focus on tertiary and quaternary care and, at their spokes, they provide secondary care in pediatric, obstetrics and gynecology and emergency services. This model has strengthened their market position in and around Hyderabad, providing them with synergies through referrals for tertiary and quaternary care to their hub arising from the spoke hospitals.

They have also increased the scale of their reach to patients through a robust digital ecosystem. In the period from April 1, 2020 to March 31, 2021, they conducted over 125,000 outpatient video consultations through their video consultation platform.

The KPIs for the periods indicated:

| KPIs                        | 9 Months ended<br>Dec'31 | Financial Year Ended March 31, |               |               |
|-----------------------------|--------------------------|--------------------------------|---------------|---------------|
|                             | 2021                     | 2021                           | 2020          | 2019          |
| Bed capacity                | 1,500                    | 1,475                          | 1,296         | 1,162         |
| Operational beds            | 1,150                    | 1,132                          | 1,001         | 931           |
| Occupancy rate (%)          | <b>46.18%</b>            | <b>34.23%</b>                  | <b>56.27%</b> | <b>54.13%</b> |
| Inpatient volume            | 51,075                   | 51,165                         | 66,871        | 53,422        |
| Outpatient volume           | 615,438                  | 624,111                        | 941,049       | 787,345       |
| Number of full-time doctors | 641                      | 593                            | 596           | 498           |
| Number of nurses            | 1,586                    | 1,169                          | 1,485         | 1,401         |
| ARPOB (₹)                   | 12,636,661               | 14,925,896                     | 10,715,405    | 9,744,124     |
| ARPOB/Day (₹ per day)       | 45,951                   | 40,893                         | 29,277        | 26,696        |
| ALOS (days)                 | 2.85                     | 2.57                           | 3.05          | 3.20          |
| Basic EPS (₹)               | 13.39                    | 4.36                           | 5.98          | 4.83          |
| <b>RoE</b>                  | <b>21.29%</b>            | <b>8.82%</b>                   | <b>13.52%</b> | <b>11.98%</b> |
| <b>RoCE</b>                 | <b>22.06%</b>            | <b>10.48%</b>                  | <b>16.32%</b> | <b>11.68%</b> |

## COMPANY BUSINESS

RCML offers comprehensive healthcare services across their core specialties of (i) pediatrics, including newborn and pediatric intensive care, pediatric multi-specialty care services and pediatric quaternary care, where they also perform multi-organ transplants in children, and (ii) obstetrics and gynecology, including normal and complex obstetric care, multi-disciplinary fetal care and perinatal genetic care, as well as fertility treatment, where they offer a wide range of assisted reproduction treatments.

### *Pediatric services (including secondary, tertiary and quaternary care)*

RCML offers a comprehensive range of healthcare services for children from birth all through their childhood and adolescent years. Since their inception, they have strived to provide the best services for children requiring super specialty care in a child-friendly environment. They are one of the few pediatric focused hospital chains in South India.

