Industry Report for DRHP:

Healthcare Industry in India

March 3rd, 2025

Disclaimer

*This study has been undertaken through extensive secondary research, which involves compiling inputs from publicly available sources, including official publications and research reports. Estimates provided by Dun & Bradstreet ("**Dun & Bradstreet**") and its assumptions are based on varying levels of quantitative and qualitative analysis including industry journals, company reports and information in the public domain.*

Dun & Bradstreet has prepared this study in an independent and objective manner, and it has taken all reasonable care to ensure its accuracy and completeness. We believe that this study presents a true and fair view of the industry within the limitations of, among others, secondary statistics, and research, and it does not purport to be exhaustive. The results that can be or are derived from these findings are based on certain assumptions and parameters/conditions. As such, a blanket, generic use of the derived results or the methodology is not encouraged.

Forecasts, estimates, predictions, and other forward-looking statements contained in this report are inherently uncertain because of changes in factors underlying their assumptions, or events or combinations of events that cannot be reasonably foreseen. Actual results and future events could differ materially from such forecasts, estimates, predictions, or such statements

The recipient should conduct its own investigation and analysis of all facts and information contained in this report is a part and the recipient must rely on its own examination and the terms of the transaction, as and when discussed. The recipients should not construe any of the contents in this report as advice relating to business, financial, legal, taxation or investment matters and are advised to consult their own business, financial, legal, taxation, and other advisors concerning the transaction.

Table of Contents

Global Macroeconomic Scenario

The global economy, which grew by 3.3% in 2023, is expected to record a sluggish growth of 3.2% in 2024 before rising modestly to 3.3% in 2025. Between 2021 – 2022, global banks were carrying a historically high debt burden after COVID-19. Central banks took tight monetary measures to control inflation and spike in commodity prices. Russia's war with Ukraine further affected the global supply chains and inflated the prices of energy and other food items. These factors coupled with war-related economic sanctions impacted the economic activities in Europe. Any further escalation in the war may further affect the rebound of the economy in Europe.

While China, the largest manufacturing hub of world, was facing a crisis in the real estate sector and prices of properties were declining between 2020 - 2023, with the reopening of the economy, consumer demand is picking up again. The Chinese authorities have taken a variety of measures, including additional monetary easing, tax relief for corporates, and new vaccination targets for the elderly. The Chinese Government took several steps to help the real estate sector including cracking down on debt-ridden developers, announcing stimulus for the sector and measures to encourage the completion and delivery of unfinished real estate projects. The sector is now witnessing investments from developers and demand from buyers.

Global headline inflation is set to fall from an estimated 6.8% in CY 2023 to 5.8% in CY 2024 and to 4.4% in CY 2025. This fall is swifter than anticipated across various areas, amid the resolution of supply-related problems and tight monetary policies. Reduced inflation mirrors the diminishing impact of price shocks, particularly in energy, and their subsequent influence on core inflation. This decrease also stems from a relaxation in labour market pressure, characterized by fewer job openings, a slight uptick in unemployment, and increased labour availability, occasionally due to a significant influx of immigrants.

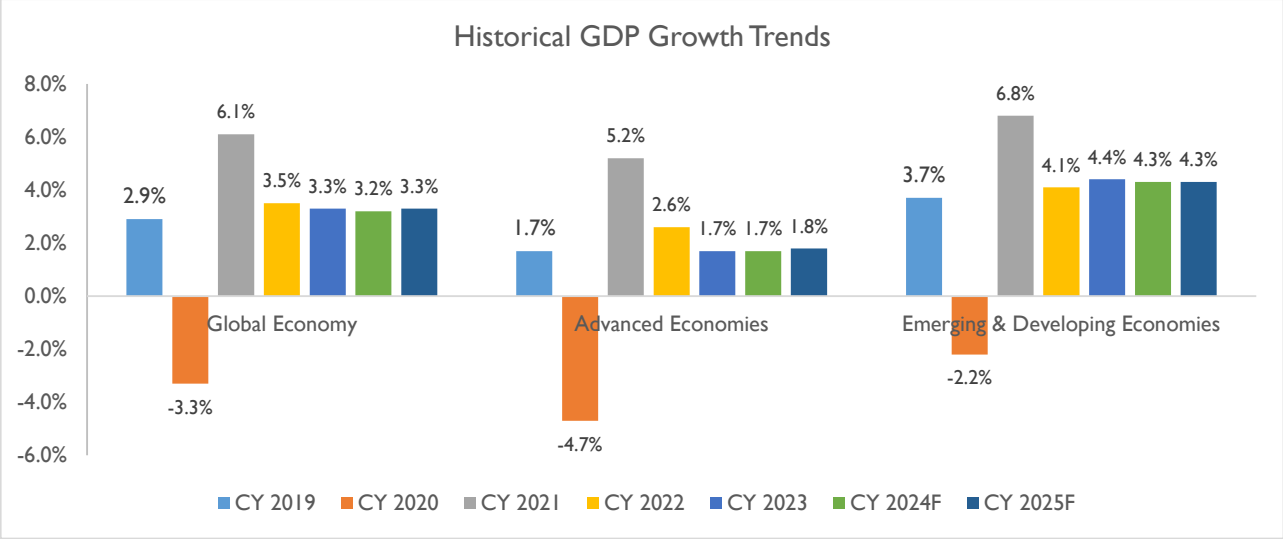
Global GDP Growth Scenario

The global economy started to rise from its lowest levels after countries started to lift the lockdown in 2020 and 2021. The pandemic lockdown was a key factor as it affected economic activities resulting in a recession in the year CY 2020, as the GDP growth touched -3.3%.

In CY 2021 disruption in the supply chain affected most of the advanced economies as well as low-income developing economies. The rapid spread of Delta and the threat of new variants in mid of CY 2021 further increased uncertainty in the global economic environment.

Global economic activities experienced a sharper-than-expected slowdown in CY 2022. One of the highest inflations in decades, seen in 2022, forced most of the central banks to tighten their fiscal policies. Russia's invasion of Ukraine affected the global food supply resulting in a further increment in the cost of living.

Further, despite initial resilience earlier in 2023, marked by a rebound in reopening and progress in curbing inflation from the previous year's highs, the situation remained precarious. Economic activity lagged behind its pre-pandemic trajectory, particularly in emerging markets and developing economies, leading to widening disparities among regions. Numerous factors are impeding the recovery, including the lasting impacts of the pandemic and geopolitical tensions, as well as cyclically-driven factors such as tightening monetary policies to combat inflation, the reduction of fiscal support amidst high debt levels, and the occurrence of extreme weather events. As a result, global growth declined from 3.5% in CY 2022 to 3.3% in CY 2023.



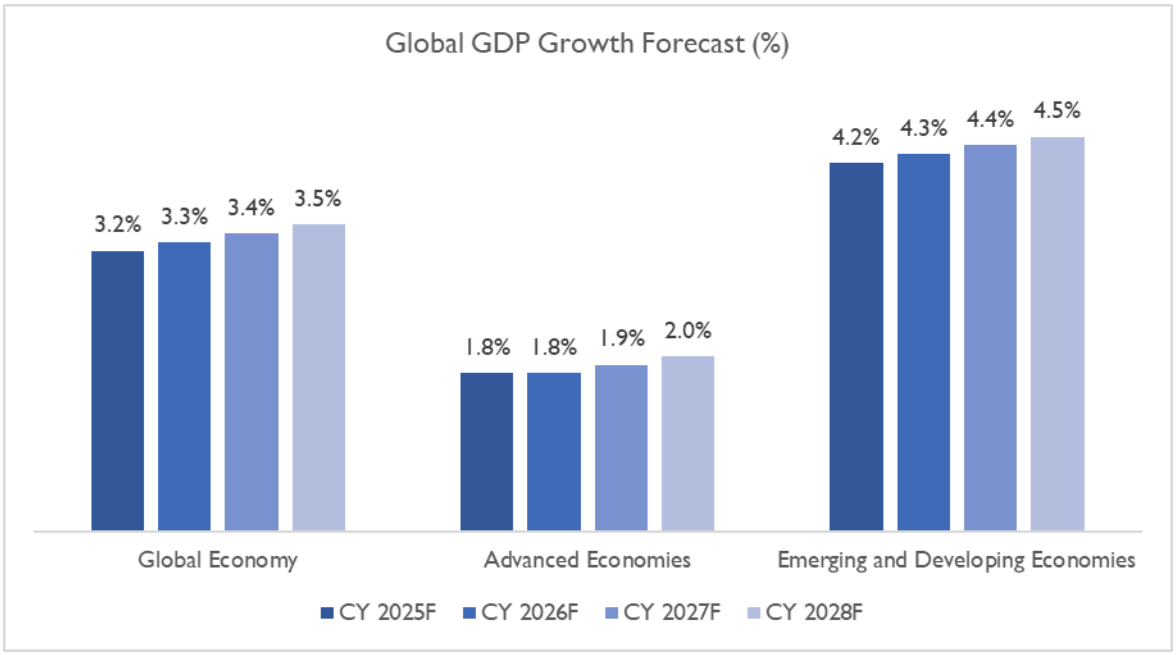
Source – IMF Global GDP Forecast Release July 2024

Note: Advanced Economies and Emerging & Developing Economies are as per the classification of the World Economic Outlook (WEO). This classification is not based on strict criteria, economic or otherwise, and it has evolved over time. It comprises of 40 countries under the Advanced Economies including the G7 (the United States, Japan, Germany, France, Italy, the United Kingdom, and Canada) and selected countries from the Euro Zone (Germany, Italy, France etc.). The group of emerging market and developing economies (156) includes all those that are not classified as Advanced Economies (India, China, Brazil, Malaysia etc.)

In the current scenario, global GDP growth is estimated to have recorded a moderate growth of 3.3% in CY 2023 as compared to 3.5% growth in CY 2022. While high inflation and rising borrowing costs are affecting private consumption, on the other hand, fiscal consolidation is affecting government consumption.

Slowed growth in developed economies will affect the GDP growth in CY 2024 and global GDP is expected to record a flat growth of 3.2% in CY 2024. The crisis in the housing sector, bank lending, and industrial sectors are affecting the growth of global GDP. Inflation forced central banks to adopt tight monetary policies. After touching

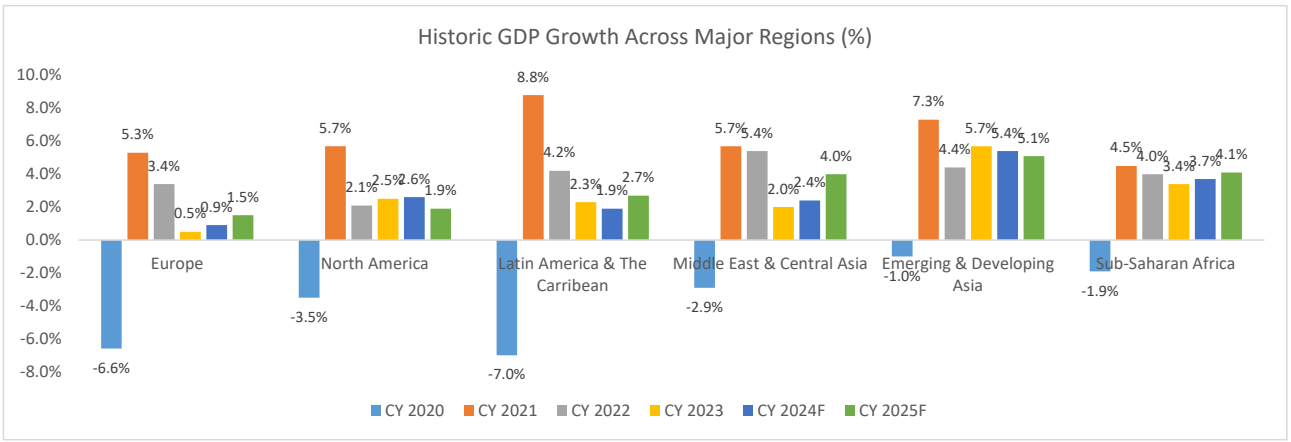
the peak in 2022, inflationary pressures slowly eased out in 2023. This environment weighs in for interest rate cuts by many monetary authorities.



Source – IMF Global GDP Forecast Release 2024, D&B Estimates

GDP Growth Across Major Regions

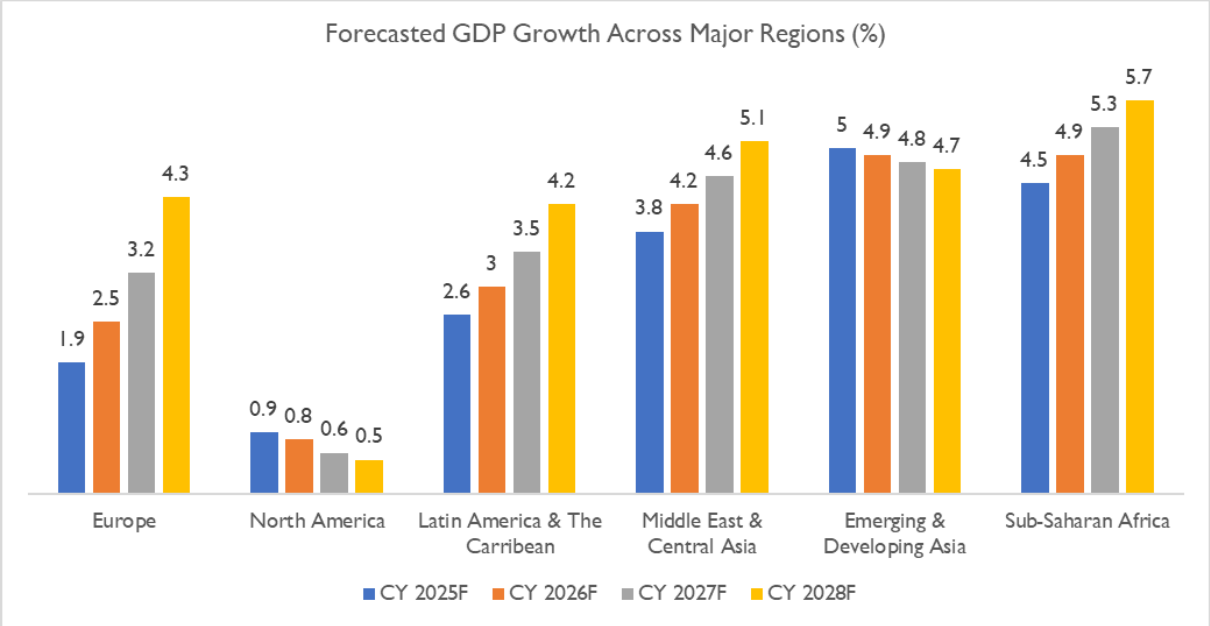
GDP growth of major regions including Europe, Latin America & The Caribbean, Middle East & Central Asia, and Sub-Saharan Africa, were showing signs of slow growth and recession between 2020 – 2023, but leaving Latin America & The Caribbean, 2024 is expected to show resilience and growth. Meanwhile, GDP growth in Emerging and Developing Asia (India, China, Indonesia, Malaysia etc.) is expected to decrease from 5.4% in CY 2023 to 5.2% in CY 2024, while in the United States, it is expected to decrease from 2.5% in CY 2023 to 2.1% in CY 2024.



