

# Healthcare

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2011



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- ❖ Advantage India
- ❖ Market overview and trends
- ❖ Growth drivers
- ❖ Success stories: Apollo Hospitals, Fortis
- ❖ Opportunities
- ❖ Useful information

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## Advantage India

### Strong demand

- Healthcare expenditure in India is expected to increase by 12 per cent per annum from 2011 -15
- Rising incomes, greater health awareness, lifestyle diseases, and increasing insurance penetration will contribute to growth

### Attractive opportunities

- Greater investment in healthcare infrastructure is needed to increase the number of doctors and hospital beds to meet the demand gap
- Union Government allocated USD5.6 billion in 2011-12 on health, an increase of 11 per cent from the previous fiscal

2020E

Market size:  
USD280  
billion

### Advantage India

### Quality and affordability

- There is a large pool of well-trained medical professionals in the country
- Compared to peers in the West and Asia, India has a comparative advantage in cost

### Policy support

- Government of India's aim is to develop India as a global healthcare hub
- There has been a wide array of policy support in the form of reduction in exercise duties and higher budget allocation for the healthcare sector

2005

Market size:  
USD23 billion

Source: KPMG, Hospital Market – India by Research on India Aranca Research Notes:  
2020E – Estimate for 2020 (from KPMG report)

Notes: GOI – Government of India, R&D – Research and Development

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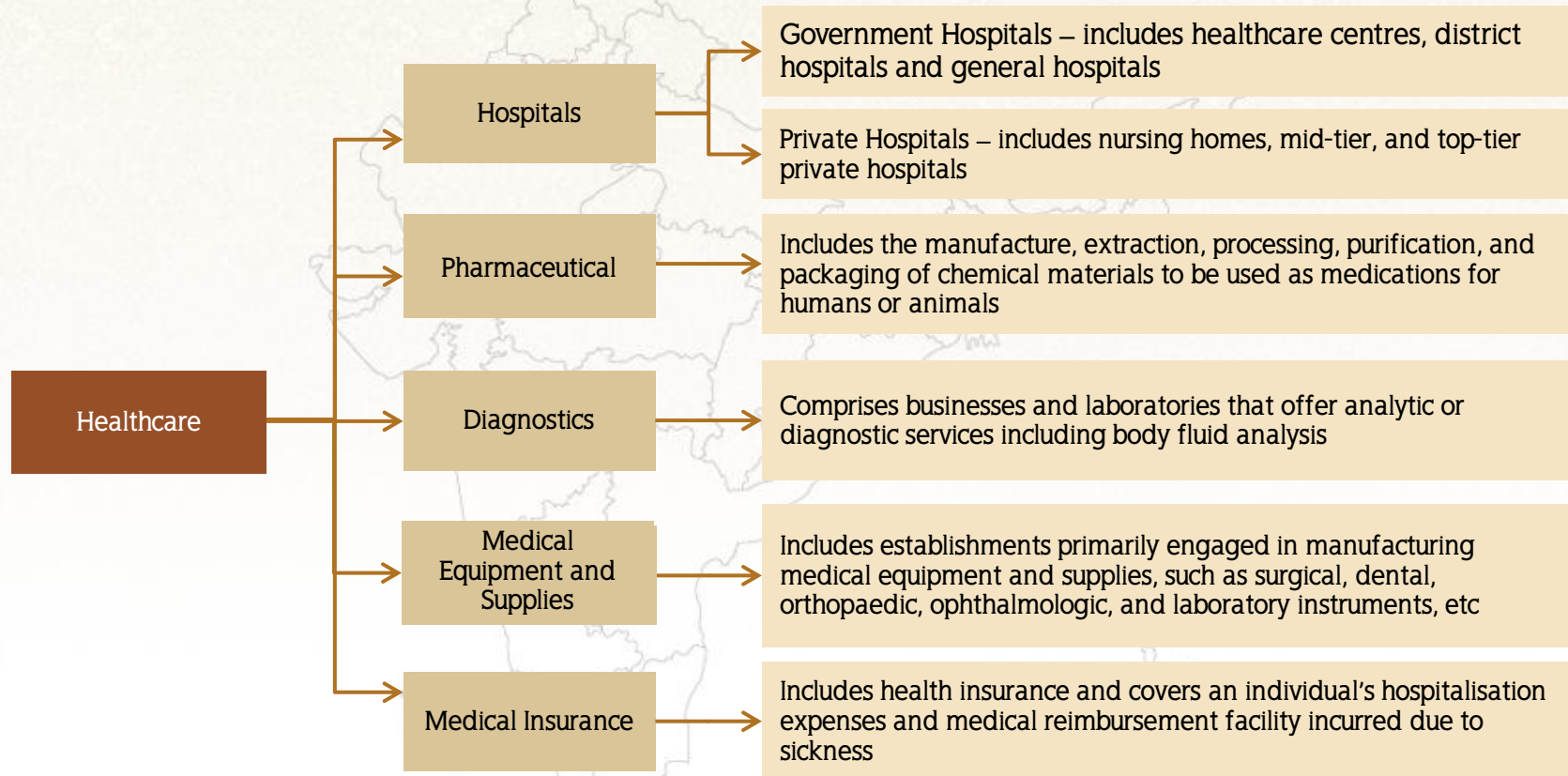
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## The Healthcare market is split into five segments



