



Capital
—SPROUT—

NEWSLETTER

AUGUST 2023

**India's Healthcare Industry:
A Growing Opportunity**



The Chairman's Message



Greetings from Capital Sprout!

It gives me pleasure to share with you the Aug '23 issue of Capital Sprout's Wealth Bulletin. Where this month's bulletin is about an in depth analysis of the future of the healthcare industry of India.

Healthcare has become one of India's largest sectors, both in terms of revenue and employment. The Indian healthcare sector is growing at a brisk pace due to its strengthening coverage, services, and increasing expenditure by public as well as private players.

India's competitive advantage lies in its large pool of well-trained medical professionals and is also cost competitive compared to its peers in Asia and western countries. The low cost of medical services has resulted in a rise in the country's medical tourism, attracting patients from across the world. Moreover, India has emerged as a hub for R&D activities for international players due to its relatively low cost of clinical research.

In this month's edition, we will delve deeper into the factors driving growth within the healthcare industry while conducting a comparative analysis of the healthcare sectors in India and western countries.

I hope the readers find the bulletin helpful.

Happy Reading!

CA DR Rajesh Khandol

Indian healthcare industry: Market Size

India's healthcare sector is extremely diversified and is full of opportunities in every segment, which includes providers, payers, and medical technology. With the increase in the competition, businesses are looking to explore the latest dynamics and trends which will have a positive impact on their business. Healthcare delivery services are the biggest segment of the Indian healthcare market, accounting for 71% of the opportunity while domestic pharmaceuticals and medical devices account for 20% and 9% respectively.

Favorable demographic shifts, rising share of non-communicable diseases and increasing ability to pay are primary drivers of the demand for healthcare delivery services.

Rising life expectancy has led to a rising share of people aged over 50/60 in the population while urbanization has led to better awareness on health. Meanwhile, rising income levels, Health insurance penetration and various central/state government schemes have improved the ability to pay for healthcare.