Source-IMF World Economic OutlookJuly 2024 update

Except for Emerging and Developing Asia, Latin America & The Caribbean and the United States, all other regions are expected to record an increase in GDP growth rate in CY 2024 as compared to CY 2023. GDP growth in Latin America & The Caribbean is expected to decline due to negative growth in Argentina. Further, growth in the United States is expected to come down at 2.1% in CY 2024 due to lagged effects of monetary policy tightening, gradual fiscal tightening, and a softening in labour markets slowing aggregate demand.

Although Europe experienced a less robust performance in 2023, the recovery in 2024 is expected to be driven by increased household consumption as the impact of energy price shocks diminishes and inflation decreases, thereby bolstering real income growth. Meanwhile, India and China saw greater-than-anticipated growth in 2023 due to heightened government spending and robust domestic demand, respectively. Sub-Saharan Africa's expected growth in 2024 is attributed to the diminishing negative impacts of previous weather shocks and gradual improvements in supply issues.



Source-IMF, OECD, and World Bank, D&B Estimates

Global Economic Outlook

At the midpoint of the year, so far in 2024 we have seen divergence in outcomes and prospects around the world in terms of economic growth, inflation, and policy responses. On balance, global short-term economic prospects have improved over the course of the year. We expect this momentum to continue through the second half of 2024 and into 2025 as inflation eases further and monetary policy continues to loosen, supporting steady growth. Macroeconomic risks, in our view, have become more balanced.

The U.S. has performed better than other developed economies, particularly those in Europe where the consumer sentiment has been relatively weak – though the picture in Europe has been varied. A sustained recovery in tourism this year has boosted the economies of Greece and Spain, whereas Germany, France, and Italy have been held back by the slower recovery of manufacturing. Nonetheless, the European Central Bank (ECB) lowered the three key interest rates in June – for the first time since September 2019 – which will support stronger regional growth.

Growth in the Chinese Mainland has held up well so far this year despite challenges from the property market amid ongoing rebalancing, and the export cycle is supporting growth in the rest of Asia. In Latin America, larger economies, such as Brazil and Mexico, tend to be performing more moderately than smaller economies, such as Chile and Peru, indicating slower regional growth overall.

Globally, industrial production has been relatively sluggish because of restrictive trade policies, persistent supply chain disruptions, high interest rates, and anemic growth. We expect industrial production to gather steam later this year and into 2025 on the back of a gradual recovery in global trade, stimulated by stronger domestic demand for goods.

Policy responses have diverged so far this year and are set to remain so in the near term. Central banks have begun rate cutting cycles in several developed economies, including the Eurozone, Canada, Sweden, and Switzerland. However not every economy has followed suit. Disinflation has not been as predictable as it was in 2023, and underlying price pressures mean inflation is likely to remain bumpy this year – hence, policy will remain more restrictive than was anticipated at the start of the year. With relatively stronger economic growth and stickier inflation, the timing of the first interest rate cut by the U.S. Federal Reserve (the Fed) and the onward path of interest rates remains ambiguous.

The global economy is showing signs of stabilizing, yet growth will remain subdued this year before picking up pace in 2025. We forecast global growth of around 2.5% in 2024, half a percentage point softer than in the decade following the financial crisis. The weaker outlook reflects fiscal consolidation, lagged tight monetary policy, restrictive trade policies, and elevated levels of geopolitical uncertainty. Looking ahead to 2025, global growth is likely to pick up slightly to 2.8% as the impact of these factors declines and stronger growth becomes more entrenched.

Emerging economies look set for softer growth in general this year. On a regional basis, growth is likely to be markedly slower in Eastern Europe, but only slightly softer in Asia Pacific and Latin America, with growth only moderately slower in key economies such as the Chinese Mainland, India, and Brazil. Outcomes in developed economies are also mixed but largely remain subdued because of tight policy settings.

India Macroeconomic Analysis

GDP Growth Scenario

India's economy showed resilience with GDP growing at 8.2% in CY 2023. The GDP growth in CY 2023 represents a return to pre pandemic era growth path. Even amidst geopolitical uncertainties, particularly those affecting global energy and commodity markets, India continues to remain one of the fastest growing economies in the world.

Country	Real GDP Growth (CY 2023)	Projected GDP Growth (CY 2024)	Projected GDP Growth (CY 2025)
India	8.20%	7.00%	6.50%
China	5.20%	5.00%	4.50%
Russia	3.60%	3.20%	1.50%
Brazil	2.90%	2.10%	2.40%
United States	2.50%	2.60%	1.90%
Japan	1.90%	0.70%	1.00%
Canada	1.20%	1.30%	2.40%
Italy	0.90%	0.70%	0.90%
France	1.10%	0.90%	1.30%
South Africa	0.70%	0.90%	1.20%
United Kingdom	0.10%	0.70%	1.50%
Germany	-0.20%	0.20%	1.30%

Source: World Economic Outlook, July 2024

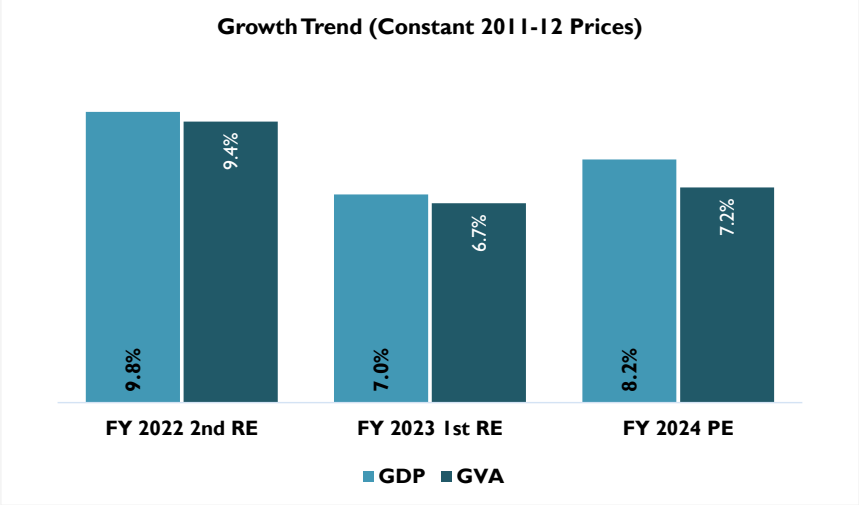
Countries considered include - Largest Developed Economies and BRICS (Brazil, Russia, India, China, and South)
Countries have been arranged in descending order of GDP growth in 2023).

There are few factors aiding India's economic recovery – notably its resilience to external shocks and rebound in private consumption. This rebound in private consumption is bringing back the focus on improvements in domestic demand, which together with revival in export demand is a precursor to higher industrial activity. Already the capacity utilization rates in Indian manufacturing sector are recovering as industries have stepped up their production volumes. As this momentum sustains, the country may enter a new capex (capital expenditure) cycle. The universal vaccination program by the Government has played a big part in reinstating confidence among the population, in turn helped to revive private consumption.

Realizing the need to impart external stimuli, the Government stepped up its spending on infrastructure projects which in turn had a positive impact on economic growth. The capital expenditure of the central government increased by 37.4% increase in capital expenditure (budget estimates), to the tune of INR 10 trillion in the Union Budget 2023-2024. The announcement also included a 30% increase in financial assistance to states at INR 1.3 trillion for capex. The improvement was accentuated further as the Budget 2024-2025 announced an 11.1% increase in the capital expenditure outlay at INR 11.11trillion, constituting 3.4% of the GDP. This has provided much-needed confidence to the private sector, and in turn, attracted private investment.

On the lending side, the financial health of major banks has witnessed an improvement which has helped in improving the credit supply. With capacity utilization improving, there would be demand for credit from the corporate sector to fund the next round of expansion plans. The banking industry is well poised to address that demand. Underlining the improving credit scenario is the credit growth to the micro, small, and medium enterprise (MSME) sector as the credit outstanding to the MSME sector by scheduled commercial banks in the fiscal year 2024 grew by 14% to INR 10.31 trillion compared to INR 9.02 trillion as on 24 March 2023. The extended Emergency Credit Linked Guarantee Scheme (ECLGS) by the Union Government has played a major role in improving this credit supply.

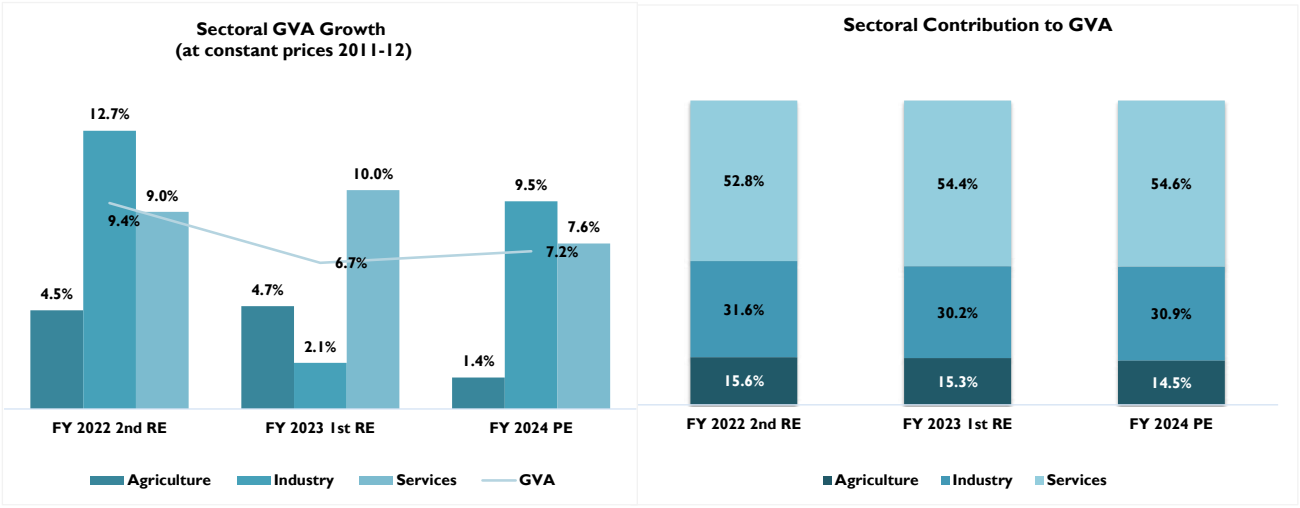
As per the provisional estimates 2023-24, India's GDP in FY 2024 grew by 8.2% compared to 7.0% in the previous fiscal on the back of solid performances in manufacturing, mining, and construction sectors. The year-on-year increase in growth rate is also partly due to by a strong growth in investment demand led by public capital expenditure.



Source: Ministry of Statistics & Programme Implementation (MOSPI), National Account Statistics, 2023-24

RE stands for Revised Estimates, SAE stands for Second Advance Estimates

Sectoral Contribution to GVA and annual growth trend



Source: Ministry of Statistics & Programme Implementation (MOSPI)

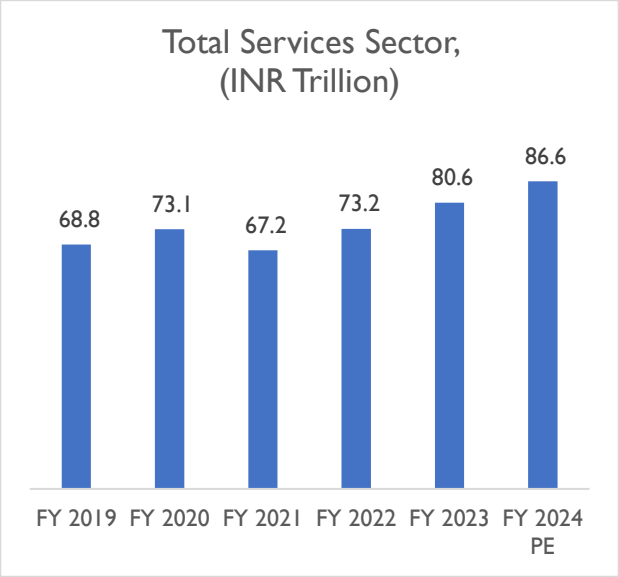
Sectoral analysis of GVA reveals industrial sector recovered sharply registering 9.5% y-o-y increase in FY 2024 against 2.1% in the previous fiscal. In the industrial sector, growth across major economic activity such as mining, manufacturing and construction sector rose significantly and it registered a growth of 7.1%, 9.9% and 9.9% in FY 2024 against a y-o-y change of 1.9%, -2.20%, and 9.44% in FY 2023, respectively. Utilities sector observed a marginal moderation in y-o-y growth to 7.5% against 9.44% in the previous years.