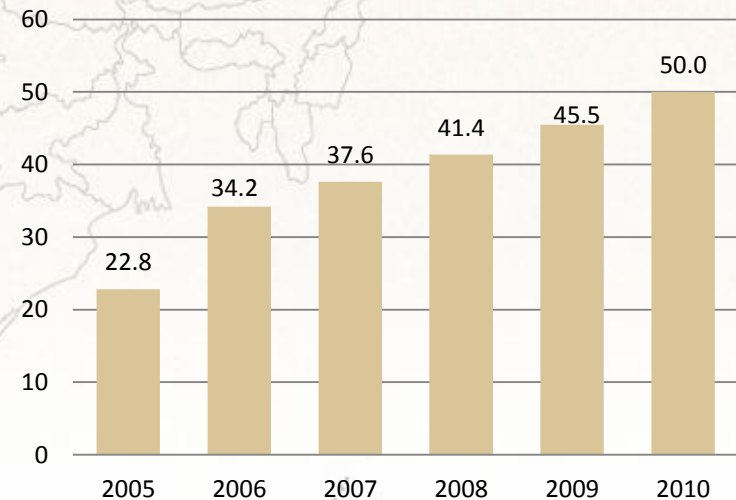
*Source:* Hospital Market – India by Research on India, Aranca Research

## Strong growth in healthcare revenues ... (1/2)

- Healthcare sector sales have been rising at an impressive 17 per cent CAGR over the period 2005-10
- Total industry size is expected to touch USD79 billion by 2012 and USD280 billion by 2020

Notes: CAGR – Compound Annual Growth Rate

Revenue trends over the past few years in USD billion



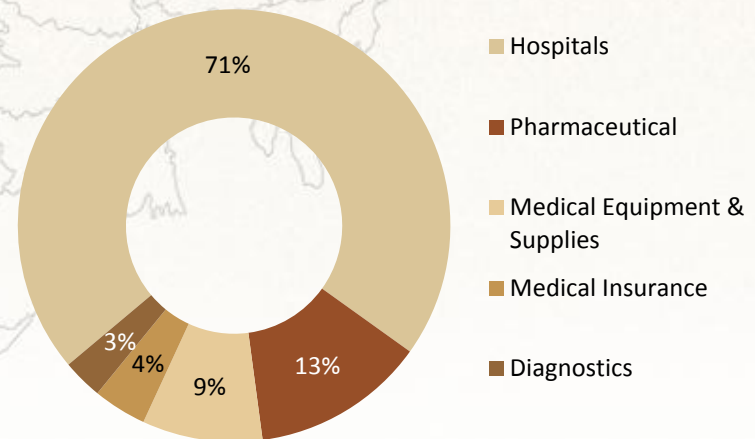
Source: Hospital Market – India by Research on India, Aranca Research

## Strong growth in healthcare revenues ... (2/2)

- Of total healthcare revenues in the country –
- Hospitals account for 71 per cent
- Pharmaceuticals for 13 per cent, and
- Medical equipment and supplies for 9 per cent

Notes: 2012E – Estimates for 2012

Market break-up by revenues (2012E)

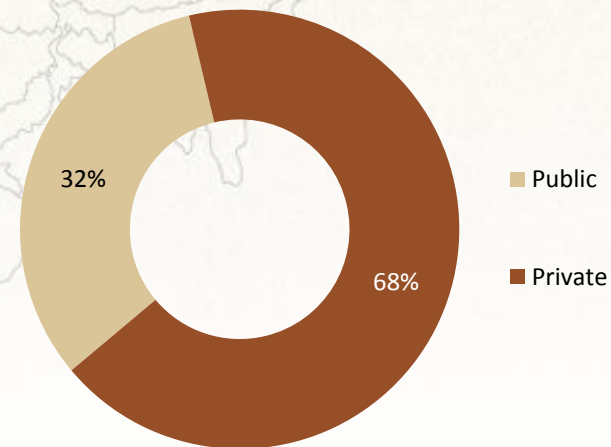


Source: Hospital Market – India by Research on India, Aranca Research

## Increasing per capita expenditure on healthcare ... (1/2)

- The private sector accounts for 68 per cent of overall healthcare spending
- Overall healthcare spending in India is expected to rise by 12 per cent per annum

Indian healthcare industry (2008)

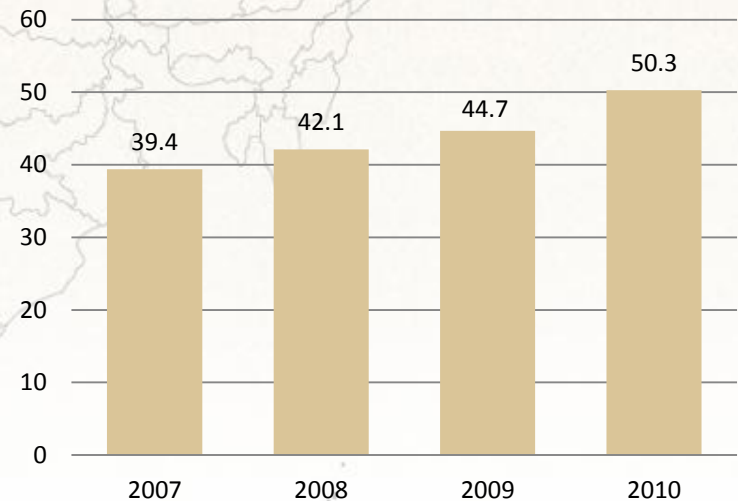


Source: WHO World Health Statistics 2011, Aranca research

## Increasing per capita expenditure on healthcare ... (2/2)







- Per capita healthcare expenditure increased at a CAGR of 8.5 per cent over the period 2007-10
- By 2012 healthcare spending is estimated to contribute 8 per cent of GDP and employ around 9 million people