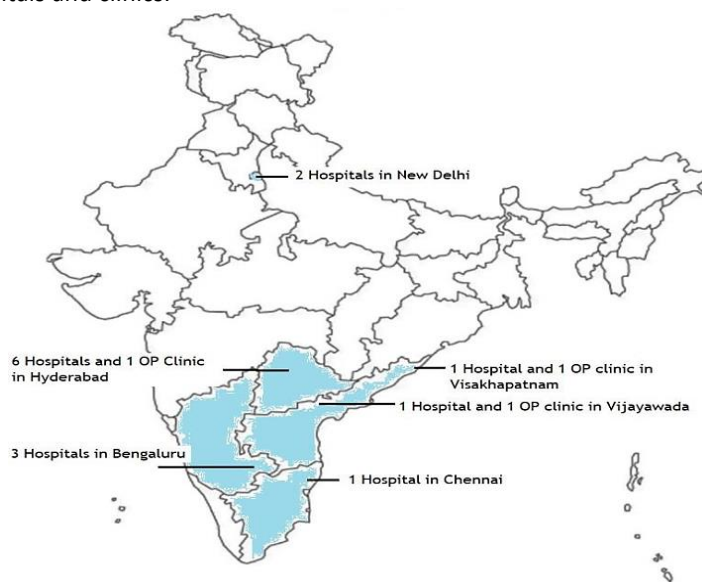
**Details of pediatric services:**

|                    | 9 months ended<br>December 31, 2021 |             | 2021       |             | 2020       |             | 2019       |             |
|--------------------|-------------------------------------|-------------|------------|-------------|------------|-------------|------------|-------------|
|                    | inpatients                          | outpatients | inpatients | outpatients | inpatients | outpatients | inpatients | outpatients |
| Pediatric Services | 36,518                              | 432,459     | 34,352     | 412,420     | 49,641     | 697,672     | 38,937     | 570,573     |

**Hospitals**

RCML operates a total of 14 hospitals and 3 clinics, 5 of which are NABH-accredited and 3 of which have received EDGE certification.

The locations of the hospitals and clinics:



The key operational information of the hospitals:

| Clusters                      | 9 Months<br>ended Dec'31 | Financial Year Ended<br>March 31, |         |         |
|-------------------------------|--------------------------|-----------------------------------|---------|---------|
|                               | 2021                     | 2021                              | 2020    | 2019    |
| <b>Hyderabad Cluster</b>      |                          |                                   |         |         |
| No. of Hospitals              | 6                        | 6                                 | 6       | 5       |
| Bed Capacity                  | 730                      | 705                               | 705     | 595     |
| Operational Beds              | 513                      | 495                               | 495     | 445     |
| NICU Beds                     | 154                      | 134                               | 134     | 124     |
| PICU Beds                     | 83                       | 76                                | 76      | 61      |
| Occupancy Rate                | 59.33%                   | 42.93%                            | 71.24%  | 68.60%  |
| ALOS                          | 2.76                     | 2.51                              | 2.94    | 3.07    |
| Inpatient Volume              | 30,147                   | 30,910                            | 43,176  | 36,264  |
| Outpatient Volume             | 394,648                  | 402,669                           | 610,913 | 523,703 |
| <b>Bengaluru Cluster</b>      |                          |                                   |         |         |
| No. of Hospitals              | 3                        | 3                                 | 2       | 2       |
| Bed Capacity                  | 352                      | 352                               | 302     | 302     |
| Operational Beds              | 296                      | 296                               | 246     | 246     |
| NICU Beds                     | 82                       | 82                                | 66      | 66      |
| PICU Beds                     | 38                       | 38                                | 34      | 34      |
| Occupancy Rate                | 30.07%                   | 23.59%                            | 41.67%  | 32.58%  |
| ALOS                          | 2.51                     | 2.24                              | 2.73    | 2.77    |
| Inpatient Volume              | 9,767                    | 10,411                            | 13,724  | 10,550  |
| Outpatient Volume             | 80,518                   | 89,365                            | 157,560 | 136,306 |
| <b>Andhra Pradesh Cluster</b> |                          |                                   |         |         |
| No. of Hospitals              | 2                        | 2                                 | 1       | 1       |
| Bed Capacity                  | 259                      | 259                               | 130     | 130     |
| Operational Beds              | 209                      | 209                               | 128     | 128     |
| NICU Beds                     | 52                       | 52                                | 36      | 36      |
| PICU Beds                     | 33                       | 33                                | 18      | 18      |