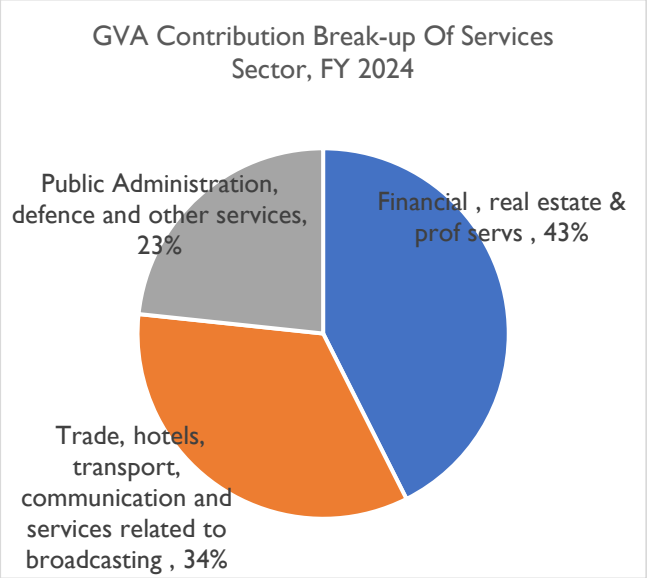
Talking about the services sector's performance, with major relaxation in covid restriction, progress on COVID-19 vaccination and living with virus attitude, business in the service sector gradually returned to normalcy in FY

2023. Economic recovery was supported by the service sector as individual mobility returned to the pre-pandemic level. The trade, hotel, transport, communication, and broadcasting segment continued to strengthen in FY 2023 and grow in FY 2024, although the growth hasn't shown substantial increases. In FY 2024, services sector grew by 7.6% against 10% y-o-y growth in the previous year.

Expansion in Service Sector

Services sector is a major contributor to the country's overall economic growth. In absolute terms, services sector GVA has increased from INR 68.78 trillion in FY 2019 to INR 86.6 trillion in FY 2024 (as per the provisional estimated), registering a CAGR of nearly 5%. Within Services sector, the GVA by financial, real estate and professional services-the largest contributing segment observed 6.3% CAGR while Public Administration, defence and other services[1] observed 4.5% CAGR and Trade, hotels, transport, communication, and services related to broadcasting witnessed 3.1% CAGR between FY 2019-24.





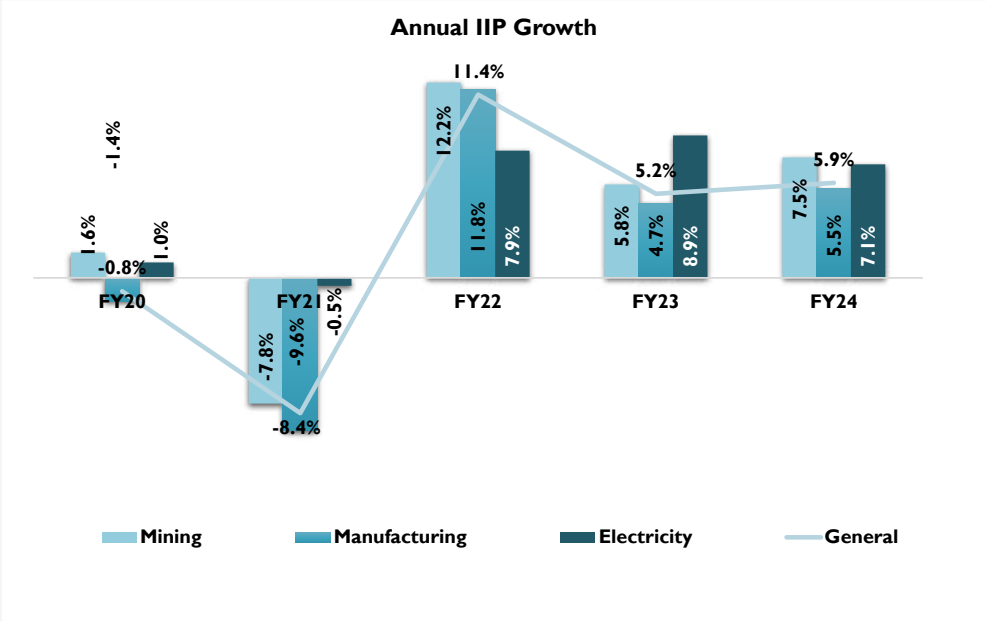
Sources: MOSPI, CMIE Economic Outlook and Dun & Bradstreet Research Estimates[2]

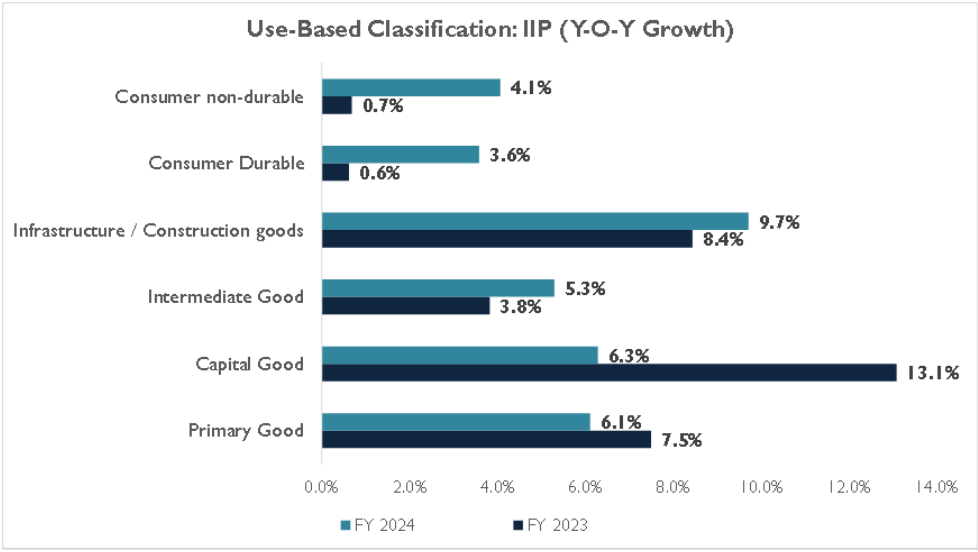
India's HSBC Services Purchasing Managers' Index**,** an important indicator to track service sector performance, measured 60.3 in July 2024 against 60.5 in the previous month. Since August 2021, the services sector has consistently remained above the threshold of 50, which distinguishes growth from contraction.

[1] Other services include Education, Health, Recreation, and other personal services.
[2] Projection as Based on CMIE Growth rate till FY 2029 and FY 2030 is based on Dun & Bradstreet assumption.

IIP Growth

Industrial sector performance as measured by IIP index; in FY 2024 it is growing at 5.9% (against 5.2% in FY 2023). Previously IIP index exhibited temporary recovery in FY 2022 from the low of Covid induced slowdown in industrial growth during FY 2020 and FY 2021. Manufacturing index, with 77.6% weightage in overall index, grew by 5.5% in FY 2023 against 4.7% y-o-y growth in FY 2022 while mining sector index too grew by 7.5% against 5.8% in the previous years. Mining & manufacturing both shown improvement according to previous except the Electricity sector Index, witnessed an improvement of 7.1% against 8.9% in the previous year.



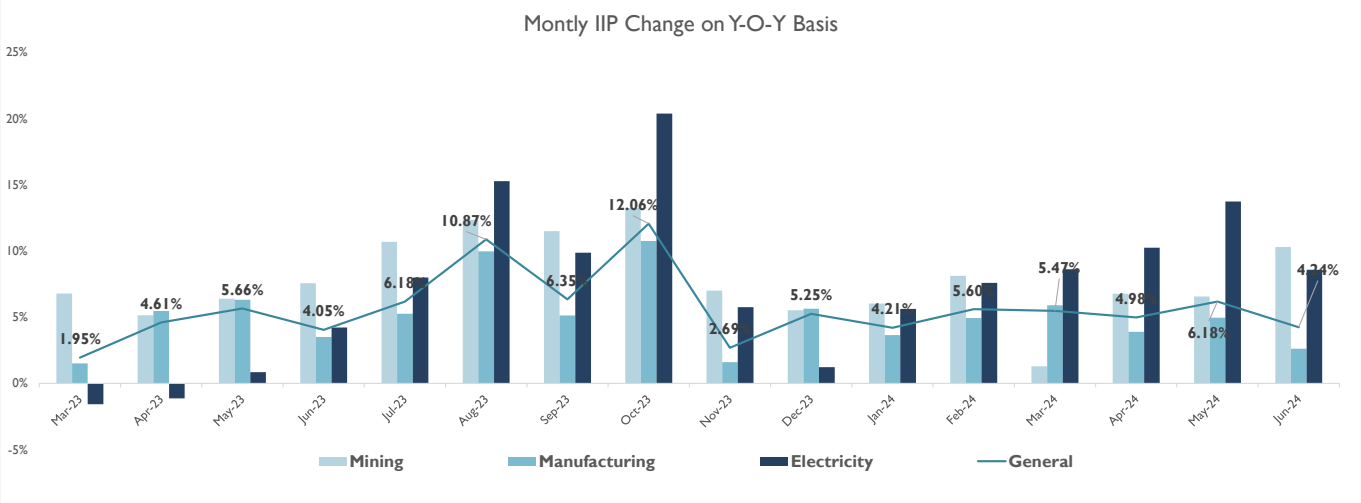


Source: Ministry of Statistics & Programme Implementation (MOSPI)

As per the use-based classification, most of the segments has shown growth for FY 2024 as compared to FY 2023. Capital good and primary goods were segments which faced less growth as compared to previous year. The

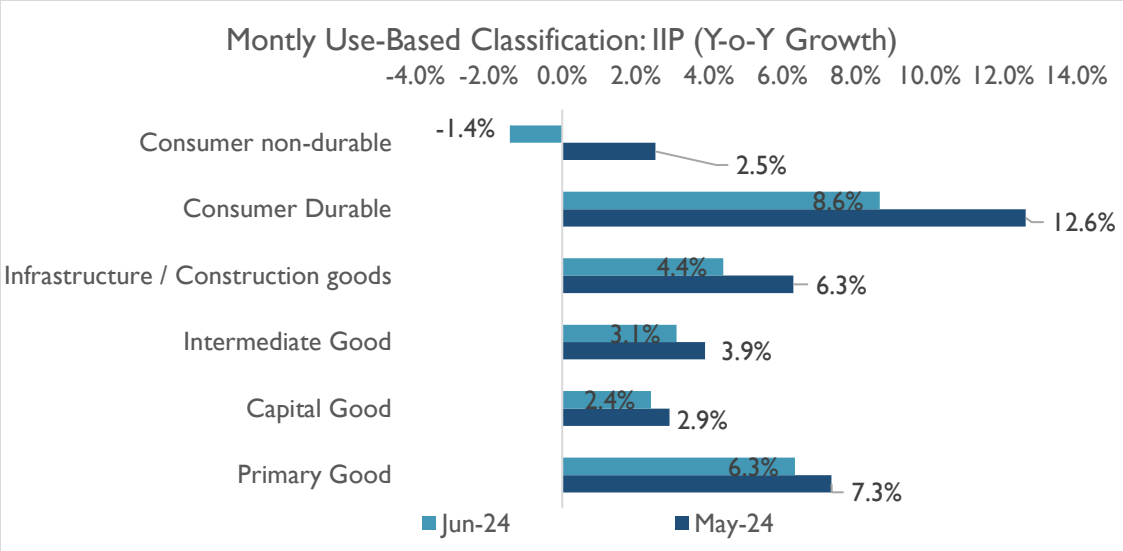
contracting IIP data points towards adverse operating business climate as global headwinds, high inflation, and monetary tightening cumulatively impacted the broader industrial sector performance. In contrast all the segments except the above two have shown growth.

Monthly IIP Growth Trend



Source: Ministry of Statistics & Programme Implementation (MOSPI)

In the current fiscal FY 2025, the monthly IIP measured index has reported steady improvement over the last fiscal. However, the IIP index slowed to a 5-month low and just grew by 4.24% y-o-y in June against 6.18% in the previous month on the back of slowing growth in the manufacturing section. In June 2024, the manufacturing index growth slowed to 2.6% against 6.3% y-o-y growth in June 2023 and 5% in May 2023 while the electricity sector index and mining index exhibited substantial improvement and they grew by 8.6% and 10.3% in June 2024 against 0.9% and 6.4% growth in April 2023, respectively.

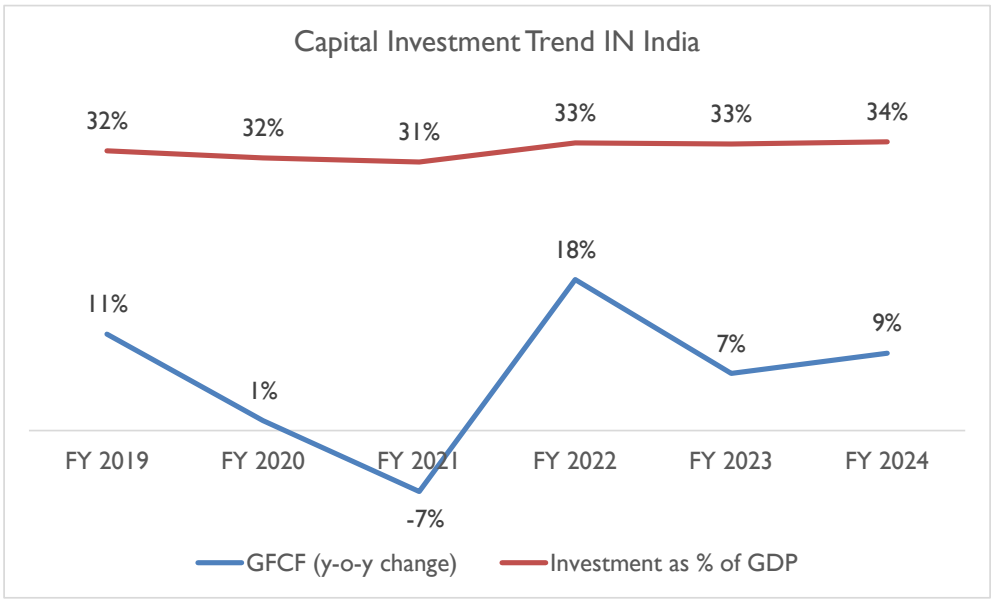


Sources: MOSPI

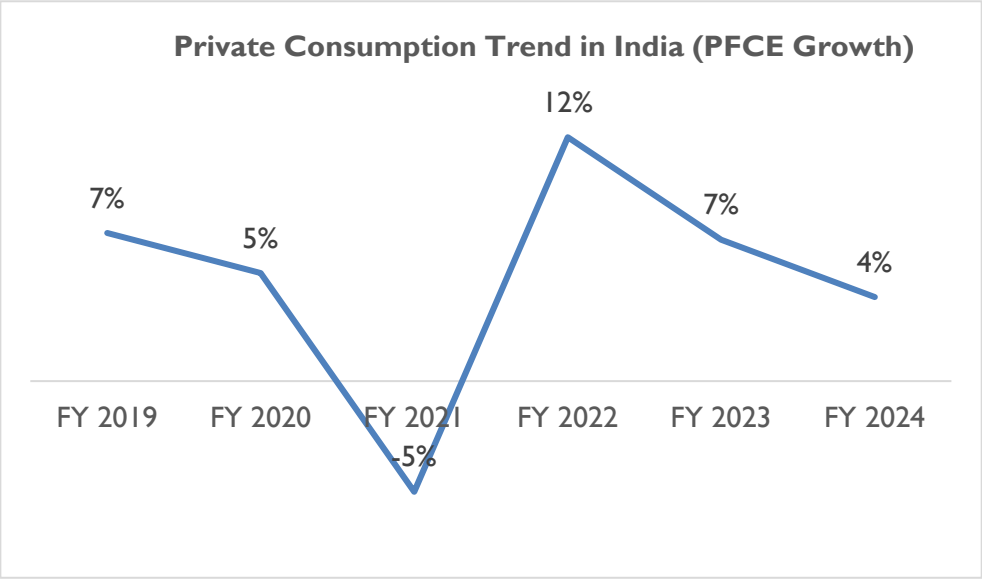
As per the use-based classification, growth in all segments slowed in June 2024 as compared to the previous month. Consumer non-durable declined by 1.4% in June 2024 against 2.5% increase in the previous month. In May 2024, all segments showed a substantial increase in growth.