Healthcare expenditure per capita (USD)



Source: BMI Report, Aranca research

## Key players in the market

	Company	No of beds*	Presence
	Apollo Hospitals Enterprise Ltd	8717	Chennai, Madurai, Hyderabad, Karur, Karim Nagar, Mysore, Visakhapatnam, Bilaspur, Aragonda, Kakinada, Bengaluru, Delhi, Noida, Kolkata, Ahmedabad, Mauritius, Pune , Raichur, Ranipet, Ranchi, Ludhiana, Indore, Bhubaneswar, Dhaka
	Aravind Eye Hospitals	3,649	Theni, Tirunelveli, Coimbatore, Puducherry, Madurai, Amethi, Kolkata
	CARE Hospitals	1912	Hyderabad, Vijayawada, Nagpur, Raipur, Bhubaneswar, Surat, Pune, Visakhapatnam
	Fortis Healthcare Ltd	10,307	Mumbai, Bengaluru, Kolkata, Mohali, Noida, Delhi, Amritsar, Raipur, Jaipur, Chennai, Kota
	Max Hospitals	1100	Delhi and NCR
	Manipal Group of Hospitals	4400	Udupi, Bengaluru, Manipal, Attavar, Mangalore, Goa, Tumkur, Vijaywada, Kasaragod, Visakhapatnam

*Source:* Company websites, Aranca Research

Note: \*No of beds include owned, subsidiaries, joint ventures and affiliations

## Notable trends in the Indian healthcare sector

### Shift from communicable to lifestyle diseases

- With increasing urbanisation and the problems associated with modern-day living in urban settings, disease profiles are shifting from infectious to lifestyle-related ones
- It is estimated that by 2012, 50 per cent of the spending on in-patient beds would be for lifestyle-related diseases. This has resulted in increased demand for specialised care

### Expansion to tier-II and tier-III cities

- There is substantial demand for high-quality and specialty healthcare services in tier-II and tier-III cities
- In order to encourage the private sector to establish hospitals in these cities, Government of India has relaxed the tax burden on these hospitals for the first five years

### Management contracts

- Many healthcare players such as Fortis and Manipal Group are entering management contract to provide an additional revenue stream to hospitals

### Emergence of telemedicine

- Telemedicine is fast-emerging in India, supported by the ICT sector
- Several major private hospitals such as Apollo, AIIMS, Narayana Hrudayalaya, etc have adopted telemedicine services and a number have developed PPPs
- Currently, about 650 telemedicine centres exist throughout India

*Source:* IBEF, Aranca Research

Note: PPP is Public – Private Partnerships, GOI is Government of India, ICT is Information and communications technology Management contracts: an arrangement under which operational control of an enterprise is given to a separate entity for a fee

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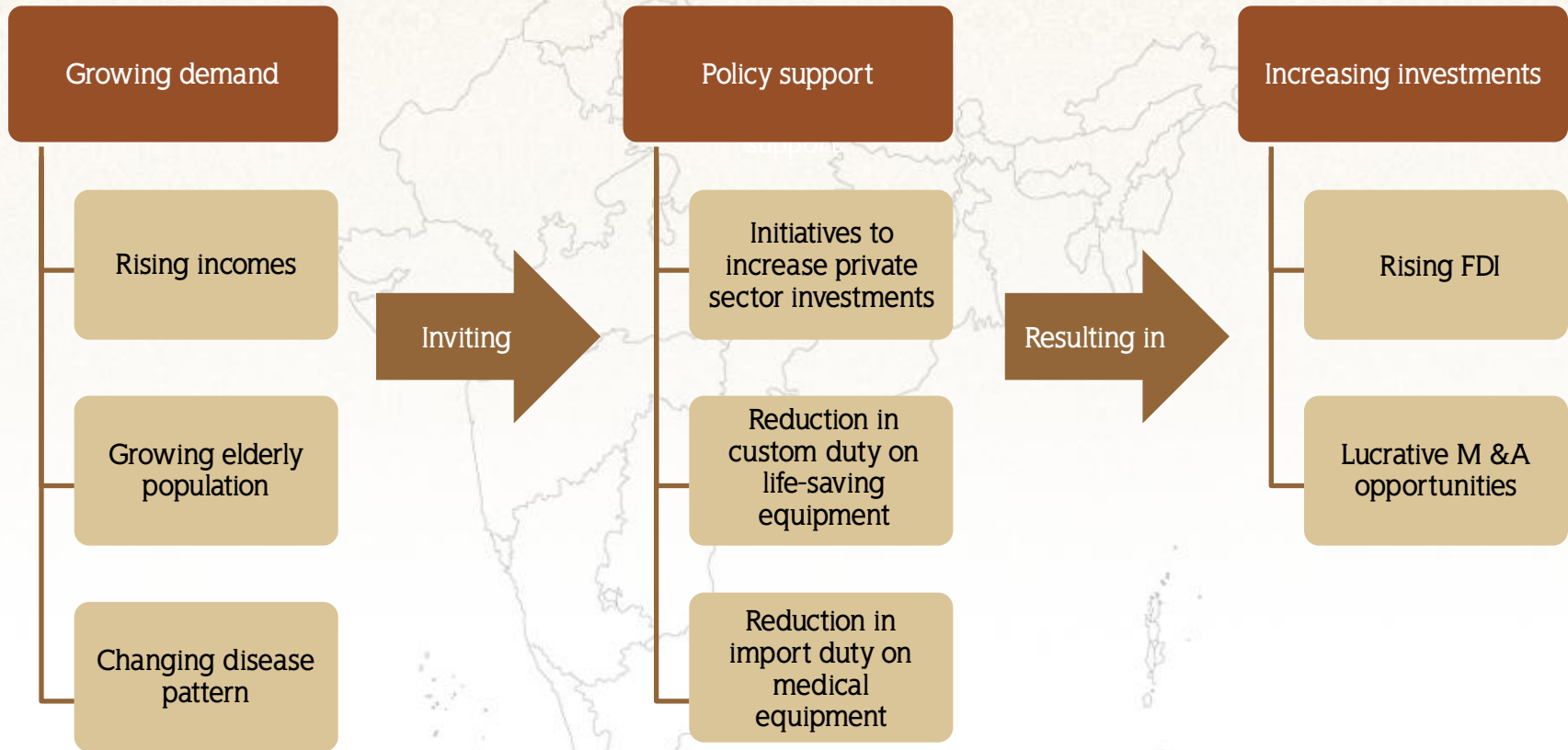
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## Sectors benefits from rising income, lifestyle-related diseases



