

HEALTHCARE RADIUS

Aligning business and healthcare in India

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THE PATHFINDER

FOCUSED ON ENTERING UNTAPPED MARKETS, DR DHARMINDER NAGAR, CHAIRMAN OF PARAS HOSPITALS, SPELS OUT THE GROUP'S STRATEGY AND EXPANSION PLANS

The PATHFINDER

Dr Dharminder Nagar, chairman of Paras Hospitals, on the group's strategy of capturing virgin markets

INTERVIEWED BY RITA DUTTA

Paras Hospitals started its first project in Gurgaon in 2006. Today, the group has two hospitals located in Delhi-NCR and one in Patna, totally to a bed strength of 450. And it has two projects lined up in Bihar and NCR.

Paras Hospitals is perceived as a north Indian player. Then why did you decide to build as many as two hospitals in Bihar? Is there any connection with the state?

According to me, Bihar is a part of north India and not east India. It is similar to any other north Indian state based on its cultural, political and social ethos. No, there is no personal connection with Bihar. But as with our first project in Gurgaon, where we wanted to explore an untapped market, with Paras HMRI we have tried to meet the demands of a largely unorganised healthcare market of the state of Bihar. The existing private hospitals in Patna function more like big nursing homes than corporate entities. The unavailability of services under one roof also inconveniences patients. When my friends informed me about a business opportunity in Patna, I was keen on exploring it. We tied up with Dr Hai to start the state-of-the-art 350 bed hospital Paras HMRI. The project is on a revenue sharing basis, whereby the land and building belong to HMRI, and investment on redevelopment, technology and manpower is



PAR
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artners In



made by Paras. So far, we have invested Rs150 crore and estimated to invest Rs20 crore more in the project before March this year.

Why did you decide on a second project in Bihar?

While Paras HMRI serves one zone of Bihar, we wanted to tap the other zones as well. Thus, we decided to come up with a 100-bed project in Darbhanga, which is 135 kilometer from Patna. This project, built group up, is in association with Global Group, which is into construction. It would be the first hospital in that area to have an ICU and cardiac facility and full-fledged in house diagnostics. For the project, the land has been taken on long-term lease. We are investing around Rs50 crore for the project in the first phase. We will commission it by the second half of this year.

Going back to where you started, what drew you to healthcare?

“Whether I failed or succeeded in my endeavour, I wanted to be responsible for it alone.”

My father, who founded Paras Dairy, always regretted the fact that he could not complete his education as my grandfather died early. So, it was his wish that all the six children go for post graduation. All my siblings got into various verticals like legal, real estate and politics. I chose to study medicine but while pursuing it, be it MBBS from Mysore University, residency in Safdarjung Medical College, Delhi and short working stint in West Middlesex Hospital in England, I realised that I was

not cut out for a clinician. As I was not exceptional as a clinician, I wanted to pursue what I could excel in, and that was hospital administration. I was more interested in what happened behind the scenes. I was lucky that in my early 20s I understood what profession I wanted to choose. So, I went to study hospital and health systems from Imperial College London. Later, I did MPhil in Hospital Administration from BITS, Pilani.

In 1998, I started my entrepreneurial journey in London by helping a group of friends build a lasik eye surgery centre. From doing business case study to financing and commissioning the centre, I did it all. But the negative market reports about the side effects of lasik surgery gained prominence and impaired the business. So, in 2003, I decided to come back to India.

So, what were your learnings from the failed venture?

That one needs to do first hand market research before venturing into some-



The group has invested Rs150 crore in its Patna project.

thing. We had commissioned an agency to do the market research for finding the scope for a series of lasik eye surgery centres. The research showed the need for the same, but we found it was otherwise. So, for all my projects that I undertake now, I take personal interest in the market study. I also understood that not every business succeeds and thus one should not just wait for a single opportunity to materialise.

What was your vision of Paras Hospitals at the beginning?

I was very clear that I wanted to focus on healthcare delivery and not get into education or equipment. I was sure that I wanted to build a chain, rather than a single entity. Even during my experiment with lasik eye surgery centre in London, I had envisaged building a chain of eight centres. Thus, I named the first hospital Paras Hospitals and not Paras Hospital. Of course, I needed time to figure out what to do, how to do and when to do.