Investment & Consumption Scenario

Other major indicators such as Gross fixed capital formation (GFCF), a measure of investments, gained strength during FY 2024 as it grew by 9% on a y-o-y basis against 7% yearly growth in the previous fiscal, while GFCF to GDP ratio measured an all-time high settled higher at 34%.



Sources: MOSPI

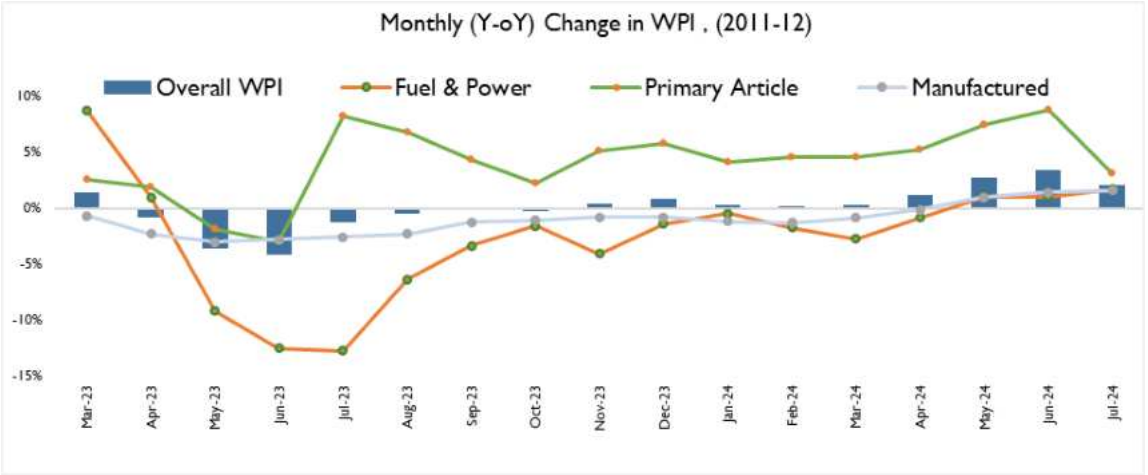


Sources: MOSPI

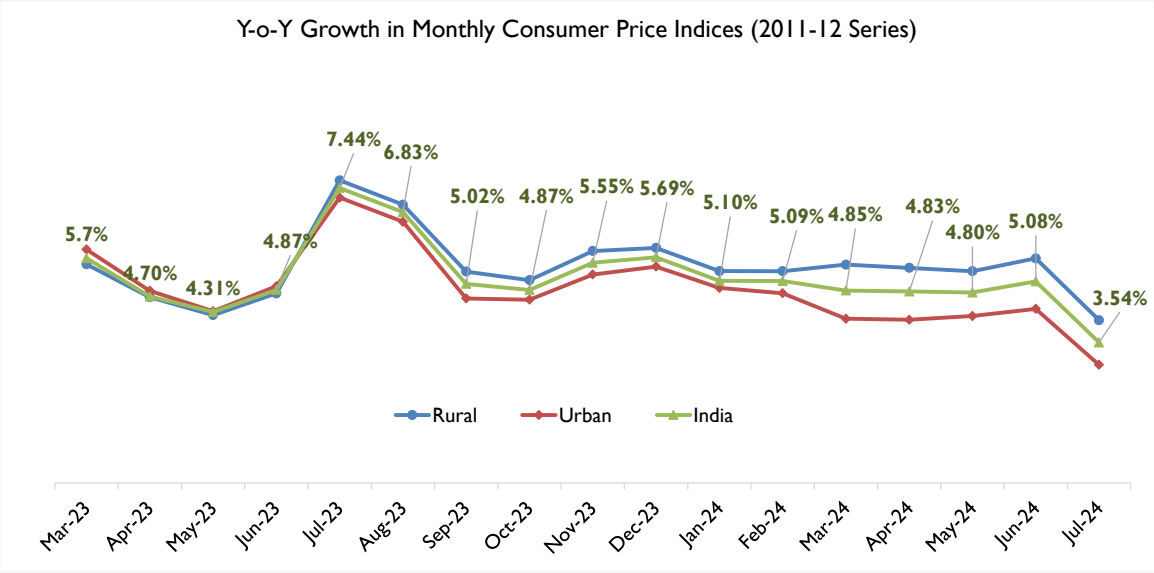
Private Final Expenditure (PFCE) a realistic proxy to gauge household spending, observed decelerated and registered 4% y-o-y growth in FY 2024 against 7% in FY 2023.

Inflation Scenario

The inflation rate based on India's Wholesale Price Index (WPI) exhibited significant fluctuations across different sectors from March 2023 to July 2024. Overall WPI saw a sharp decline to -1.2% in July 2023, primarily driven by steep drops in Fuel & Power and Manufactured Products, reflecting reduced global demand and falling input costs. However, a recovery was noted by June 2024, with WPI reaching 3.4%, supported by a strong rise in Primary Articles and a rebound in Fuel & Power prices. By July 2024, while Primary Articles growth moderated to 3.1%, the WPI remained positive at 2.0%, indicating stabilization in the market after earlier volatility.



Source: MOSPI, Office of Economic Advisor.



Source: CMIE Economic Outlook

Retail inflation rate (as measured by the Consumer Price Index) in India showed notable fluctuations between March 2023 and July 2024. Rural CPI inflation peaked at 7.63% in July 2023, before declining to 4.10% in July 2024. Urban CPI inflation followed a similar trend, rising to 7.20% in July 2023 and then dropping to 2.98% in July 2024. Overall, the national CPI inflation rate increased to 7.44% in July 2023 but moderated to 3.54% by July 2024, indicating a gradual easing of inflationary pressures across both rural and urban areas over the period. CPI measured below 6% tolerance limit of the central bank since September 2023. As a part of an anti-inflationary measure, the RBI has hiked the repo rate by 250 bps since May 2022 to the current 6.5% while it has been holding the rate at 6.5% since 8 Feb 2023.

Some of the key factors that would propel India's economic growth.

Strong Domestic Demand

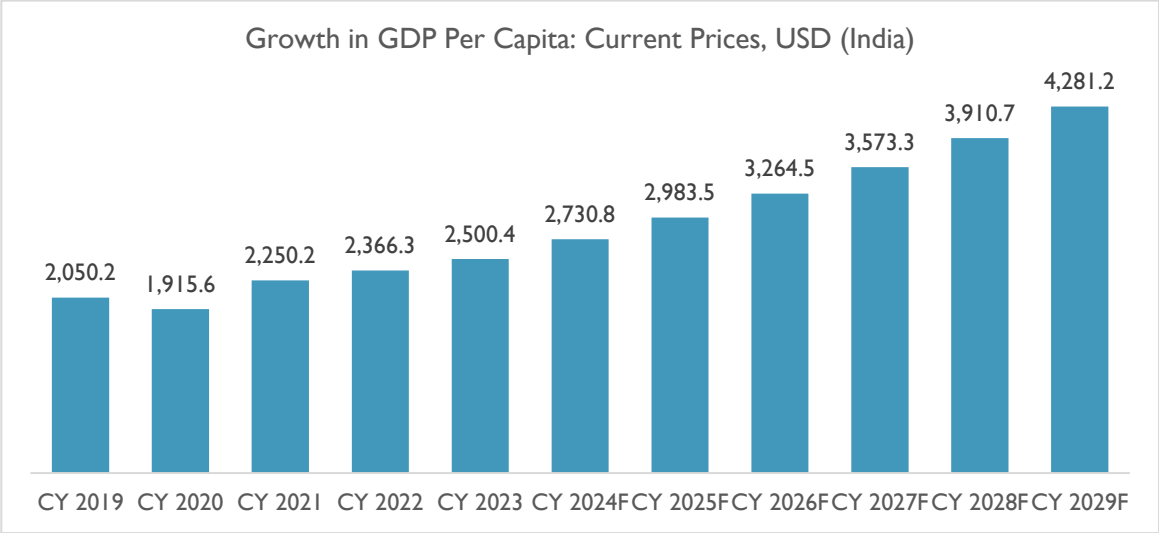
Domestic demand has traditionally been one of the strong drivers of Indian economy. After a brief lull caused by Covid-19 pandemic, the domestic demand is recovering. Consumer confidence surveys by Reserve Bank / other institutions points to an improvement in consumer confidence index, which is a precursor of improving demand. India has a strong middle-class segment which has been the major driver of domestic demand. Factors like fast paced urbanization and improving income scenario in rural markets are expected to accelerate domestic demand further. PFCE as a percentage of GDP increased to 58% during FY 2022 and FY 2023 while in FY 2024 it settled at 56%. There are two factors that are driving this domestic demand: One the large pool of consumers and second the improvement in purchasing power. As per National Statistics Office (NSO), India's per capita net national income (at constant prices) stood at INR 1.06 lakhs in FY 2024 against 99,404 in FY 2023 and 87,623 in FY 2018.

This increase in per capita income has impacted the purchasing pattern as well as disposable spending pattern in the country. Consumer driven domestic demand is majorly fueled by this growth in per capita income.

India's Per capita GDP trends

India is poised to become the world's third-largest economy with a projected GDP of USD 5 trillion within the next three years, driven by ongoing reforms. As one of the fastest-growing major economies, India currently holds the position of the fifth-largest economy globally, following the US, China, Japan, and Germany. By 2027-28, it is anticipated that India will surpass both Germany and Japan, reaching the third-largest spot. This growth is bolstered by a surge in foreign investments and a wave of new trade agreements with India's burgeoning market of 1.4 billion people. The aviation industry is witnessing unprecedented orders, global electronics manufacturers are expanding their production capabilities, and suppliers traditionally concentrated in southern China's manufacturing hubs are now shifting towards India.

To achieve its vision of becoming the world's third-largest economy by 2027-28, India will need to implement transformative industrial and governmental policies. These policies will be crucial for sustaining the consistent growth of the nation's per capita GDP over the long term.



Source: IMF

From CY 2024-29, India's per capita GDP is projected to grow at a compound annual growth rate of 9.4%. This growth will be driven by the service sector, which now accounts for over 50% of India's GDP, marking a significant shift from agriculture to services.

Digitization Reforms

Ongoing digitization reforms and the resultant efficiency gains accrued would be a key economic growth driver in India in the medium to long term. Development of digital platforms has helped in the seamless roll out of initiatives

like UPI (Unified Payments Interface), Aadhaar based benefit transfer programs, and streamlining of GST (Goods and Services Tax) collections. All of these have contributed to improving the economic output in the country. Some of the key factors that have supported the digitization reforms include – the growth in internet penetration in India together with drop in data tariffs, growth in smartphone penetration, favorable demographic pattern (with higher percentage of tech savvy youth population) and India's strong IT (Information Technology) sector which was leveraged to put in place the digital ecosystem. All these factors are expected to remain supportive and continue to propel the digitization reforms in India.

Increased adoption of digital technology and innovation, inclusive and sustainable practices, business-friendly and transparent regulations, and heightened corporate research and development (R&D) investments will further bolster the country's growth. These factors will collectively support employment growth across both private and public sectors, including micro, small, and medium enterprises (MSMEs).

India's Growth Outlook

India's economy has exceeded expectations, registering an 8.2% growth in FY24. High-frequency indicators such as automobile sales, e-way bills, cargo traffic, and exports signal sustained growth momentum into Q2 FY25. However, the rural demand outlook is tied to the monsoon, where inconsistent rainfall could impact the agriculture sector and inflation. The government is proactively boosting grain storage capacity to mitigate these risks. On the credit front, the Reserve Bank of India (RBI) has kept the policy rate unchanged, with inflation expected to average around 5% in FY25. Despite stable policy rates, lending rates may rise due to the incomplete transmission of earlier hikes, while strong credit growth in the private sector suggests potential capacity expansion. Supply-side challenges persist, particularly in food storage infrastructure. The government has launched a massive initiative to enhance grain storage capacity by 70 million tonnes over the next five years. The recent long-term agreement for operating Iran's Chabahar Port is also set to bolster trade and supply chain resilience.