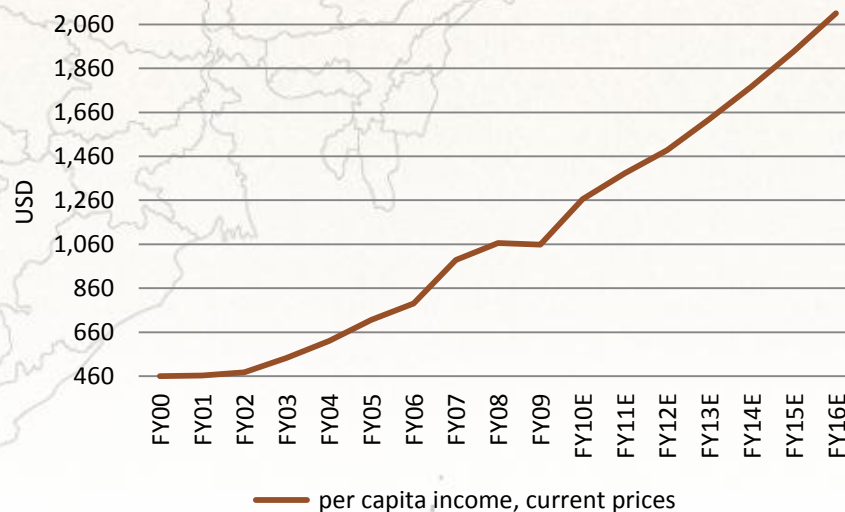
Notes: FDI – Foreign direct investment,  
M&A: Mergers & Acquisitions

## Rising incomes fuel demand for better quality healthcare ... (1/2)

### Rising incomes; shift in demographics

- Rising per-capita income; set to touch USD1354.2 by 2016
- Per-capita spending on healthcare is likely to increase at a CAGR of 13.1 per cent over the period FY11-15
- Changing demographics – aged population is estimated to rise from current 96 million to around 168 million by 2026
- Increase in incidence of lifestyle related diseases such as heart disease, obesity, diabetes

Per capita income projected to rise at a CAGR of 7 per cent between 2009-16



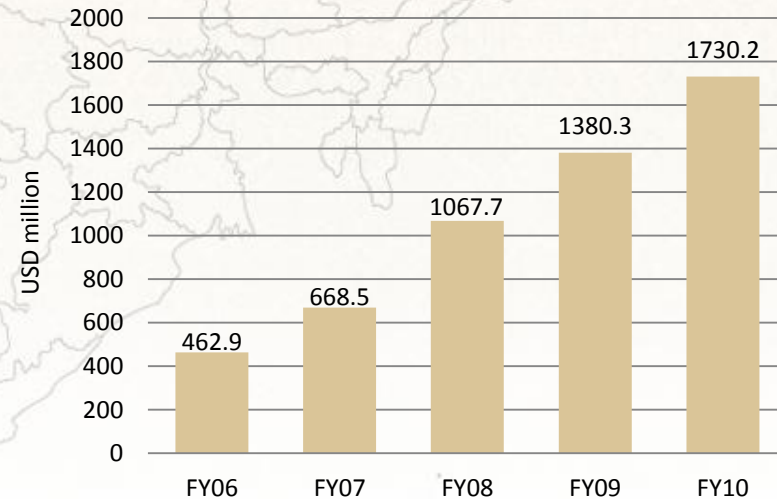
Source: IMF, Aranca Research

## Rising incomes fuel demand for better quality healthcare ... (2/2)

### Increase in penetration of healthcare insurance

- Rising healthcare awareness is increasing demand for specialised and better quality healthcare facilities
- The health insurance industry has grown at a CAGR of 39 per cent between FY06-10

Indian health insurance market size (USD Million)