Why did you go about deciding the first project?

On my return to India, I noticed the huge gap in healthcare delivery in Delhi-NCR. Despite the population boom, there was a severe shortage of beds in that area. Outside Delhi, healthcare needs were served by nursing homes. The largest hospital in that area was having only around 50 beds. So, to begin with, I decided to build a 250-bed multi speciality hospital in Gurgaon.

We commissioned the hospital with 130 beds by July 2006. At that time, it was the first and only multi speciality hospital of Gurgaon. Also, it was the only hospital in Gurgaon to have a cathlab. Once we found success, other corporate groups rushed in to Gurgaon's healthcare market.

Why did you choose Gurgaon over Noida for the debut hospital? Would not Noida have been easier to foray into, considering your brother is a politician there?

I chose Gurgaon over Noida for several reasons. It was easier and faster to get land for hospitals in Gurgaon than Noida. I deliberately wanted to stay away from taking any help from my brother,



Surendra Singh Nagar, who is an MP from Noida. Whether I failed or succeeded in my endeavour, I wanted to be responsible for it alone.

Why did you choose equity over debt for financing the project?

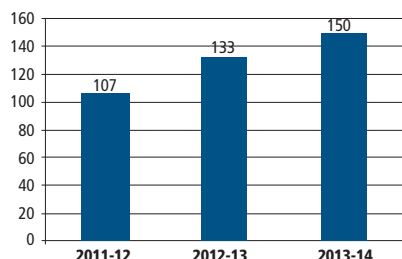
Which institute would have given me a large debt at the beginning of my journey? Also, I preferred equity from family as it was the cheapest source of finance. For the project, I along with my family pumped in Rs40 crore. I had to take only Rs20 crore as debt. I am happy to state that the value of the equity has increased manifold, thus creating value in the business as well as for the family. I continue to be the largest stake-holder for the venture.

You were quite ambitious in getting your first project designed by an international firm...

Yes, for the first time in India, a hospital had its design and architecture done by a global firm- the Germany based RRP Architects. It was not a conscious decision to not have an Indian designer. But the problem was that all Indian architects that I met suggested that I go for a glass building, as was the trend at that time in Gurgaon. I believe that the design and architecture of a hospital or building should reflect organisation's philosophy, ethos and culture and not that of prevalent trend. I was against that trend of glass building for two reasons. First, patients assume that the cost of maintaining an opulent corporate hospital is passed on to them. Second, it adds up the cost of electricity during summer, and thus shoots up the operational cost.

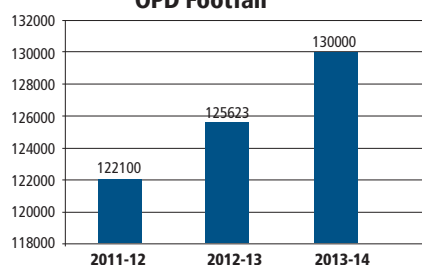
It was during a conference in Singapore that I met Henning Lensch from

Revenue in crores



Figures are according to financial year

OPD Footfall



Figures are according to financial year

RRP International. I liked his ideas and soon enough RRP bagged the deal of designing our first hospital. For me, it is the individual who matters and not the organisation he or she represents. I am never bothered about how big or small a company is. It's people I connect with, and not the organisation. Coming back to our design, it is unique, be it in workflow, space planning or usage of natural sunlight in all possible areas.

What were the initial impediments to growth?

The challenge was that no one perceived me as a serious entrepreneur in the beginning. Blame it on the fact that I came from an affluent family with access to funds, or that I possess a pleasant and non-intimidating demeanor or that I lacked experience, many felt that I was whiling away my time, trying to experiment. They felt I was frivolous. It was quite a hurdle to convince clinicians about my vision. Also, at that time, due to the non development of healthcare market outside of Delhi, most professionals were based in Delhi. So, many doctors and paramedics were reluctant to travel

The group's maternity care hospital in Delhi is its only single specialty hospital.



to Gurgaon for work. One of the leading doctors who showed conviction in my vision was Dr VS Mehta, who left AIMS as head of neuro surgery to join us.