| Clusters                 | 9 Months ended Dec'31 | Financial Year Ended March 31, |         |        |
|--------------------------|-----------------------|--------------------------------|---------|--------|
|                          | 2021                  | 2021                           | 2020    | 2019   |
| Occupancy Rate           | 36.77%                | 30.28%                         | 50.87%  | 56.49% |
| ALOS                     | 3.30                  | 3.09                           | 3.76    | 4.44   |
| Inpatient Volume         | 6,404                 | 5536                           | 6,337   | 5939   |
| Outpatient Volume        | 72,127                | 66,769                         | 101,235 | 89,180 |
| <b>New Delhi Cluster</b> |                       |                                |         |        |
| No. of Hospitals         | 2                     | 2                              | 2       | 1      |
| Bed Capacity             | 24                    | 24                             | 24      | -      |
| Operational Beds         | 20                    | 20                             | 20      | -      |
| NICU Beds                | 6                     | 6                              | 6       | -      |
| Occupancy Rate           | 23.53%                | 19.71%                         | 10.46%  | -      |
| ALOS                     | 1.35                  | 1.43                           | 1.74    | -      |
| Inpatient Volume         | 955                   | 1,003                          | 374     | -      |
| Outpatient Volume        | 37,929                | 36,390                         | 44,457  | 32,280 |
| <b>Chennai Cluster</b>   |                       |                                |         |        |
| No. of Hospitals         | 1                     | 1                              | 1       | 1      |
| Bed Capacity             | 135                   | 135                            | 135     | 135    |
| Operational Beds         | 112                   | 112                            | 112     | 112    |
| NICU Beds                | 37                    | 37                             | 37      | 37     |
| PICU Beds                | 15                    | 15                             | 15      | 15     |
| Occupancy Rate           | 50.50%                | 29.59%                         | 36.39%  | 23.23% |
| ALOS                     | 4.09                  | 3.66                           | 4.58    | 5.91   |
| Inpatient Volume         | 3,802                 | 3,305                          | 3,260   | 669    |
| Outpatient Volume        | 30,216                | 28,918                         | 26,884  | 5,876  |

### Vintage analysis

|                         | 9 Months ended Dec'31 | Financial Year Ended March 31, |         |         |
|-------------------------|-----------------------|--------------------------------|---------|---------|
|                         | 2021                  | 2021                           | 2020    | 2019    |
| <b>Mature Hospitals</b> |                       |                                |         |         |
| Bed Capacity            | 1,052                 | 1,027                          | 1,027   | 1,027   |
| Operational Beds        | 837                   | 819                            | 819     | 819     |
| Occupancy Rate          | 50.15%                | 37.13%                         | 60.84%  | 55.89%  |
| ALOS                    | 2.69                  | 2.45                           | 2.93    | 3.17    |
| Inpatient Volume        | 42,755                | 45,380                         | 62,263  | 52,753  |
| Outpatient Volume       | 518,165               | 545,213                        | 862,554 | 749,189 |
| <b>New Hospitals</b>    |                       |                                |         |         |
| Bed Capacity            | 448                   | 448                            | 269     | 135     |
| Operational Beds        | 313                   | 313                            | 182     | 112     |
| Occupancy Rate          | 35.61%                | 24.10%                         | 34.39%  | 23.23%  |
| ALOS                    | 3.68                  | 3.56                           | 4.67    | 5.91    |
| Inpatient Volume        | 8,320                 | 5,785                          | 4,608   | 669     |
| Outpatient Volume       | 97,273                | 78,898                         | 78,495  | 38,156  |

RCML also offers childbirth preparation classes, breastfeeding support services, urogynecology treatment, breast care services, menopausal treatment, nutritional counseling and diabetology services.

### Fertility care services

They also provide assessment and evaluation of several infertility problems such as ovulatory dysfunction, polycystic ovary syndrome, premature ovarian failure, male infertility problems, endocrinology and genetic conditions.

Some of the key fertility treatments RCML offers include the following:

- Intrauterine insemination ("IUI")
- In vitro fertilization ("IVF")
- Intracytoplasmic sperm injection ("ICSI")
- Intracytoplasmic morphologically selected sperm injection ("IMSI")



## REVENUE FROM OPERATIONS

| Customer Verticals                                 | 9 months ended Dec'31, |                      | Year Ended March 31, |                      |                      |
|--|------------------------|----------------------|----------------------|----------------------|----------------------|
|  | 2021                   | 2020                 | 2021                 | 2020                 | 2019#                |
|  | Revenue<br>(₹ in Cr)   | Revenue<br>(₹ in Cr) | Revenue<br>(₹ in Cr) | Revenue (₹ in<br>Cr) | Revenue<br>(₹ in Cr) |
| <b>Income from medical and healthcare services</b> | <b>753.75</b>          | <b>479.65</b>        | <b>639.99</b>        | <b>707.21</b>        | <b>532.62</b>        |
| - Revenue from hospital services                   | 669.74                 | 403.03               | 538.01               | 596.93               | 456.56               |
| - Revenue from pharmacy Sales                      | 70.66                  | 64.44                | 85.85                | 94.02                | 69.37                |
| - Revenue from Medical Service fee                 | 13.34                  | 12.19                | 16.13                | 16.26                | 6.69                 |
| <b>Other Operating income</b>                      | <b>7.57</b>            | <b>6.52</b>          | <b>10.06</b>         | <b>12.19</b>         | <b>10.17</b>         |
| <b>Total Revenue from Operations</b>               | <b>761.31</b>          | <b>486.17</b>        | <b>650.05</b>        | <b>719.39</b>        | <b>542.79</b>        |