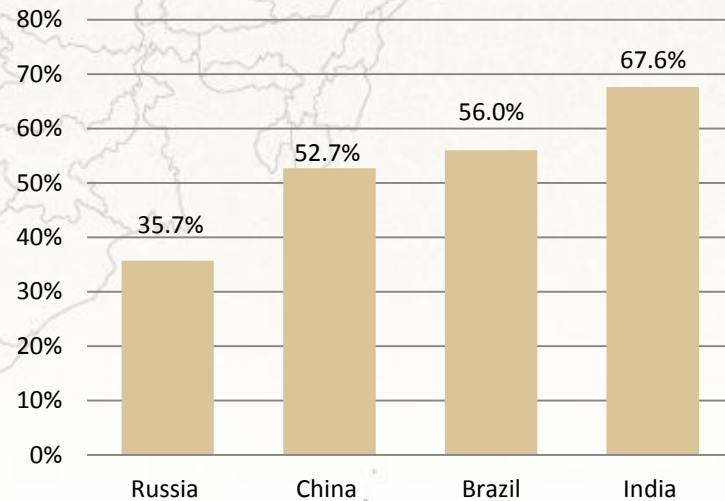
Source: IRDA, Aranca Research

## Private players drive growth in the healthcare market ... (1/2)

### Preference for private health services

- In India, private healthcare accounts for almost 68 per cent of the country's total healthcare expenditure
- Rising incomes have led to greater affordability of superior quality private sector healthcare facilities

Share of private sector in total healthcare expenditure

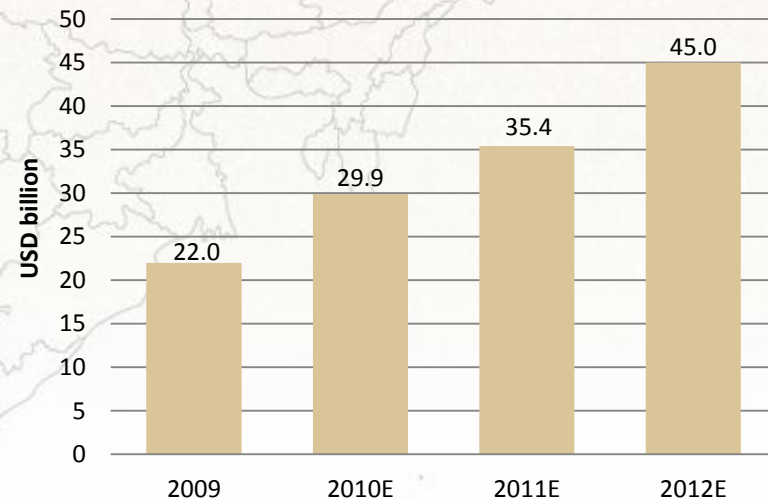


## Private players drive growth in the healthcare market ... (2/2)

### Increasing penetration of private players

- Hospital market in India is expected to reach USD54.7 billion by 2012, with the private sector accounting for 82 per cent
- Private sector growth has been fuelled by increase in the number of hospitals in Tier II and Tier III cities
- Over 2010-12, the market size of private hospitals is likely to rise at a CAGR of 27 per cent

Market size of private hospitals



Source: WHO Statistical Information System, Yes Bank, estimates, Aranca Research

## India has a competitive advantage in healthcare over peers

- India's primary comparative advantage lies in its -
  - Large skilled manpower
  - Cost advantages
    - Cost of surgery in India is one-tenth of that in US or Western Europe
- Consequently, the country offers vast opportunities in research and development as well as medical tourism

Opportunities for investments in Healthcare	
Diagnostic & Pathology Services	High cost differential in India allows for outsourcing of Pathology and Laboratory tests by foreign hospital chains
Clinical Trials	India offers both a huge patient pool, favourable regulatory environment and a cost advantage to conduct clinical trials
Health Insurance	Less than 15 per cent of the Indian population is covered by any kind of health insurance, providing significant opportunity to a new player in the health insurance market
Telemedicine	Provides rural areas access to better quality healthcare

*Source: Healthcare Outlook "A Quarterly Report By Technopak" Feb 2007, Aranca Research*

## Strong policy support has been crucial in developing the sector

### Encouraging the private sector

- The benefit of section 10 (23 G) of the IT-Act has been extended to financial institutions that provide long-term capital to hospitals with 100 beds or more
- Government is encouraging the PPP model to improve availability of healthcare services and provide healthcare financing

### Encouraging investments in rural areas

- The benefit of section 80-IB has been extended to new hospitals with 100 beds or more that are set up in rural areas; such hospitals are entitled to a 100 per cent deduction on profits for five years

### Tax incentives

- Custom duty on life-saving equipment has been reduced to 5 per cent from 25 per cent and exempted from countervailing duty
- Import duty on medical equipment has been reduced to 7.5 per cent

### Incentives in the medical travel industry

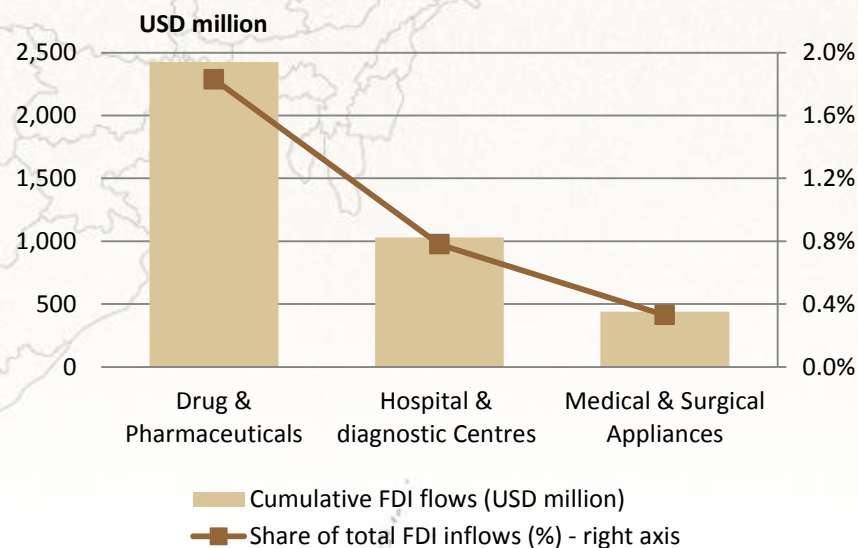
- Incentives and tax holidays are being offered to hospitals and dispensaries providing health travel facilities