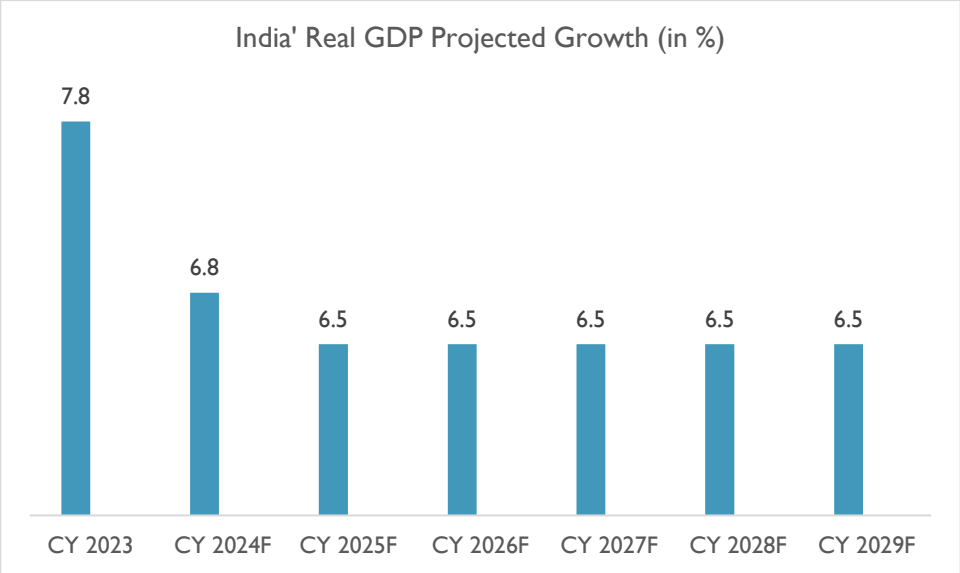
In terms of trade, India's recent agreements, particularly with the European Free Trade Association (EFTA) and Oman, are opening new markets and opportunities for exports. The proposed mega-distribution hub in the UAE by 2025 will further support India's global trade ambitions, particularly in Africa, Europe, and the US.

Politically, the continuation of the National Democratic Alliance (NDA) government signals sustained reforms, with optimism around labour and land reforms. The government is also taking steps to control retail inflation by managing food prices and import duties. The external environment remains cautious, with geopolitical tensions, particularly in Gaza, posing potential risks to global stability.

Overall, India's short-term growth outlook remains positive, underpinned by strong domestic demand, proactive government measures, and expanding global trade relationships, despite some challenges in the rural economy and supply chain infrastructure.

India's Projected Economic Growth

Looking ahead to 2024, India's projected GDP growth of 6.8% in 2024 stands out as the fastest among major emerging markets, significantly outpacing China's 4.6%, and Brazil's 2.2%. This robust growth trajectory is expected to sustain at 6.5% annually from 2025 to 2029, reflecting strong economic fundamentals and continued momentum.



Source: IMF

This decent growth momentum in near term (CY 2024) is accompanied by a slowdown in inflation, as well as various other factors in the medium to long term that will support the economy. These include enhancements in physical infrastructure, advancements in digital and payment technology, improvements in the ease of doing business and a higher quality of fiscal expenditure to foster sustained growth.

On the demand side, improving employment conditions and moderating inflation are expected to stimulate household consumption. Further, the investment cycle is gaining traction, propelled by sustained government capital expenditure, increased capacity utilization and rising credit flow. Additionally, there are positive signs of improvement in net external demand, as reflected in the narrowing merchandise trade deficit. Despite the supply disruptions, exports clocked positive y-o-y growth in December 2023 and January 2024.

From uplifting the underprivileged to energizing the nation's infrastructure development, the Government has outlined its vision to propel India's advancement and achieve a 'Viksit Bharat' by 2047 in the interim

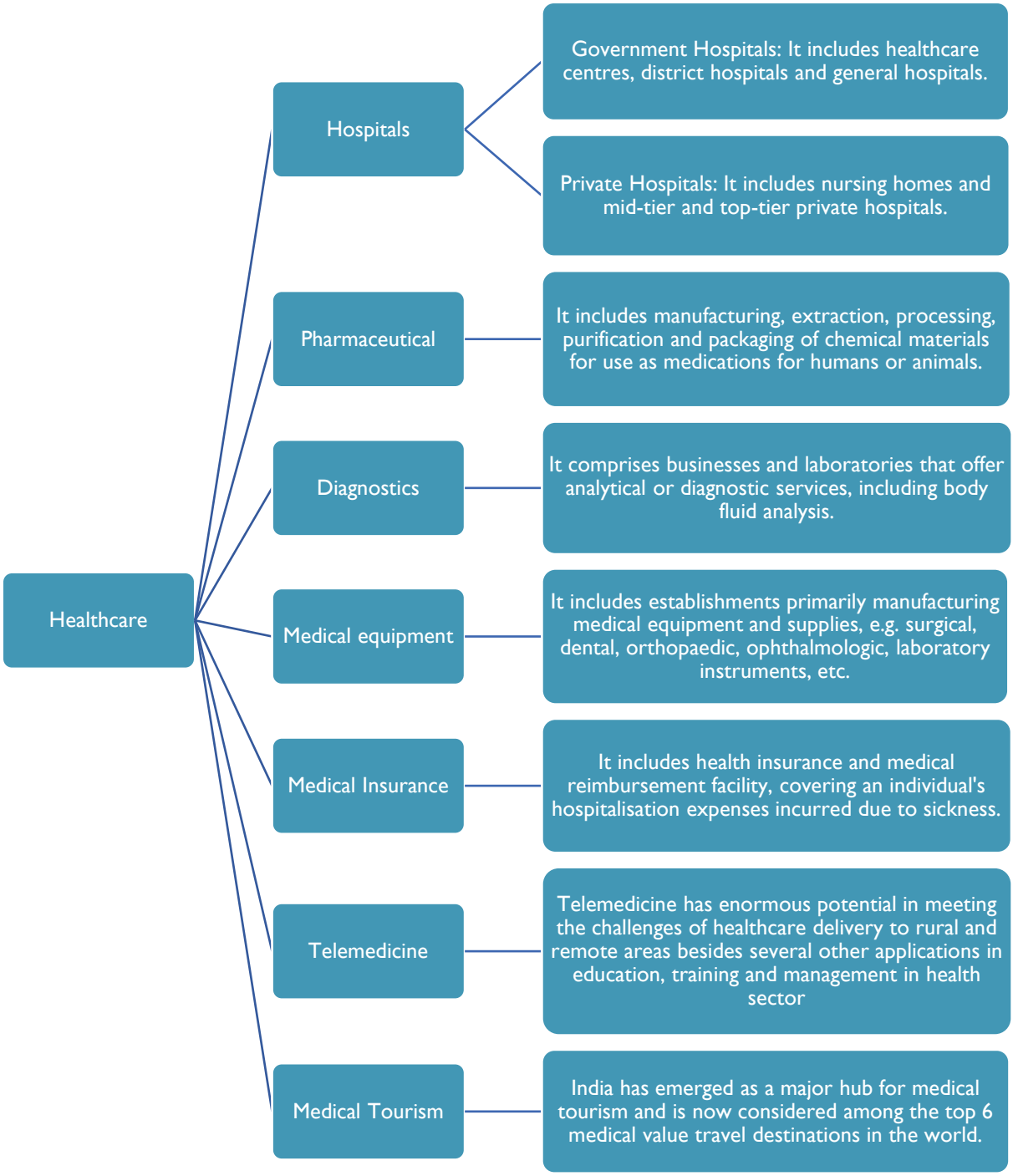
budget announced on 1st Feb 2024. Noteworthy positives in the budget include achieving a lower-than-targeted fiscal deficit for FY2024 and setting a lower-than expected fiscal deficit target for FY2025, proposing dedicated commodity corridors and port connectivity corridors, providing long-term financing at low or nil interest rates to the private sector to step up R&D (Research & Development) in the sunrise sectors.

Achieving a reduced fiscal deficit of 5.8% in FY2024 and projecting a lower than-anticipated fiscal deficit of 4.9% as announced in the interim budget in July 2024 for the current fiscal year (FY 2025) are positive credit outcomes for India. This showcases the country's capability to pursue a high-growth trajectory while adhering to the fiscal glide path. There has been a significant boost to capital expenditure for two consecutive years; capital expenditure – which is budgeted at 3.4% of GDP (INR 11.1 trillion/USD 134 billion) for fiscal year 2024-25 – is at a 21-year high (3.3% of GDP in fiscal year 2023-24. The enhancement of port connectivity, coupled with the establishment of dedicated commodity corridors (energy, mineral and cement), is poised to enhance manufacturing competitiveness. This strategic move aims to fulfil India's export targets and reduce logistics costs.

India's optimistic economic outlook is underpinned by its demographic dividend, which brings a substantial workforce that boosts labor participation and productivity. The burgeoning middle class and urbanization contribute to increased domestic consumption, driven by rising incomes and purchasing power. Extensive investments in infrastructure, encompassing roads, railways, ports, and digital connectivity, are enhancing productivity and efficiency, with government initiatives like the Smart Cities Mission and PM Gati Shakti creating a conducive growth environment. This digital transformation, catalyzed by initiatives such as Digital India, is fostering a tech-driven economy marked by enhanced internet penetration, digital payments, and e-governance, thereby fueling growth in sectors like fintech, e-commerce, and digital services. The push to position India as a global manufacturing hub through Make in India and PLI (Production Linked Incentive) schemes is further boosting industrial output, exports, and domestic production capabilities. Compared to other major emerging markets facing demographic and economic challenges, India's combination of demographic strengths, policy reforms, and strategic initiatives positions it as a standout performer and a significant driver of global economic growth in the foreseeable future.

Indian Healthcare Industry

The Healthcare industry comprises of following broad segments – Healthcare Delivery (Hospitals), Pharmaceuticals, Diagnostics, Medical Equipment & Supplies, Health Insurance, Telemedicine, and Medical Tourism. Healthcare Delivery (Hospitals) is the largest segment, within the healthcare industry, accounting for about 80% share in total industry by value.



Public & Private Healthcare Systems

Based on ownership pattern, healthcare delivery segment in India is categorized into two: public healthcare system and private healthcare system.

Public System:

India's public healthcare system is primarily managed and operated by the government at various levels – central, state, and local. Key components include Primary Health Centres (PHCs) in rural areas, Community Health Centres (CHCs) at the district level, and government hospitals. The focus of the public healthcare system is on providing affordable and accessible healthcare services to all citizens, especially in rural and underserved areas. While these facilities play a vital role in addressing basic healthcare needs, challenges such as inadequate infrastructure, resource shortages, and uneven distribution of healthcare professionals persist. Despite these challenges, the public healthcare system remains a crucial lifeline for a significant portion of India's population, offering services at subsidized rates or for free.

Private System:

The private healthcare system in India coexists with the public sector, catering to a diverse range of healthcare needs. Private hospitals, clinics, and specialty centres are prominent, especially in urban areas. These facilities often boast advanced medical technology, specialized services, and a higher standard of comfort and amenities. While the private sector contributes significantly to the healthcare landscape, it is characterized by varying quality and cost. High-end private hospitals provide world-class care but can be expensive, limiting access for a substantial portion of the population.

On the other hand, mid-range and smaller private clinics aim to bridge the gap between affordability and quality. Health insurance plays a crucial role in financing private healthcare, allowing individuals to access a broader spectrum of services. The private healthcare sector in India is dynamic, with ongoing efforts to address affordability and inclusivity challenges. However, concerns about overpricing, unnecessary procedures, and disparities in access persist, highlighting the need for a balanced and regulated healthcare ecosystem.

Public Healthcare	Private Healthcare
Economical	Expensive
Quality is inadequate	Quality is excellent; better than public counterparts
Provides basic services	Availability of specialized services
Limited specialists available	Wide range of specialists available

Widely available in both urban and rural areas	Majorly limited to urban areas

The preference for private healthcare services in India is fuelled by a perceived superior quality of medical aid and service excellence. Despite private healthcare being more expensive, a significant majority of individuals spending out of pocket opt for private healthcare services over public institutions. The prevailing belief is that the infrastructure of a hospital significantly impacts clinical outcomes. However, this preference is starkly contrasted by the reality that public healthcare institutions, while mandated to serve all segments of the population, often struggle with deficient services. Particularly in rural areas, where alternatives are limited, the reliance on private healthcare is accentuated. Despite this, India paradoxically stands as a sought-after destination for medical tourism, boasting well-trained medical professionals in the private sector with globally competitive pricing.

Public spending on Healthcare Infrastructure

India has witnessed a notable increase in public spending on healthcare infrastructure, reflecting a growing commitment to bolstering the nation's healthcare system. Government health expenditure stood at approximately 1.9% of GDP in 2023-24, an increase from 1.28% in 2018-19. The government aims to raise this to 2.5% by 2025, as outlined in the National Health Policy. This upward trend indicates a prioritization of healthcare investment to address the evolving needs of the population.

Additionally, in the interim Union Budget total budgetary allocation to the healthcare sector was increased to INR 901.71 billion for 2024-25 from INR 792.21 billion in 2023-24. This financial allocation highlights the government's commitment to enhancing healthcare infrastructure, accessibility, and services across the country. The increased budgetary allocation is expected to facilitate the development of new healthcare facilities, improvement of existing infrastructure, and the implementation of strategic healthcare initiatives.