## COMPETITIVE STRENGTHS

- **Ability to conceptualize, create and operate specialized children's hospitals**

Company's specialization in pediatric care and the ability to conceptualize, create and operate children's hospitals are critical to their success. Their founding Promoter and senior consultants, who were trained in children's hospitals in the United Kingdom, United States, Canada and Australia believe that a children's hospital requires a children centric approach towards making the atmosphere congenial and enabling faster healing of children suffering from acute or prolonged illness. This is one of the key factors that they focus on as they conceptualize and build all their hospitals. One of the biggest differentiators of their hospital from adult hospitals is the children centric atmosphere. Further, a children's hospital requires focus on psychological and emotional care, which is different from adult hospitals, and RCML keeps this understanding at the forefront while treating children.

- **Leading pediatric multi-specialty healthcare chain with strong clinical expertise in managing complex diseases**

RCML has built a comprehensive pediatric critical care program and have consistently allocated approximately one-third of their operational beds at all their hospitals to critical care. In addition, they have established advanced neonatal and pediatric intensive care services across their hospitals. RCML provides complex multi-specialty tertiary intensive care at their hub hospitals, which provides them with a significant competitive advantage.

The key initiatives and achievements which demonstrate their clinical expertise in the field of pediatrics:

- In their hub hospital in Hyderabad, RCML has built an advanced multi-disciplinary pediatric intensive care unit. In the financial year 2021, they transported 796 long distance patients to their hospitals in Hyderabad.
- At the Rainbow Children's Heart Institute, they have dedicated 110 beds for their cardiac program. Since it's commenced operations in June 2019 until December 31, 2021:
  - RCML has treated 20,171 outpatients, and performed 896 cardiac surgeries and 834 cardiac catheterization procedures.
  - Their team provides specialized fetal echocardiography services and fetal cardiac procedures. They have done 6,578 fetal echocardiography scans.
- 9 of their hospitals are recognized by the National Board of Examination ("DNB"), the Indian Association of Pediatrics ("IAP") and the National Neonatology Forum ("NNF") for training doctors in pediatric, neonatology, pediatric sub-specialties, obstetrics and gynecology.
- Over the last 22 years they have received a number of awards and recognitions.
- **Comprehensive perinatal care provider, with synergies between pediatric and obstetrics and gynecology services**

Company's ability to offer integrated pediatric, along with their obstetric and gynecologic services, enables them to provide very effective and cost-efficient one-stop healthcare solutions to families. This is largely attributable to the synergies between their pediatric care and their obstetrics and gynecology services.

Company's perinatology division (covering maternal medicine, obstetrics, fertility, fetal medicine and neonatology) has worked cohesively over the years to optimize outcomes in many high-risk pregnancies such as multiple

pregnancies, extreme prematurity, surgically correctible fetal anomalies and growth restrictions. This robust model of care has made a huge positive impact on outcomes for their patients. In 2015, as an acknowledgement of the success and rapid growth of this discipline, they rebranded their perinatal division as “*Birth Right by Rainbow*”.

- ***Hub-and-spoke model that provides synergies and ensures better care and access for patients***

RCML has successfully executed a hub-and-spoke model at Hyderabad, with their Banjara Hills hospital (comprising 250 beds) being the hub that is complemented by 4 spokes at 4 locations in Hyderabad, namely Secunderabad, LB Nagar, Kondapur and Hydernagar. At the hub hospital, they provide comprehensive outpatient and inpatient care with a focus on tertiary and quaternary care and, at their spokes, they provide secondary care in pediatric, obstetrics and gynecology and emergency services. Under this model, their super-specialty doctors based at their hub hospital are able to reach out to the larger community and cover a larger catchment area. This model has enabled them to evolve over the past 2 decades from a single secondary care hospital in Hyderabad to 6 hospitals in the city and as an established provider of tertiary and quaternary care services at their hub hospitals.