## Supportive policy driving FDI inflows ... (1/2)

- 100 per cent FDI is permitted for all health related services under the automatic route
- Demand growth, cost advantages, and policy support have been instrumental in attracting FDI

Notes: FDI – Foreign direct investment,

FDI inflows (Apr 2000 – Jan 2011) into the healthcare sector

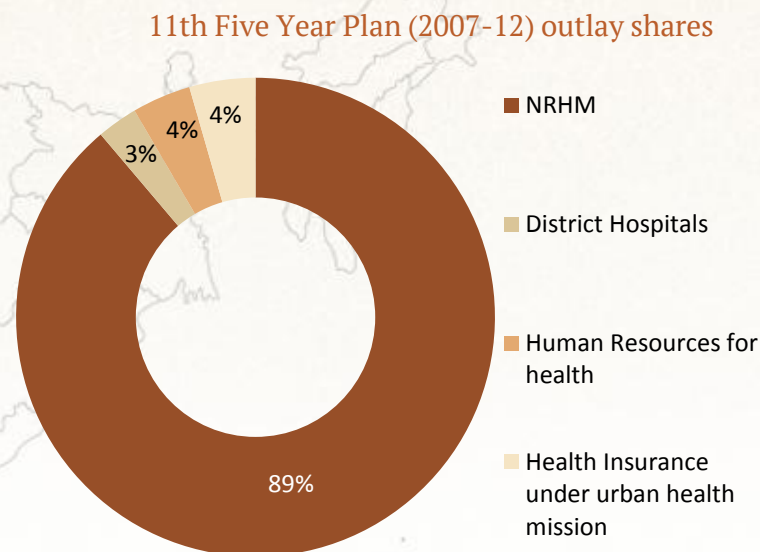


Source: Department of Industrial Policy & Promotion, Aranca Research

## Supportive policy driving FDI inflows ... (2/2)

- Union Government allocated USD5.6 billion in 2011-12 on health, an increase of 20 per cent from previous fiscal
- EAP is estimated at USD0.9 billion in the Union Budget of 2010-11, which is 16 per cent of total Union government's Budget on health

Notes: FDI – Foreign direct investment,  
EAP – Externally aided projects, NHRM: National Rural Health Mission



Source: Ministry of health & family welfare, Aranca Research

## Sector has been attracting lucrative M&A deals

- Pharma, healthcare and biotech have witnessed significant increases in M&A deals in the last four years
- In 2010, the M&A deal value in healthcare stood at USD6.2 billion, accounting for 12 per cent of total M&A deal value
- Established players are extending their global JVs to India
  - Gulf-based healthcare group Dr Moopen is investing over USD200 million for setting up hospitals and eye-care centres across India
  - Fortis Hospitals plans to invest USD55 million to expand its facilities across India

Indian Partner	Foreign Players	Type of business	Stake (%)	Year
Cipla Ltd	Bio Mabs	Pharma, healthcare and biotech	25.0	2010
Fortis Global Healthcare Holdings Pvt Ltd	Dental Corporation Holdings Ltd	Pharma, healthcare and biotech	30.0	2010
Fortis Healthcare Ltd	Parkway Holdings Ltd	Pharma, healthcare and biotech	23.9	2010
Fortis Global Healthcare	Lanka Hospitals Corporation Plc	Pharma, healthcare and biotech	28.6	2011

*Source:* Dealtracker Annual Issue 2010, Aranca Research  
Notes : M&A – Mergers and Acquisitions