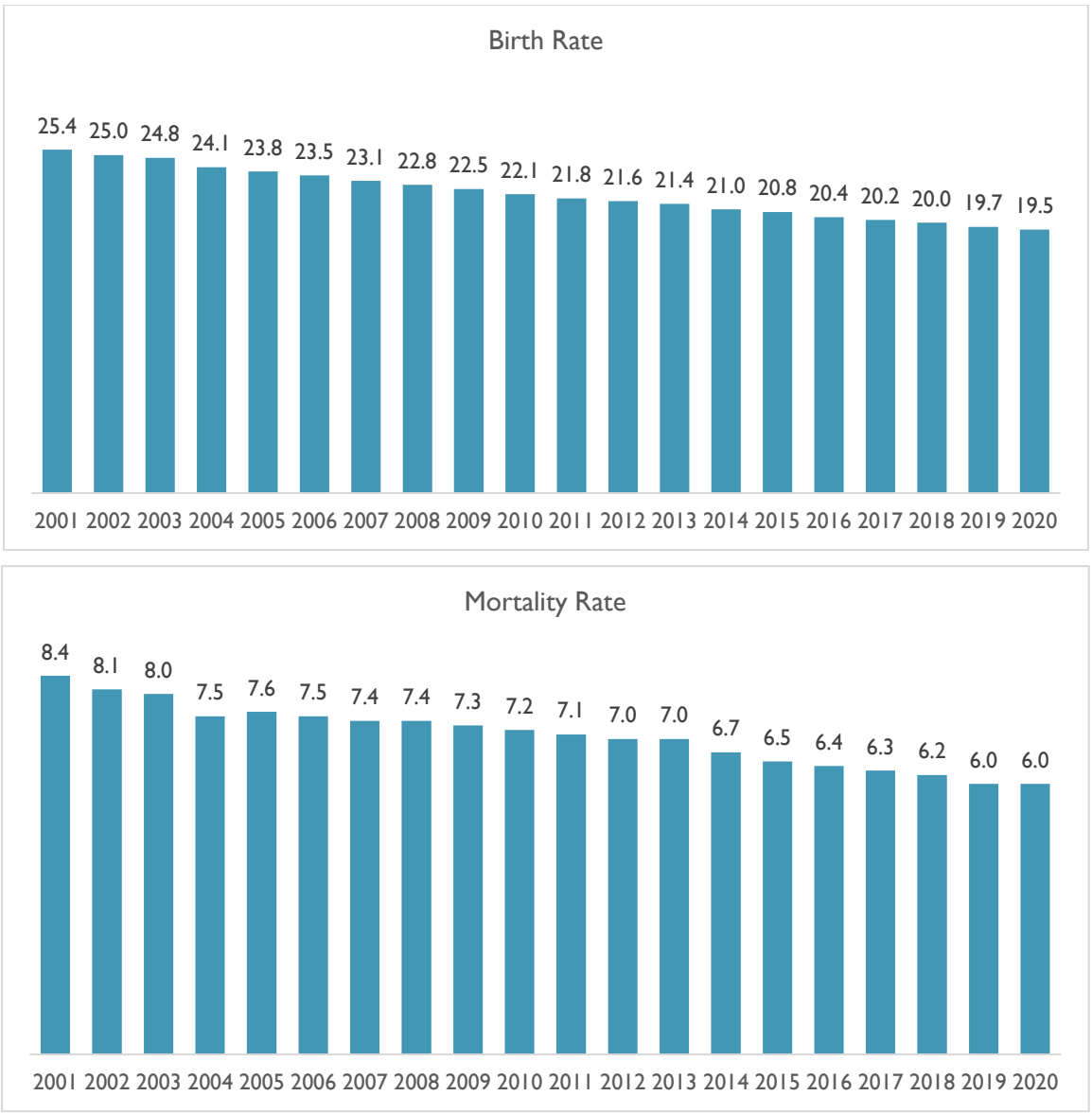
Furthermore, the introduction of the Ayushman Bharat-Pradhan Mantri Jan Arogya Yojana has the potential to bring about positive changes in the public healthcare system. The government aims to boost healthcare spending by 2025, a measure expected to decrease out-of-pocket healthcare expenses. It is anticipated that around 1.5 lakh health and wellness centres may be established under the PMJAY initiative.

The public healthcare segment in India, while witnessing positive strides, continues to grapple with the demands of a vast and diverse population, necessitating sustained efforts and investments.

Key Healthcare Indicators

In 2001, the Birth Rate stood at 25.4, indicating the number of live births per 1,000 people. Subsequently, a consistent and gradual decline is observed year by year, culminating in a Birth Rate of 19.5 in 2020. This decline

suggests a multifaceted interplay of social, economic, and cultural factors influencing family planning decisions. Potential contributors to this trend may include changing societal norms, increased access to family planning resources, higher educational aspirations impacting family size choices, and economic considerations influencing the decision to have children.



Source: National Health Profile 2022

Simultaneously, the Mortality Rate trend from 2001 to 2020 demonstrates a noteworthy and continuous decrease, indicating a reduction in the number of deaths per 1,000 people. Beginning at 8.4 in 2001, the Mortality Rate consistently declines, reaching 6.0 in 2020. This decline is indicative of advancements in healthcare, disease prevention, and overall improvements in the public health landscape. Factors contributing to this positive trend

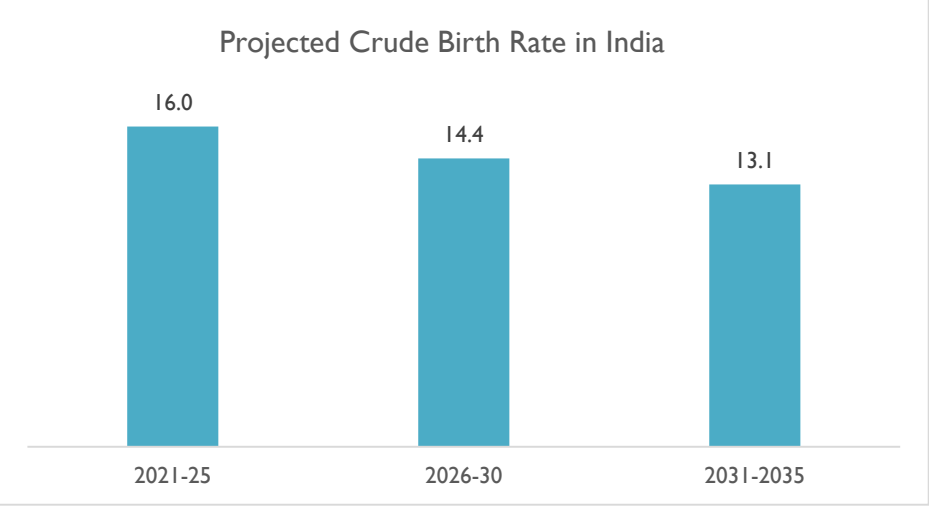
may include enhanced medical technologies, improved access to healthcare services, public health interventions, and disease management strategies.

This decline in Birth Rate and Mortality Rate signals an impending demographic shift towards an aging population. As the proportion of elderly individuals rises, considerations for family structures, geriatric healthcare, and workforce composition becomes pivotal.

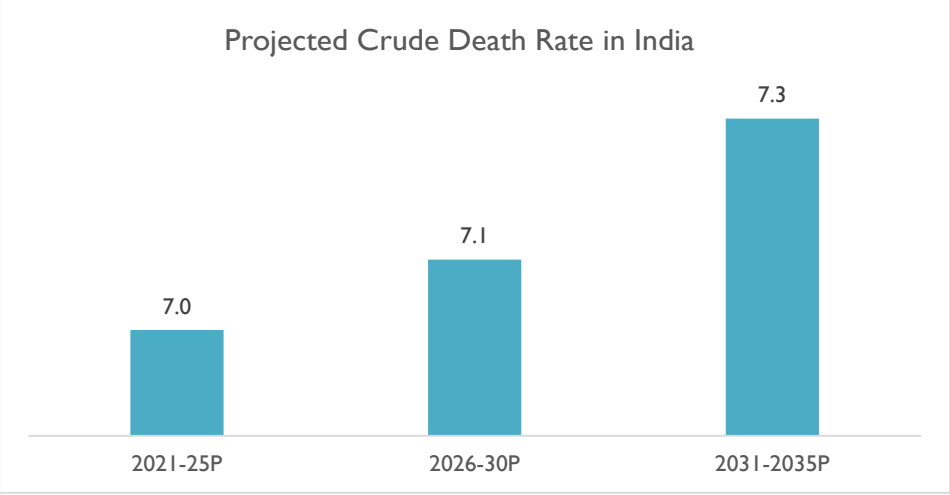
Hospitals can capitalize on this trend by developing specialized geriatric care services, focusing on chronic disease management, adopting advanced medical technologies, collaborating with senior care facilities for a continuum of care, investing in training programs for healthcare professionals, and engaging in community education initiatives.

Projected Crude Birth & Death Rates:

The projected crude birth rate (the number of live births in a year per 1,000 population estimated at midyear) in India is expected to decline steadily over the coming decades, dropping from 16.0 births per 1,000 population during 2021–25 to 14.4 during 2026–30, and further to 13.1 during 2031–35.



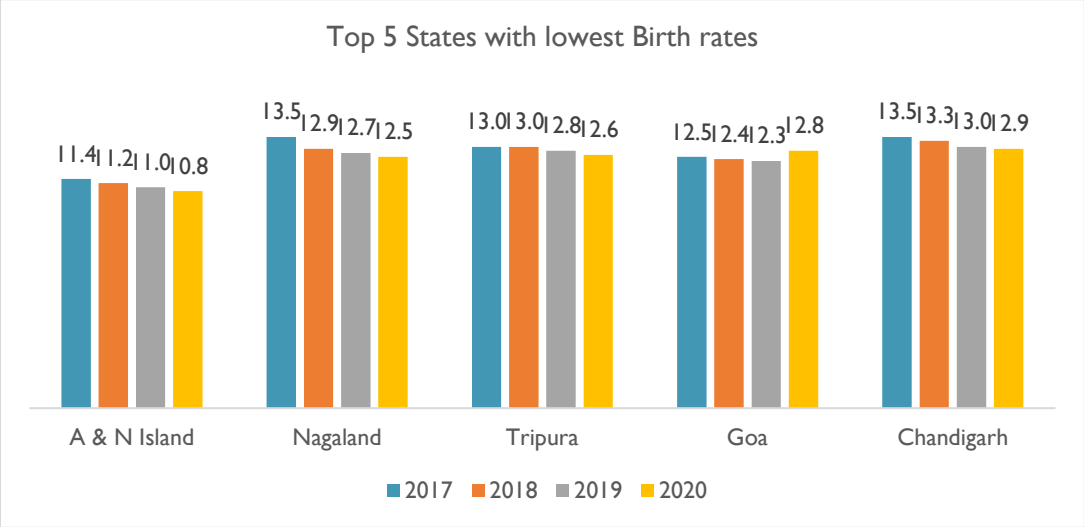
Source – National Health Profile 2022

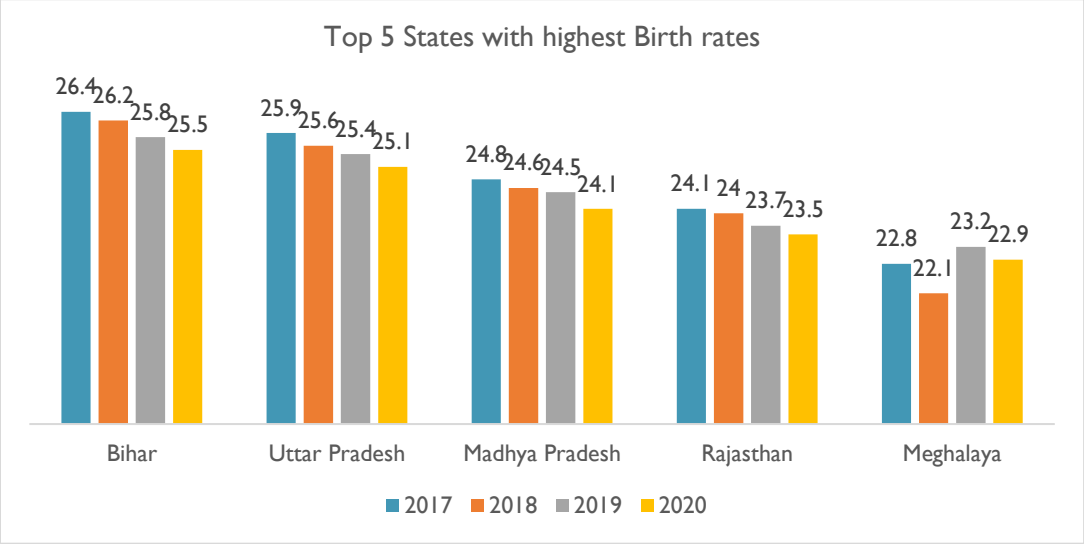


Conversely, the crude death rate (number of deaths in a year per 1,000 population estimated at midyear) is projected to rise gradually, increasing from 7.0 deaths per 1,000 population in 2021–2025 to 7.1 during 2026–2030 and 7.3 during 2031–2035. This trend reflects a shift toward an aging population, declining fertility, and improvements in healthcare influencing both birth and death rates over time.

State-wise trend.

Beginning with the states exhibiting the lowest birth rates, the Andaman and Nicobar Islands consistently lead this category, showcasing a gradual decline from 11.4 in 2017 to 10.8 in 2020. The trend is mirrored by Nagaland, Tripura, Goa, and Chandigarh, indicating a collective moderation in childbirth across these regions. Possible contributors to this trend include increased urbanization, higher educational attainment, and a heightened awareness of family planning methods, collectively influencing a downward trajectory in fertility rates.