RCML is implementing a similar hub-and-spoke model in Bengaluru as well. Their hub in Bengaluru (located at Marathahalli) is increasingly getting complex referrals from their spokes located at Bannerghatta Road and Hebbal. They also plan to replicate this model in Chennai and New Delhi-NCR, where they have hub hospitals, by adding spokes in these cities.

- ***Proven ability to attract, train and retain high-caliber medical professionals***

Over the years, RCML has been able to attract and retain high quality medical professionals by offering them challenging and rewarding career options and growth trajectories. Their established reputation, professional approach, sound training systems and appealing career development opportunities are attractive to medical professionals. RCML follows a doctor engagement model whereby most of their core specialists work exclusively at their hospitals on a full-time retainer basis. This model ensures that most of their core specialists are available 24/7 on a roster basis across their hospitals. As of December 31, 2021, they had 641 full-time doctors and 1,947 part time/visiting doctors.

Further, since December 2016, RCML has been recognized as a MRCPCH, United Kingdom examination center for pediatrics and a pre-examination training center for MRCOG by the Royal College of Obstetrics of London. They are also recognized by DNB as an examination and training center for offering training in pediatrics, neonatology, pediatric intensive care, pediatric sub-specialties, obstetrics and gynecology.

- ***Strong track record of growth, operational and financial performance***

Over the last 6 years, RCML has added 985 beds across 10 hospitals and has expanded their presence from 2 cities to 6 cities. They have followed a financially disciplined model, focusing on cost-effective growth. Going forward, they may seek to expand their hospital network through the acquisition of brownfield assets or development of greenfield assets (depending upon the location of the hospital and the timelines to complete the project).

RCML has delivered strong operating and financial performance across their hospital network. From their past experience, for every new region that they enter into, their first hospital which is a hub typically incurs cash losses for the first few years. Subsequently, every new spoke hospital in the city is able to achieve operational break-even relatively faster compared to the hub hospital. Given the growth witnessed in their existing projects, coupled with their strategy of phasing out new projects, they have been able to deliver continuous profitability.

- ***Experienced senior management team with strong institutional shareholder support***

Company's management team comprises qualified and experienced professionals. Their vision, leadership, focuses on patient care and adherence to strong corporate governance policies have contributed to their strong performance in the past and will drive their strategic direction in future. The senior management team is led by Dr Ramesh Kancharla, who has over 23 years of experience in the United Kingdom and India in the field of pediatrics, pediatric gastroenterology, liver diseases and liver transplantation. Dr Dinesh Kumar Chirla, is a trained neonatologist. He has worked in children's hospitals in Australia and United Kingdom for seven years. He and his team are responsible for defining medical protocols, setting standards of care, recruiting and training medical personnel and ensuring delivery of high-quality care to patients.

Company's financial investor includes CDC, UK's development finance institution, which has over 70 years of experience investing in emerging markets. CDC has 30.45% shareholding in the company and has supported them in driving growth and improving access to healthcare for their patients and guiding them on environmental, social and governance (“ESG”) initiatives.



## KEY BUSINESS STRATEGIES

- ***Strengthen tertiary and quaternary pediatric services in the existing hospitals***

RCML has great opportunity to expand their quaternary care operations. At their hub at Banjara Hills in Hyderabad, they commenced providing pediatric quaternary care services in 2019. They plan to build similar capabilities in their hospitals in Bengaluru, Karnataka, Chennai, Tamil Nadu and New Delhi- NCR. Rainbow Children's Heart Institute is a 110-bed standalone pediatric cardiac center that treats children's cardiac problems.

They also plan to develop similar cardiac capabilities in Bengaluru, Chennai and New Delhi by hiring reputed, experienced and skilled cardiac specialists in these cities. They also plan to invest in specialized medical infrastructure such as cath labs, pediatric cardiac OT and echocardiogram machines, which will enhance their capabilities in treating cardiac patients. They intend to increase the scope of the neonatal and advanced pediatric education ("**NAPE**") program across all their network hospitals, with a view to gaining further referrals.