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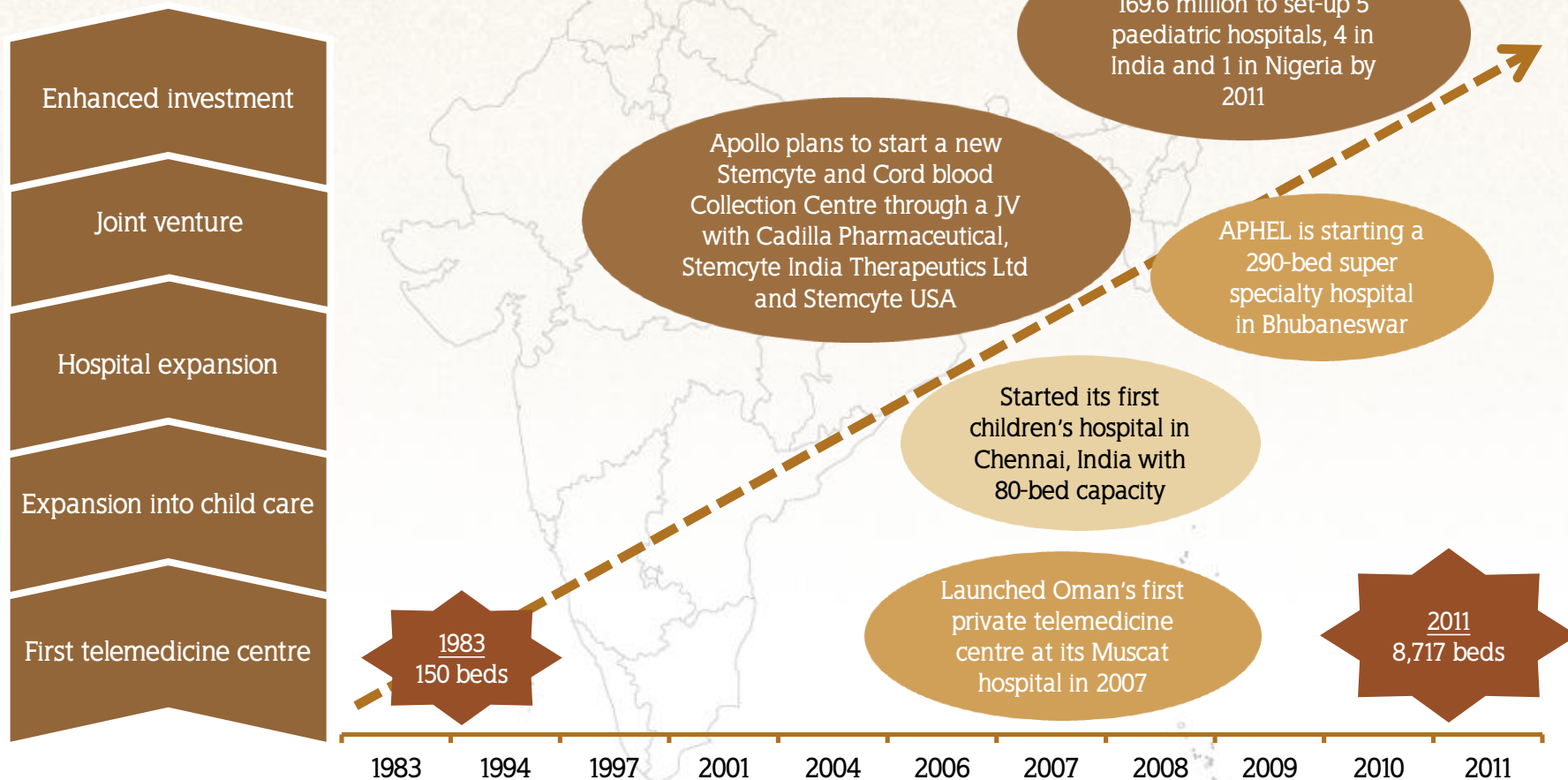
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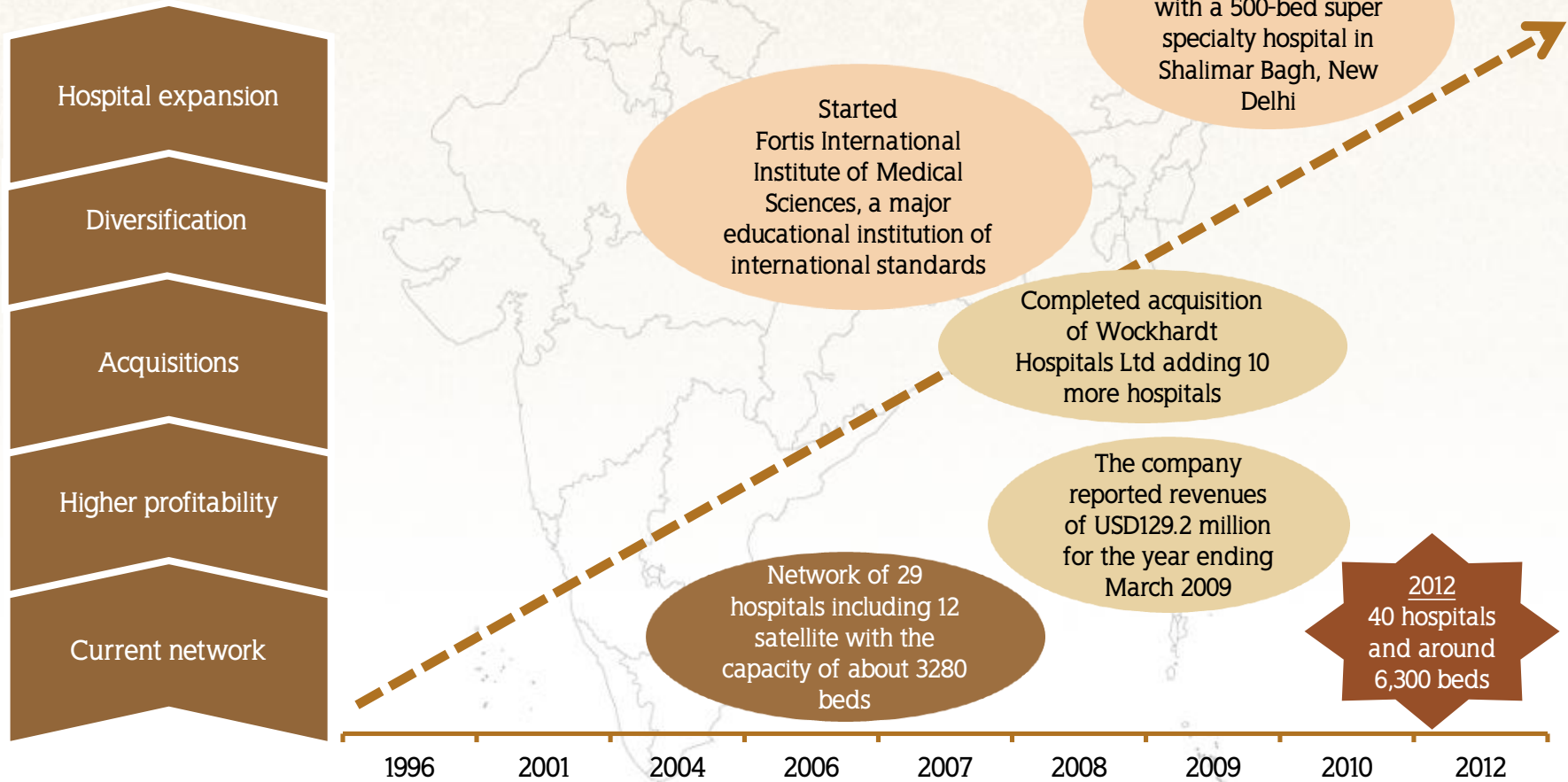
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## Apollo Hospitals: Leader in super speciality healthcare