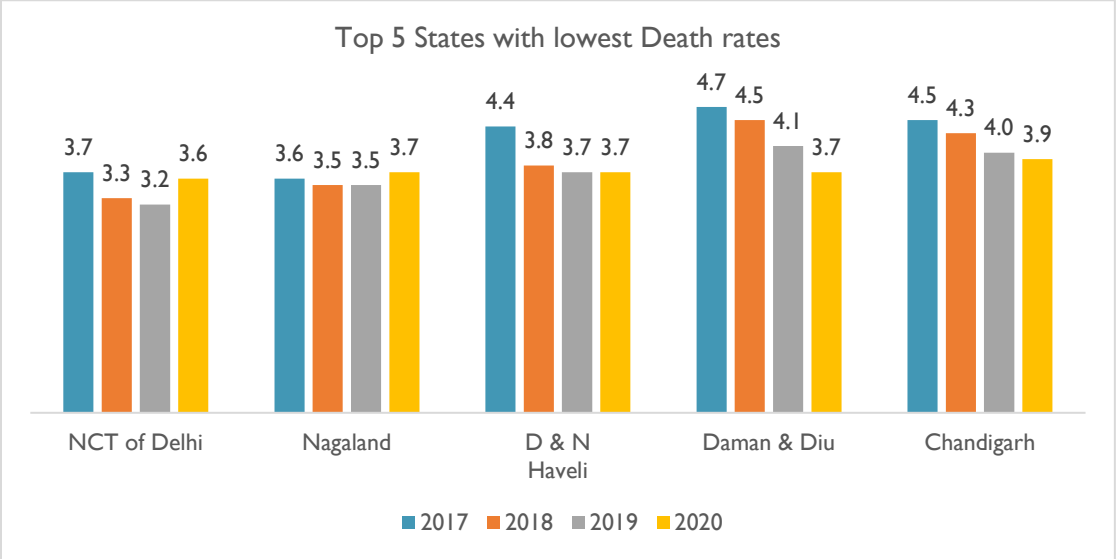


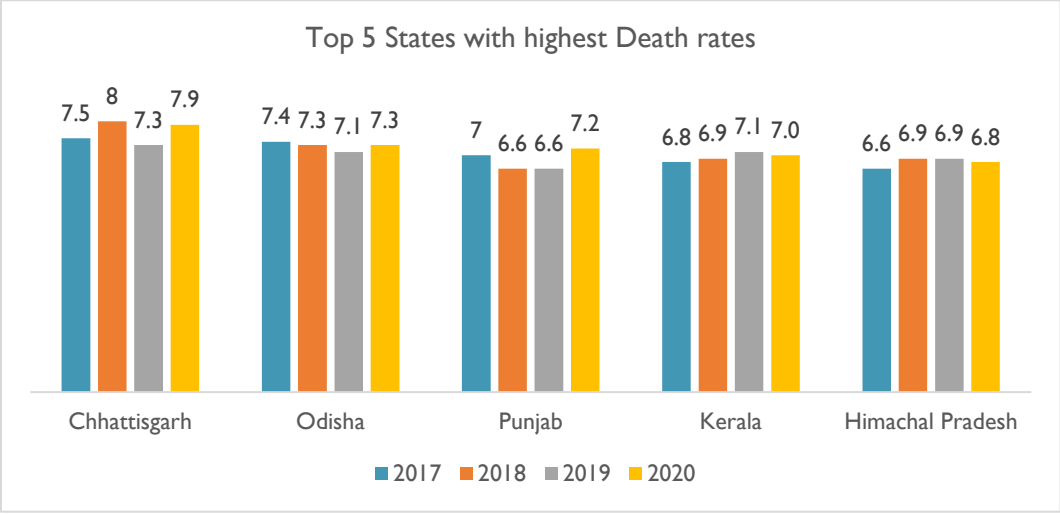


Source: National Health Profile 2022

On the flip side, the states with the highest birth rates are prominently led by Bihar, demonstrating consistently elevated rates, albeit with a declining trend from 26.4 in 2017 to 25.5 in 2020. Uttar Pradesh, Madhya Pradesh, Rajasthan, and Meghalaya also feature prominently in this category, emphasizing a sustained higher fertility rate. The underlying factors contributing to these higher birth rates may encompass larger rural populations, limited accessibility to family planning resources, and cultural preferences that influence family size decisions.

Chhattisgarh emerges as a notable state with consistently higher death rates, experiencing a fluctuating trend from 7.5 in 2017 to 7.9 in 2020. Odisha, Punjab, Kerala, and Himachal Pradesh also feature among the states with elevated death rates. This may be indicative of various factors, including healthcare infrastructure challenges, disease prevalence, and demographic considerations, contributing to the observed variations in mortality rates across these regions.



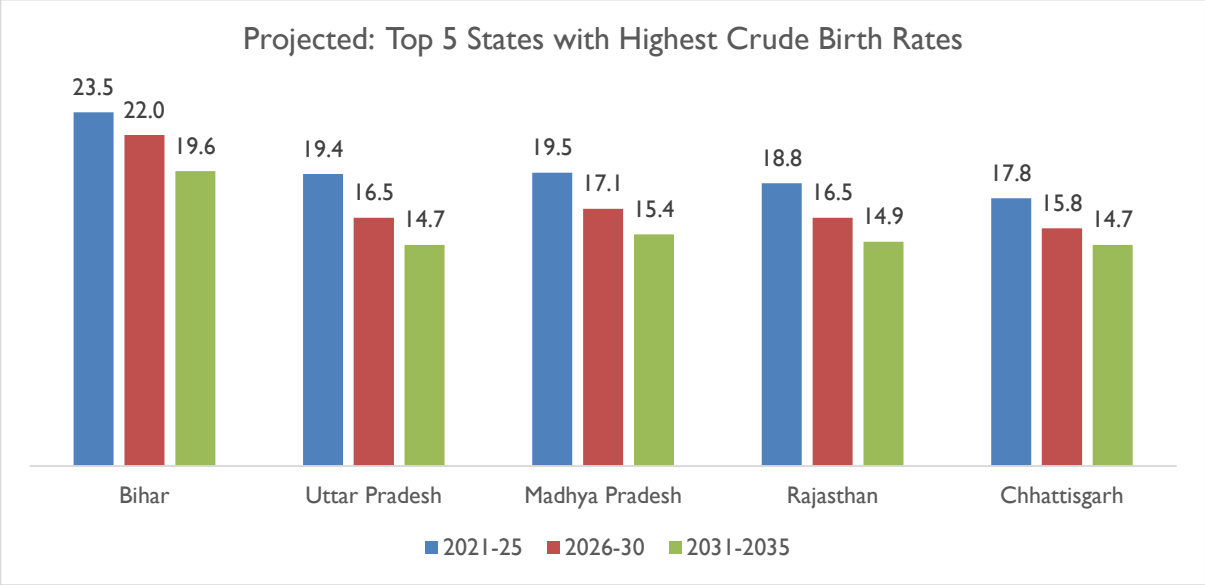


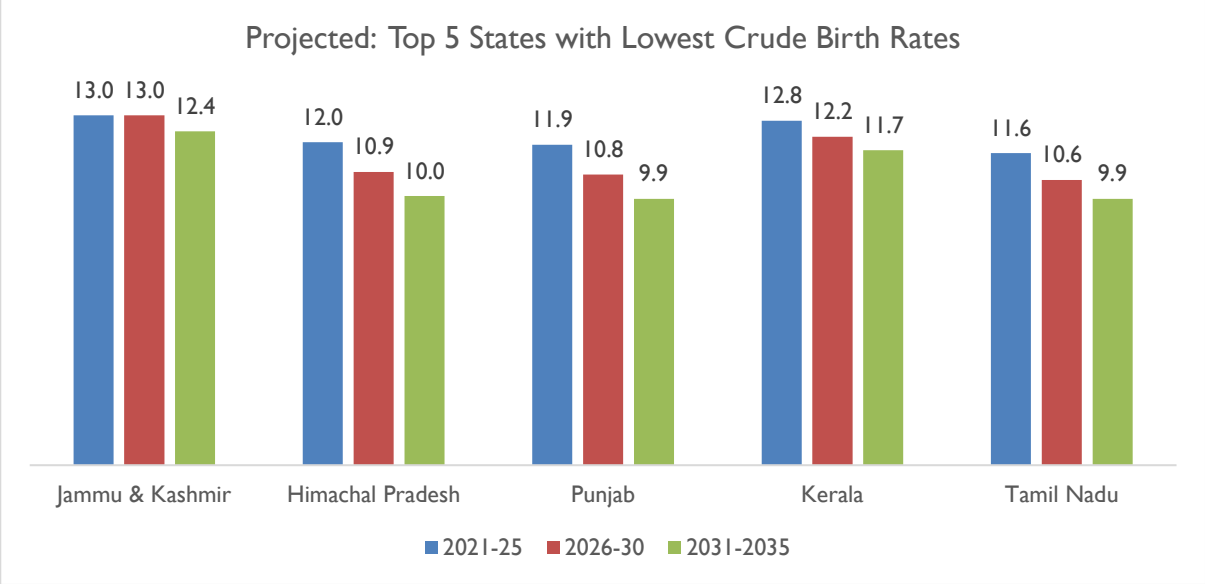
Source: National Health Profile 2022

Conversely, states with the lowest death rates are led by NCT of Delhi, showcasing a consistently lower mortality trend from 3.7 in 2017 to 3.6 in 2020. Nagaland, D & N Haveli, Daman & Diu, and Chandigarh also exhibit lower death rates, reflecting potential strengths in healthcare delivery, disease management, and overall public health infrastructure. The comparatively lower mortality rates in these regions may be attributed to factors such as better healthcare access, disease prevention initiatives, and effective public health interventions.

Projected Crude Birth Rates by States:

As per projections, Bihar, Uttar Pradesh, Madhya Pradesh, Rajasthan, and Chhattisgarh are expected to have the highest crude birth rates in India during 2021-2035. These states continue to show higher fertility levels compared to the national average, reflecting regional disparities in population growth dynamics.





Source – National Health Profile 2022

In contrast, Jammu & Kashmir, Himachal Pradesh, Punjab, Kerala, and Tamil Nadu are projected to have the lowest crude birth rates during the same period, indicating lower fertility rates and demographic transitions towards stabilized population growth.

Projected Crude Death Rates by States:

In terms of crude death rates Uttar Pradesh, Madhya Pradesh, Chhattisgarh, Odisha, and Andhra Pradesh are projected to have the highest rates from 2021 to 2035. These states face significant healthcare challenges and aging populations, contributing to higher mortality rates.

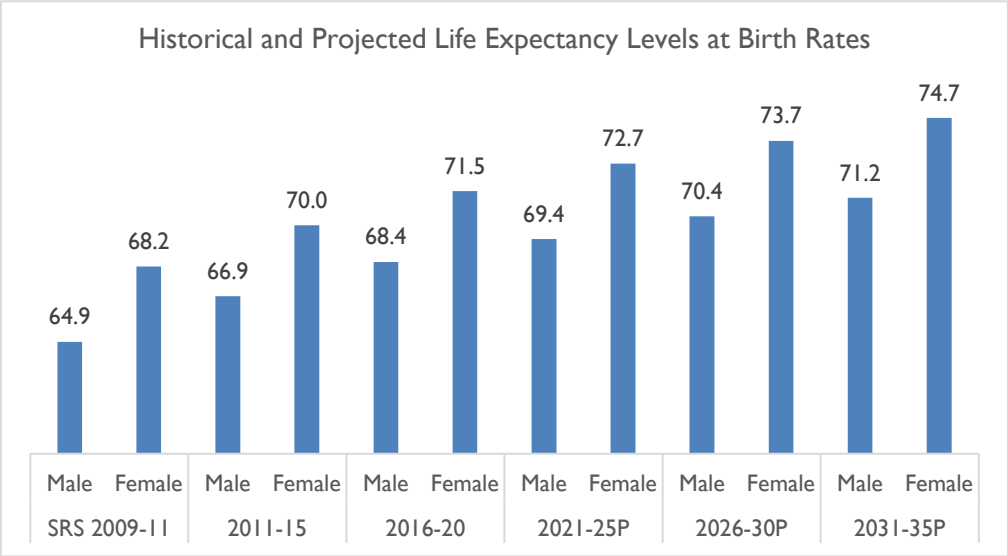
Source – National Health Profile

On the other hand, Uttarakhand, Bihar, Jharkhand, Jammu & Kashmir, and the National Capital Territory (NCT) of Delhi are expected to have the lowest crude death rates during 2021-2035, reflecting better healthcare access and relatively younger populations.

Rising life expectancy

The historical data on life expectancy in India shows a consistent improvement for both males and females. Between 2009-11, life expectancy was 64.9 years for males and 68.2 years for females. This increased to 66.9 years for males and 70.0 years for females in 2011-15 and further rose to 68.4 years for males and 71.5 years for females by 2016-20. Post-2020, the figures are projected to continue this upward trend. For 2021-25, life expectancy is estimated at 69.4 years for males and 72.7 years for females. By 2026-30, this is expected to rise to 70.4 years for

males and 73.7 years for females, eventually reaching 71.2 years for males and 74.7 years for females during 2031-35.



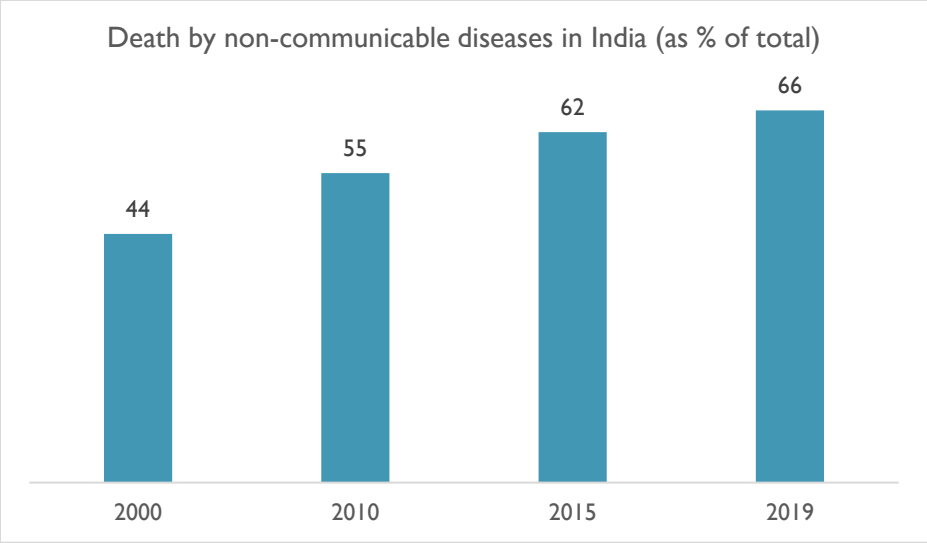
Source – National Health Profile 2022

Interestingly, when examining gender-specific data, females exhibit a slightly higher life expectancy compared to males during the same period. This gender disparity, a common global phenomenon, underscores the importance of considering both biological and social factors in health outcomes. The rising life expectancy emphasizes the need for strategic healthcare planning to address the evolving demographic dynamics, particularly the challenges and opportunities associated with an aging population.