While we were forced to recruit many people from other sectors and train them, once constant roadblock was losing trained staff to competition. Ever since we commissioned, every one year another hospital has been coming up and poaching our trained manpower. I remember, once we lost 150 nurses in a single month. It would not be wrong to say competition has reaped the rewards of our labour. Now, we train and enroll sufficient number of staff to tide over attrition.

How has the Gurgaon project expanded?

Today, it is a 250-bed unit. Out of the Rs130 crore that we clocked last financial year as revenue, around 80 per cent came from the Gurgaon unit.

In the hindsight, how you feel you would have done the Gurgaon project differently?

What I see as a lost opportunity is not

developing an oncology wing. I regret not keeping space for bunkers for an oncology unit at Gurgaon.

Post Gurgaon hospital, why did your consequent projects take time?

Though we managed to have operational breakeven of the Gurgaon project within a year of operations, competition made us slow down and focus on stabilising the project at hand. Earlier we were thinking of having a multi speciality hospital with focus on all specialities, but today the hospital is focused mainly on mother and child, neuro sciences and cardiology.

Why did you choose brown field over Greenfield project in Delhi?

We want to be present in Delhi, but getting land in the city was difficult. So, we acquired Spring Meadows, which was a reputed maternity hospital in South Delhi, run by a non-doctor. It made sense investing in Rs10 crore to redevelop the 20-bed project. We upgraded the institute

by putting in a state of the art OT, and installing C-ARM, echo and others. I must point out that regardless of the size, the effort in managing a 20-bed unit is no less than a bigger hospital. We had initially tried doing remote management from Gurgaon, but realised that we needed more hands-on approach. We took 18 months to attain operational breakeven for our Delhi hospital.

Why that long, when it was an established hospital?

That was because the perception in the minds of the people was that it was an institute with archaic infrastructure and technology. We had to work towards changing that perception. Not just the infrastructure, we had to recruit new doctors.

Please share details about your upcoming projects.

We will remain focused on north India. We are coming up with a 500-bed Greenfield hospital in NCR, for which the land has already been acquired. This would be a state-of-the-art cancer hospital that we

Rapid fire

You have been CEO ever since the inception of the group. Do you see yourself relegating the role in the years to come?

Yes, I have always been wearing the CEO's mantle. The only difference is that earlier I was CEO of a single hospital. And today, I am CEO of the group. But whether or not, I am CEO of the group in the years to come, I am not exiting the group in the foreseeable future.

Do you have a problem of delegating responsibility?

Not delegating or my inability to let go is a drawback that I admit having earlier. But I am changing.

Why have you not considered PE funding?

That's because the PE firms have their own agenda and want us to take their vision forward. Rather, they should be a part of my vision. So, right now I am not considering them. I will consider them when we are in position and are looking to multiply our bed strength from 1,000 to 2,000 beds.

What are some of the recent initiatives adopted by you to improve operations?

Automation of processes, mainly inventory management. Earlier the inventory management was manual, and this led to loss of inventory, misplacement and pilferage. Now we use an auto generated process, whereby a web-based software helps send automatic message to the vendor once a stock has to be replenished. This has reduced our inventory cost of stock by 15 per cent. To improve operations, we have started conducting some turn around (TAT) studies for 100 areas such as OPD, discharge, OT procedures.



The group's flagship hospital in Gurgaon drives 80 % revenue of the group.

would commission in three years.

Besides that, we will continue tapping unexplored markets. We are often the first one to take the risk of entering a virgin market. We will stay focused on secondary or tertiary care. All our future hospitals would range from 100 to 500 beds. They can be in tier II or III cities. We are looking at all kinds of project, Greenfield, brownfield or revenue sharing, as long as opportunities exist.

How do you see Paras a few years down the line?

We will have a bed strength of 1,500 within next three to four years. This year, we expect to have our group revenue cross Rs200 crore. And that should become Rs800 crore to Rs1,000 crore within next five years with additional beds, services and hospitals being added.

I am not in a hurry. I am greatly enjoying what I am doing. I am not in healthcare because of money, but because of my passion for healthcare delivery. I am still learning, refining my business model. **HR**