Source: Research on India, Aranca Research  
Note: JV – Joint venture

## Fortis: Leading the way through diversification



Source: Research on India, Aranca Research

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## Opportunities in healthcare

### Healthcare infrastructure

- An additional 1.8 million beds are needed for India to achieve the target of 2 beds per 1,000 people by 2025
- An additional 700,000 doctors will be required by 2025 to reach a ratio of one medical doctor per 1,000 individuals
- To achieve these targets an investment of USD86 billion will be required

### Research

- Contract research is a fast growing segment in the Indian health care industry
- Foreign players are entering into contract research to reduce their operational and clinical cost
- About 60 per cent of the global clinical trials is outsourced to developing countries

### Medical tourism

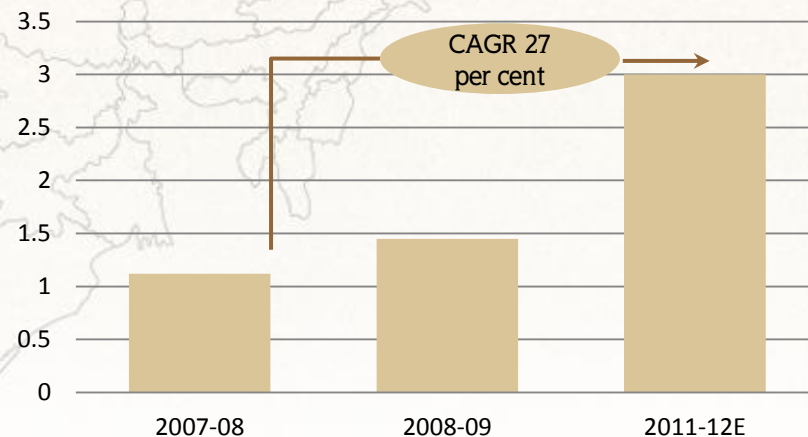
- The Indian medical tourism industry is poised to grow at 30 per cent annually into a USD2 billion business by 2012
- The cost of surgery in India is nearly one-tenth of the cost in developed countries

Notes: Industry estimates

## Opportunities in health insurance

- Less than 15 per cent of the Indian population is covered through health insurance
- Increasing healthcare cost and burden of new diseases along with low government funding is raising demand for health insurance coverage
- Many companies are offering health insurance coverage to employees, driving market penetration of insurance players
- The share of population having medical insurance is likely to rise to 20 per cent by 2015 from the present 2 per cent

Health insurance premium collection (USD billion)



Source: Hospital Market India – by research on India, Aranca Research

- With increasing demand for affordable quality healthcare, the penetration of health insurance is poised to grow exponentially in the coming years
- The health insurance premium is expected to grow at a CAGR of over 28 per cent for the period spanning from 2008-09 to 2012-13
- It is estimated that medical insurance would be a USD3 billion industry by 2012

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## Industry Associations

### **Indian Medical Association**

I.M.A. House

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New Delhi –110 002

Telephones: 91112337 0009, 2337 8819

Fax: 91112337 9470, 2337 9178

Website: [www.ima-india.org](http://www.ima-india.org)

E-mail: [inmedici@vsnl.com](mailto:inmedici@vsnl.com)

### **The Federation of Obstetric and Gynaecological Societies of India**

Model Residency, 605,

Bapurao Jagtap Marg,

Jacob Circle, Mahalaxmi East,

Mumbai 400 011, India

Fax: 23021383

Website: [www.fogsi.org](http://www.fogsi.org)

E-mail: [inmedici@vsnl.com](mailto:inmedici@vsnl.com)

## Glossary

- **CAGR** : Compound Annual Growth Rate
- **EPA**: Externally Aided Projects
- **FDI**: Foreign Direct Investment
- **FY**: Indian financial year (April to March)
  - So FY10 implies April 2009 to March 2010
- **GOI**: Government of India
- **ICT** : Information and communications technology
- **IMF**: International Monetary Fund
- **INR**: Indian Rupee
- **M&A**: Mergers and Acquisitions
- **NHRM**: National Rural Health Mission
- **PPP**: Public Private Partnerships
- **R&D**: Research and development
- **USD**: US Dollar
  - Conversion rate used: USD1 = INR 48
- **WHO**: World Health Statistics
- Wherever applicable, numbers have been rounded off to the nearest whole number

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