Synopsis of India's healthcare sector

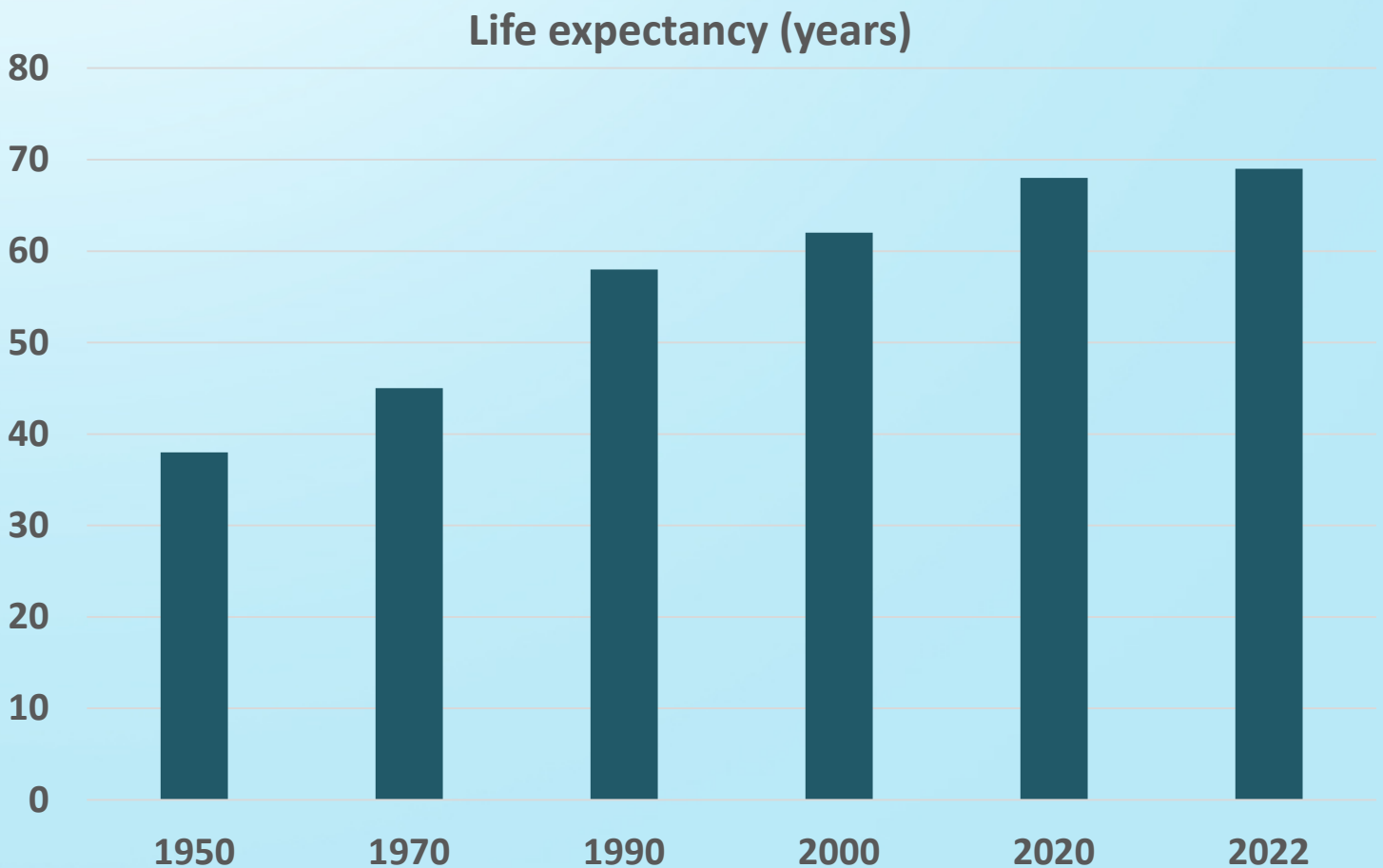
Size of healthcare industry in India	\$ 372 Billion (2022)
Size of hospital industry	\$ 132 Billion (2022)
Jobs creation	4.70 Million jobs approximately (2021)
Contribution to India's GDP	2.10% (\$ 74.81 Billion) 2022
Gross premium written in health insurance	Rs. 73,582.13 crore (US\$ 9.21 Billion). FY 2022-23
Medical tourism market size	\$ 2.89 Billion (2020)
Foreign tourist visit to India for medical treatment	1 Million approximately in FY 2022-23
E-health sector market size	\$ 10.60 Billion estimate 2023
FDI inflow in healthcare sector	\$ 36.75 Billion (Apr-22 to Dec-22)
No of doctors registered with recognised medical qualifications	1.30 Million as on Dec-21
Medical college	654 – May 23
World' largest public health insurance scheme	Ayushman Bharat



Life Expectancy In India

Life expectancy for India in 2022 stands at 70.19 years as per UN estimates. This has doubled around 35.21 years in 1950 and is expected to improve further to 81.96 years by 2100. Healthier lifestyles and improvements in medical care have contributed to this increase, which, in turn, is likely to drive rising demand for healthcare delivery services in the future.

Life expectancy in India has doubled over 1950 to 2022



Analyzing the surge in India's per capita income



Healthcare enterprises are majorly concentrated in urban areas due to better income profile and availability of doctors and other trained healthcare staff. This has led to the hospitalization rate for in-patient treatment and walk-in-out patients being higher in cities vs. rural areas. As Urbanization continues to grow in India and more people migrate from

rural to urban areas, awareness regarding availability and accessibility of healthcare services should also improve.

This trend is particularly relevant for private healthcare delivery companies. Urbanization is usually accompanied by living standards and pick-up in purchasing power. According to the UN, per capita income of an Indian household has increased from US\$ 442 in 2000 to US\$ 2,257 in 2021. This also translates into greater willingness and ability to pay for better quality healthcare services, thereby widening the target population for corporate hospitals that operate at the higher end of the pricing curve.



As the demographic changes and the need for healthcare services increases, so does the share of private hospitals in India. Within private hospitals, large chains that have facilities across multiple states/cities account for only 12% of the market. The rest is accounted for standalone, small and medium sized hospitals- many of which primarily offer secondary/higher secondary services. Private hospitals make up for 58-60% of the market by value, out of which large chains make up for 12% as of FY2021.





Indian healthcare in terms of global context

The healthcare landscape in India has undergone a transformative evolution with the augmentation of healthcare facilities and the enhancement of affordability. This shift is not only reshaping the domestic healthcare scene but is also garnering global recognition.