- ***Further grow the comprehensive perinatal services offered under "Birthright by Rainbow"***

RCML endeavour to make the birthing experience safe for both the mother and baby. They have built the full spectrum of obstetrics, gynecology, fetal medicine and fertility care services. They provide comprehensive perinatal care at all their hospitals and strive to make the birthing experience safe for both the mother and baby.

"**Birthright by Rainbow**", the perinatal offering by the company, is well-known for dealing with high-risk pregnancies and has established professional connections with city and district obstetricians to refer high-risk pregnancies to their hub hospitals, thereby strengthening their high-risk pregnancy services. They plan to offer services including assessment of fetal well-being to guide district patients by partnering with their obstetricians. "Birthright by Rainbow" seeks to be proactive not only in providing safe birthing but also in creating memorable birthing experiences, and has introduced child birth preparation classes with a focus on nutrition, lactation and yoga. They are in the process of further strengthening connects with the patients by forming pregnancy support groups and developing an interactive Birthright mobile application.

- ***Grow the presence through hub and spoke networks across key geographic clusters and new locations***

RCML plans to increase the capacity of their hubs in New Delhi-NCR and Bengaluru. Further, they are also exploring options to grow organically in newer locations in Andhra Pradesh and Tamil Nadu. In addition, they are also exploring opportunities to expand in north east India and in neighbouring countries. From time to time, they will also consider inorganic growth opportunities.

- ***Initiatives to drive performance efficiencies***

RCML seeks to streamline their procurement processes by focusing on (a) centralized and standardized procurement of medical equipment, consumables and pharmaceuticals; (b) leveraging the scale of their operations for more economical sourcing; and (c) using technology to have real time visibility, assess supplier performance and access other relevant information. They constantly strive to increase the capacity utilization at all their hospitals by increasing their day care admissions. They also plan to further reduce the length of hospital stays as their surgical work is trending towards minimally invasive surgeries, which will have a beneficial impact on their key operational parameters.

- ***Digital healthcare initiatives to address patient convenience, operational efficiencies and expand reach***

RCML's digital strategy is focused on enabling them to provide customized healthcare services for their target customers as well as to digitize processes to significantly improve the in-hospital customer experience. Their "Rainbow Children's Hospital" mobile application is one of the core aspects of their digital strategy.

They are in the process of implementing an AI-enabled content management engine to support the application, which will be able to process large amounts of patient data to provide them with insight into patient needs. They also plan to increase the scale of their reach to patients through their digital ecosystem. During COVID-19 pandemic, they conducted over 125,000 outpatient video consultations through their video consultation platform.

## INDUSTRY OVERVIEW

### Operational parameters, financial year 2021

| Parameter                                  | Rainbow Children's Medicare Ltd  | Surya Hospitals Pvt Ltd  | Kids Clinic India Ltd   | Rhea Healthcare Pvt Ltd  | Apollo Health & Lifestyle Ltd (Apollo Cradle)  | Lineage Healthcare Ltd  | Neonatal care & Research Institute Pvt Ltd   |
|--|--|--|---|--|--|---|--|
| <b>Number of hospitals</b>                 | 14 hospitals, 3 clinics  | 3 hospitals  | 20+ hospitals   | 11 hospitals, 3 clinics  | 14 hospitals, 8 clinics  | 1 hospital  | 3 hospital, 1 clinic   |
| <b>Number of beds</b>                      | Total: 1,475<br>NICU: 311<br>PICU: 162   | Total: 322<br>NICU: 141<br>PICU: 41  | Total: 900<br>NICU: 76<br>PICU: 8   | Total: 353<br>NICU: 78<br>PICU: 27   | Total: 471<br>NICU: 81<br>PICU: 11   | NICU: 14  | Total: 90<br>NICU: 20  |
| <b>Geographical presence</b>               | Hyderabad, Bengaluru, New Delhi, Vijayawada, Visakhapatnam and Chennai   | Mumbai, Jaipur, and Pune   | Bengaluru, Chennai, Mumbai, Gurugram, Pune, Chandigarh, Noida, Panchkula, and New Delhi   | Bengaluru, Chennai, Coimbatore, Indore, Mumbai, Noida, Pune, Trichy, and Chandigarh                        | Bengaluru, Delhi-NCR, Hyderabad, Pune, Chennai, and Amritsar   | Jaipur  | Bengaluru  |
| <b>Specialty mix</b>                       | Pediatric surgery, Neonatology, Pediatric ICU, Paediatric neurology, Paediatric nephrology, Pediatric Hemato oncology and BMT, Gastroenterology, Neurosurgery, Pediatric rheumatology, Kidney and Liver transplant, Pediatric Allergy, Paediatric endocrinology, Pediatric pulmonology, Dermatology, Urology, Psychiatry Obstetrics, Gynecology, High Risk pregnancy, Fertility etc. | High Risk Pregnancy, Gynecology, Endoscopy, Laparoscopic Gynecology Surgeries, Neonatology Pediatric Intensive Care, Fertility, etc. | Maternity, Gynecology, Pediatric Care, Fertility, Radiology, Physiotherapy, Stem cell bank, Intensive care, Neonatal care, cosmetology etc. | Gynecology, Fertility, Pediatrics, Neonatology, Cosmetology, Radiology, Physiotherapy, Pregnancy care etc. | Maternity, Gynecology, Neonatology, Pediatrics, Foetal medicine, Fertility, high Risk pregnancy etc. | Antenatal care, Neonatology, Stem cell preservation, Laparoscopic gynecology surgeries, Cosmetology & Cosmetic Surgeries etc. | Maternal health, neonatal ICU, Pediatrics, fertility services, physiotherapy, Ultrasonography etc. |
| <b>Accredited DNB, DrNB and FNB seats*</b> | 43   | 10   | --  | -  | -  | -   | -  |

### Key financial ratios of major players

| Key Financial Ratios (FY20)                | OPBDIT margin (%) | Net profit margin (%) | RoCE (%)     | Gearing (times) | Interest coverage (times) | Current ratio | Net cash accruals to debt | Working capital day | OPBDIT/CFO |
|--|-------------------|-----------------------|--------------|-----------------|---------------------------|---------------|---------------------------|---------------------|------------|
| <b>Rainbow Children's Medicare Ltd</b>     | <b>27.4%</b>      | <b>7.7%</b>           | <b>29.8%</b> | <b>0.2</b>      | <b>4.6</b>                | <b>1.6</b>    | <b>1.6</b>                | <b>(128.6)</b>      | <b>1.6</b> |
| Apollo Health & Lifestyle Ltd              | 9.4%              | (11.1)%               | (10.9)%      | NM              | 1.2                       | 0.8           | 0.0                       | (394.2)             | 1.6        |
| Kids Clinic India Ltd                      | 13.9%             | (6.4)%                | 3.1%         | 0.2             | 1.7                       | 0.4           | 0.8                       | (197.5)             | 1.9        |
| Rhea Healthcare Private Ltd                | (9.9)%            | (18.9)%               | (28.8)%      | NM              | (0.6)                     | 0.3           | (0.2)                     | (213.6)             | 0.8        |
| Neonatal care & Research Institute Pvt Ltd | (9.6)%            | (16.3)%               | (34.1)%      | 0.2             | (23.3)                    | 1.1           | (1.3)                     | (240.5)             | 1.1        |
| Surya Hospitals Pvt Ltd                    | 21.9%             | 12.4%                 | 24.8%        | 1.2             | 10.8                      | 0.6           | 0.3                       | (84.2)              | 0.8        |
| Lineage Healthcare Ltd                     | (8.0)%            | (70.7)%               | NM           | NM              | (0.1)                     | 0.1           | (0.2)                     | (2,374.3)           | 0.1        |