India's reputation as a healthcare destination is on the rise, attracting an influx of foreign patients and medical tourists seeking high-quality, cost-effective medical treatments and procedures. This phenomenon reflects the growing confidence in India's healthcare system and its ability to cater to a diverse patient demographic, both from within the country and abroad.



In the 2020-21 Medical Tourism Index, India secured the tenth position among the top 46 countries evaluated. Additionally, it holds the twelfth spot within the global rankings of the top 20 wellness tourism markets. Data from the Ministry of Tourism underscores the remarkable growth in medical tourism to India, with the proportion of medical tourists among foreign tourist arrivals increasing from 2.2% (equivalent to 0.11 million tourists) in 2009 to a substantial 6.4% (equivalent to 0.62 million tourists) in 2019.

While the onset of the COVID-19 pandemic led to a significant decline in these numbers in 2020, it is noteworthy that in 2021, India has already experienced more than a twofold increase from this reduced baseline.

Few factors which make India an attractive destination for medical value travel:

1. Low cost of treatment
2. High- quality services provided by the organized sector
3. Government initiatives are favorable





Country-wise cost of treatment procedures (US\$)

Treatment	USA	Korea	Singapore	Thailand	Malaysia	India
Heart valve replacement	170,000	39,900	16,900	17,200	13,500	9,500
Heart bypass	144,000	26,000	17,200	15,000	12,100	7,900
Angioplasty	57,000	17,700	13,400	4,200	8,000	5,700
Knee replacement	50,000	17,500	16,000	14,000	7,700	6,600
Hip replacement	50,000	21,000	13,900	17,000	8,000	7,200
Dental implant	28,003	1,350	2,700	1,720	1,500	900

Source: 2021 Niti Aayog report

Larger hospitals typically get a high share of international patients. Revenue intensity and profitability are typically higher for this group, making it an attractive revenue stream and a key driver of margins. As companies invest more in building capability to do high-end, complex medical procedures, this trend should continue.

Larger hospitals often attract a substantial portion of international patients, leading to a noteworthy increase in revenue intensity and profitability. This trend not only enhances the appeal of international patient services as a lucrative revenue source but also serves as a pivotal factor in increasing profit margins. As organizations continue to invest in expanding their capabilities to offer advanced medical procedures, we anticipate that this trend will gain a greater momentum.







Comparative Analysis of Indian private hospitals

Absences of adequate, good quality hospitals is a key reason for the lower penetration vis-a-vis countries such as Thailand, Singapore and even GCC countries. Public hospitals are well-regarded in these countries and run a high occupancy which often creates long waiting periods for patients.

Private hospitals thus became the go-to option for patients who have even the basic ability to pay, especially in urban areas. The larger hospital chains typically position themselves as high-end providers of care catering to patients who are willing to pay a premium for convenience and quality of care.

Below we have conducted a comparative analysis of the 4 leading private hospitals in the healthcare delivery sector in India.

				
Sales in FY 22-23 (in Cr.)	16,612	4,525	4,563	6,268
Avg. Sales Growth of 5 years	15%	15%	21%	7%
Net Profit in FY 22-23 (in Cr.)	844	607	1104	633
Avg. Net profit growth of 5 years	67%	63%	115%	41%

Statistics of 5 years are self-explanatory where we can see that Average Growth of Net Profit per year is more than 40% in all companies.

Conclusion

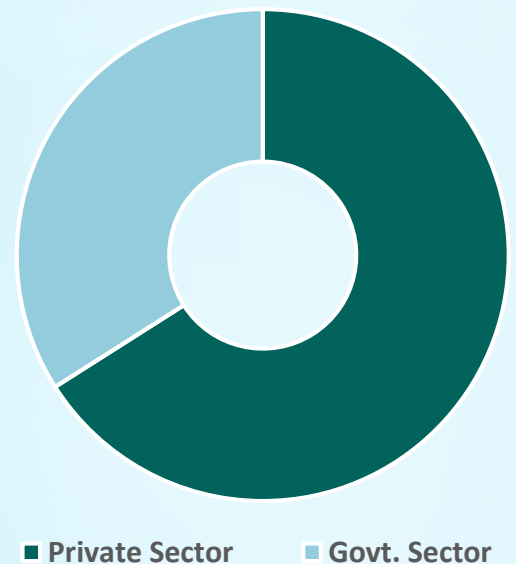
In India, healthcare services are predominantly controlled by the private sector, with the government's share of spending consistently remaining at a modest 27%. Given the limited fiscal flexibility and pressing social demands, it appears improbable that this dynamic will undergo significant change in the foreseeable future.