**Comparative Analysis of Key Single-Speciality and Multi-Speciality Hospital Chains:  
Key operational parameters of major players**

| Key operational parameters (FY21)         | No of Hospitals | No of beds   | ARPOB<br>(₹ '000 per day) | ALOS       |
|---|-----------------|--------------|---------------------------|------------|
| <b>Rainbow Children's Medicare Ltd</b>    | <b>14</b>       | <b>1,475</b> | <b>40.9</b>               | <b>2.6</b> |
| Apollo Hospitals Enterprise Ltd           | 71              | 10,209       | 40.2                      | 4.2        |
| Fortis Healthcare Ltd                     | 26              | 5,310        | 43.3                      | 3.6        |
| Max Healthcare Group                      | 16              | 3,400        | 50.1                      | 5.2        |
| Narayana Hrudayalaya Ltd                  | 21              | 6,725        | 28.5                      | 4.6        |
| Krishna Institute Of Medical Sciences Ltd | 9               | 3,064        | 20.6                      | 5.5        |
| Shalby Ltd                                | 11              | 2,012        | 27.4                      | 3.2        |
| Healthcare Global Enterprises Ltd         | 22              | 2,036        | 32.6                      | 2.3        |

**Key financial parameters**

| Key financials (FY21)                     | Operating Income |                      | OPBDIT       |                      | PAT         |                      |
|---|------------------|----------------------|--------------|----------------------|-------------|----------------------|
|   | (₹ Cr)           | CAGR FY19<br>to FY21 | (₹ Cr)       | CAGR FY19<br>to FY21 | (₹ Cr)      | CAGR FY19<br>to FY21 |
| <b>Rainbow Children's Medicare Ltd</b>    | <b>650.1</b>     | <b>9.4%</b>          | <b>162.9</b> | <b>22.3%</b>         | <b>39.6</b> | <b>(17.4)%</b>       |
| Apollo Hospitals Enterprise Ltd           | 10,560.7         | 4.8%                 | 1,138.1      | 2.9%                 | 136.8       | (17.3)%              |
| Fortis Healthcare Ltd                     | 3,979.6          | (5.1)%               | 347.1        | 26.5%                | (56.2)      | (50.3)%              |
| Max Healthcare Group                      | 3,861.0          | (0.8)%               | 636.0        | 35.2%                | (95.0)      | 25.8%                |
| Narayana Hrudayalaya Ltd                  | 2,591.0          | (4.8)%               | 190.8        | (19.5)%              | (20.7)      | NM                   |
| Krishna Institute Of Medical Sciences Ltd | 1,332.8          | 20.3%                | 373.8        | 48.8%                | 205.5       | NM                   |
| Shalby Ltd                                | 430.9            | (3.4)%               | 86.4         | 2.0%                 | 40.6        | 13.2%                |
| Healthcare Global Enterprises Ltd         | 1,014.6          | 2.2%                 | 127.8        | 4.3%                 | (221.1)     | NM                   |

n.m.: Not meaningful

**COMPARISON WITH LISTED INDUSTRY PEERS (AS ON 31<sup>ST</sup> MARCH 2021)**

| Name of the Bank                          | Consolidated/<br>Standalone | Face<br>Value | Total Income<br>FY 2021<br>(₹ Cr) | EPS<br>(Dilute<br>d) | NAV          | P/E          | RoNW<br>(%)  |
|---|-----------------------------|---------------|-----------------------------------|----------------------|--------------|--------------|--------------|
| <b>Rainbow Children's Medicare Ltd</b>    | <b>Consolidated</b>         | <b>10</b>     | <b>660.31</b>                     | <b>4.36</b>          | <b>48.82</b> | <b>[ • ]</b> | <b>8.88%</b> |
| <b>Peer Group</b>                         |                             |               |                                   |                      |              |              |              |
| Apollo Hospitals Enterprise Ltd           | Consolidated                | 5             | 10,605.00                         | 10.74                | 320.10       | 428.88       | 3.30%        |
| Fortis Healthcare Ltd                     | Consolidated                | 10            | 4,076.68                          | (1.45)               | 81.06        | NA           | (0.75)%      |
| Narayana Hrudalaya Ltd                    | Consolidated                | 10            | 2,610.52                          | (0.70)               | 54.82        | NA           | (1.46)%      |
| Max Healthcare Institute Ltd              | Consolidated                | 10            | 2,619.41                          | (1.59)               | 58.37        | NA           | (2.47)%      |
| Krishna Institute of Medical Sciences Ltd | Consolidated                | 10            | 1,340.10                          | 26.87                | 111.32       | 54.19        | 23.74%       |

Source:RHP; The closing market price of equity shares on NSE on April 8, 2022.

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