भारत सरकार
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OF INDIA

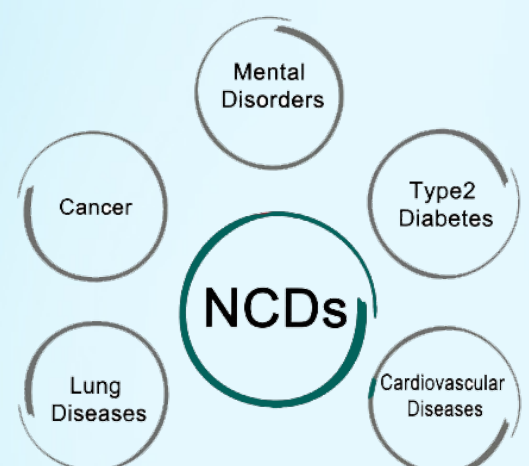
In most cases, both central and state governments seem to be shifting their focus towards acting as healthcare funders rather than direct care providers. As a result, it's expected that the majority share of future hospital and bed expansions will continue to be spearheaded by the private sector. Presently, private hospitals command approximately two-thirds of the healthcare delivery market in terms of value. This figure is projected to rise further to 73% in the coming years.

Health Care Market



Shares of larger hospital chains offering tertiary and quaternary care services would likely increase on the back of the following reasons:

1. Increasing Prevalence of NCDs: As non-communicable diseases (NCDs) continue to rise as a significant component of the disease landscape, there's a growing demand for more intricate medical procedures. Larger hospitals are better equipped to meet this demand with their advanced capabilities and expertise.



2. Expanding Health Insurance Coverage:

The increasing penetration of health insurance is enhancing affordability for patients, leading them to choose larger hospitals for their healthcare needs.



3. Medical Value Travel Growth:

Larger hospitals are expected to secure a substantial portion of the expanding medical value travel market, contributing to their revenue growth.



4. Formidable Capital Investment:

The high capital intensity in the healthcare business, combined with the well-established brand reputation of larger hospitals, poses significant barriers to entry for newcomers. This established presence provides a competitive advantage.



5. Talent Retention:

Setting up new hospitals faces the challenge of retaining qualified medical staff, especially given the high attrition rate among nurses. Larger hospitals have a more robust capacity to attract and retain healthcare professionals, offering them a distinct edge over emerging, smaller players in the healthcare industry.



High-qualified
doctors

Performances



Equity Market

Indices	01 st Aug, 2023	31 th Aug, 2023	High	Low
BSE S&P SENSEX	66,532.98	64,831.41	66,658.12	64,723.63
NIFTY 50	19,784	19,347.45	19,795.6	19,229.7

Mutual Fund

AUM Data of Mutual Fund for the Month of Aug 2023

(INR. In Lakh Crore)

Particulars	AUM As On 31-07-2023	Fresh Fund Mobilize During Aug- 23	Redemption During Aug - 23	AUM As On 31-08-2023
Total AUM of all mutual funds scheme	46.18	9.60	9.44	46.34
AUM of equity oriented (growth) schemes	18.40	0.45	0.25	18.60

Source: Association of Mutual Fund of India (AMFI)

Performances

SIP Contribution

(INR. In Crore)

Year	SIP Contribution	SIP AUM
August-2023	15,814	8,47,131

FII & DII Inflow/Outflow Position

FII's selling in the month of August-23 is (-0.21) Lakh.

DII's buying in the month of August-23 is 0.25 Lakh.

Inflow/Outflow position in the month of August - 2023

FII /DII	Gross Purchase	Gross Sale	Net
FII	2.71 Lakh	2.91 Lakh	(- 0.21 Lakh)
DII	1.88 Lakh	1.63 Lakh	0.25 Lakh