Changing disease profile in India

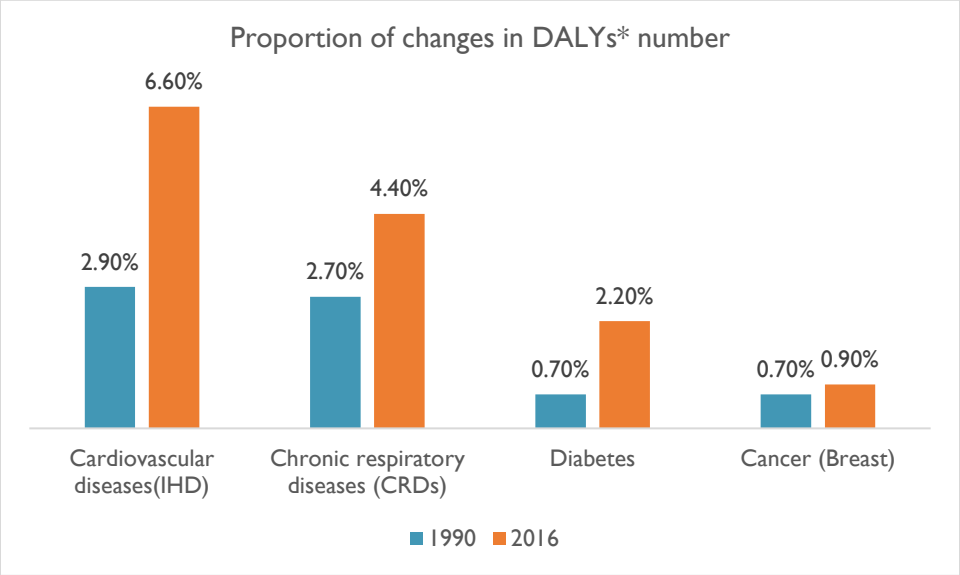
Noncommunicable diseases (NCDs), or chronic illnesses, typically have prolonged durations and result from a combination of genetic, physiological, environmental, and behavioral factors. The primary categories of NCDs include cardiovascular diseases (like heart attacks and strokes), cancers, chronic respiratory diseases (such as chronic obstructive pulmonary disease and asthma), and diabetes.

Globally, NCDs are responsible for 41 million deaths annually, constituting 74% of all global fatalities. Of these deaths, 17 million occur before the age of 70, with 86% transpiring in low- and middle-income countries. In India, NCDs contribute to approximately 5.87 million deaths, making up 60% of the total mortality, as reported by WHO in 2014 and the United Nations Statistics Division. Notably, India bears more than two-thirds of the total NCD-related deaths in the South-East Asia Region (SEAR) of the World Health Organization (WHO).



Source: WHO

The four major NCDs are cardiovascular diseases (CVDs), cancers, chronic respiratory diseases (CRDs) and diabetes which share four behavioral risk factors –unhealthy diet, lack of physical activity, and use of tobacco and alcohol.



Source: Ministry of Health and Family Welfare

* Disability Adjusted Life Years

A recent investigation conducted by the Madras Diabetes Research Foundation in collaboration with the Indian Council of Medical Research (ICMR) and the Ministry of Health and Family Welfare has illuminated the escalating burden of NCDs in India.

- The findings reveal that Goa, Puducherry, and Kerala exhibit the highest diabetes prevalence, ranging from 25% to 26.4%. The study discloses that India now harbors 101 million individuals with diabetes, identifies 136 million people with prediabetes, notes 315 million with hypertension, and recognizes 254 million with general obesity and 351 million with abdominal obesity.
- Additionally, 213 million individuals grapple with hypercholesterolemia, posing an augmented risk of heart attacks and strokes, while 24% of Indians experience this condition. Moreover, 185 million individuals show elevated low-density lipoprotein (LDL) cholesterol levels. Thus, these findings reveal that the prevalence of NCDs in India surpasses previous estimations.

This surge in noncommunicable diseases in India presents a formidable health challenge, driven by a complex interplay of genetic, physiological, environmental, and behavioral factors. The escalating prevalence of NCDs in the country emphasizes the need for urgent and targeted preventive measures.

Addressing the rising tide of NCDs in India necessitates collaborative efforts among government entities, healthcare providers, and communities. By strategically aligning specialized services and preventive healthcare packages with the escalating demand for NCD management, hospitals can position themselves not only as a healthcare provider but as a key player in meeting the evolving health needs of the population.

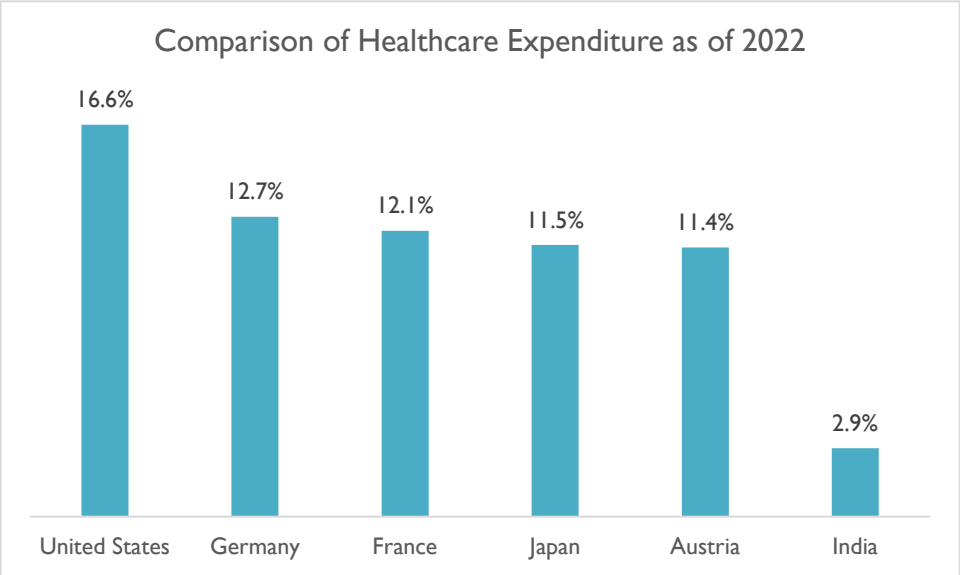
This integration of NCD prevention into the broader healthcare agenda, coupled with strengthened infrastructure and research collaborations, is key to fostering a resilient healthcare system capable of tackling the multifaceted challenges posed by these chronic diseases. This would not only ensure effective management of NCDs, but also ensure the overall well-being and productivity of the population.

Comparative Analysis: India v/s key emerging & developed economies.

Government health expenditure stood at approximately 1.9% of GDP in 2023-24, an increase from 1.28% in 2018-19. The government aims to raise this to 2.5% by 2025, as outlined in the National Health Policy. As per OECD[3] data 2022, India allocated only 2.9% of its GDP to healthcare, highlighting a stark contrast with many other nations. The United States topped the list, dedicating 16.6% of its GDP to healthcare, far surpassing all other countries. Germany, the second-highest spender, allocated 12.7%, followed by France (12.1%), Japan (11.5%), and Austria (11.4%). Additionally, a group of high-income countries, including Canada and others, invested more than 10% of their GDP in healthcare. In Central and Eastern European OECD countries, as well as newer OECD members from Latin America, health expenditure ranged between 6-9% of GDP.

[3] The Organisation for Economic Co-operation and Development

Compared to these countries, India's low health expenditure underscores significant challenges in prioritizing and funding its healthcare system, emphasizing the need for greater investment to bridge the gap.



Source - OECD

India also ranks relatively low with one of the highest out-of-pocket spending i.e., healthcare spending bear by the patient itself as compared to the other developed markets like the USA. Reflecting this low level of the healthcare indicator, India ranks at 134th position (amongst 193 countries) on the Human Development Index ranking as per the United Nations Human Development Report of 2023-2024.

Key Healthcare Infrastructure Metrics

Healthcare Infrastructure	India	China	Brazil	USA	Global Average
Hospitals bed per 1000 population	0.5	4.3	2.1	2.9	2.89
Healthcare Workforce	**India**	**China**	**Brazil**	**USA**	**Global Average**
Number of Doctors/ Physicians per10,000 Population	9.3	24	23.1	35.5	17.5
Nursing Personnel per 10,000 Population	23.9	33.05	74	156.9	39
Dentist per 10,000 persons	2	4.5	6.7	5.99	NA

Pharmacists per 10,000 Population	8.6	3.2	6.8	10.64	N.A.

Source: World Health Organization 2021, World Bank

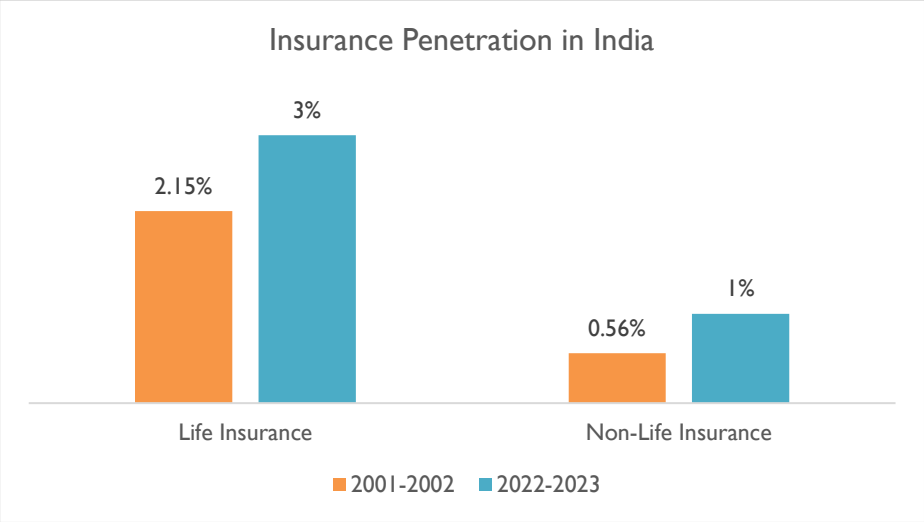
As evident from the above table, public healthcare infrastructure in India is inadequate. Public healthcare infrastructure is thus riddled with challenges, curtailing its objective of providing affordable healthcare services to the masses. Manpower shortage (doctors and paramedical staff), and poor capital investment planning are two of the key factors that is preventing the growth of public healthcare system.

The country has abysmally low 0.5 public hospital beds per 1,000 population and mere 1.4 beds, including public and private hospital beds per 1,000 persons. The country also fares badly on some of the key healthcare parameters.

Thus, overall healthcare market in India is underpenetrated. This lacuna created a demand for an efficient healthcare infrastructure, which was exploited by the private healthcare providers. Today, private healthcare infrastructure, particularly tertiary care hospitals have emerged as the central pillar of Indian healthcare industry, transforming itself into a multi-billion-dollar industry.

Health Insurance penetration

The latest report from the Insurance Regulatory and Development Authority of India (IRDAI) for the fiscal year 2022-2023 provides insights into the health insurance penetration in India. In 2022-2023, the global insurance premiums volume including life & non-life insurance is projected to grow by 1.1% in 2023 and 1.7% in 2024. driven by rate hardening in advanced markets. In the life insurance domain, India secured the 10th position globally in 2022, with a 1.9% share in the global insurance market.



Source: IRDAI

Analysing the life and non-life segments, life insurance penetration increased from 2.15% in 2001-02 to 3% in 2022-23. Concurrently, non-life insurance penetration witnessed growth from 0.56% to 1.0% during the same period. Non-life insurance is inclusive of segments like health, motor, crop, fire etc. This suggests a balanced expansion in both sectors, contributing to the overall insurance landscape.

Moreover, the overall insurance density in India saw an increment from USD 91 billion to USD 92 billion in 2021-23. The consistent rise in insurance density indicates a positive trajectory. Specifically, life insurance density increased from USD 9.1 in 2001-02 to USD 70 in 2022-23, while non-life insurance density surged from USD 2.4 billion to USD 22 billion during the same period. These figures signify an increasing awareness and uptake of insurance products in India, contributing to the overall growth and stability of the insurance sector.

Regulatory Landscape

Key Regulatory Bodies

In India, several key regulatory bodies are responsible for overseeing the healthcare sector and hospitals. Historically, the Medical Council of India (MCI) played a pivotal role in setting medical education standards and regulating the medical profession. However, the landscape has evolved, and the MCI has been replaced by the National Medical Commission (NMC), which now governs medical education and practices. Moreover, each Indian state has its own medical council for doctor registration and regulation. The National Accreditation Board for Hospitals and Healthcare Providers (NABH) serves as an autonomous institution that grants accreditation to healthcare organizations, ensuring they meet specific quality and safety standards. Additionally, the Central Drugs Standard Control Organization (CDSCO) oversees the import, manufacture, distribution, and sale of drugs and medical devices to maintain safety and efficacy.

Furthermore, various healthcare finance and insurance authorities, including the Insurance Regulatory and Development Authority (IRDAI), manage the financial aspects of healthcare and insurance. Each state in India also has its health department responsible for healthcare regulation, policies, and implementation. It's important to stay updated on the evolving healthcare regulatory landscape in India to ensure compliance with the latest regulations and standards.

Accreditation Standards

Healthcare facilities in India primarily obtain accreditation from the following key institutions: NABH Accredited, JCI Accredited, ISO Accredited, and NIAHO Accredited. To comply with NABH accreditation, depending on the number of beds, a hospital must spend in the range of approximately INR 2,45,000 – 7,15,000 forcing smaller hospitals to refrain from the process.

The non-mandatory nature of the certification too has resulted in smaller hospitals not going for the accreditation process. However, of late, more and more hospitals are moving towards obtaining the certification. Recent, government notification that allows only NABH-certified hospitals to be empaneled in the Central Government Health Scheme (CGHS)[4] too have helped in increasing the number of hospitals seeking NABH accreditation. As a result, there are over 1,197 NABH accredited hospitals in the country as per NABH website accessed on 06.10.2023.

Apart from NABH, JCI accreditation bestowed by the US based Joint Commission International is another major quality certificate sought by corporate hospitals. Currently, there are more than 35 JCI certified hospitals in the country including Apollo Hospitals, Bangalore; Apollo Hospital, Chennai; Apollo Hospitals, Hyderabad; Apollo Hospitals, Delhi; Indraprastha Apollo Hospital; Wockhardt Hospital, Bangalore; Wockhardt Hospital, Mumbai; Fortis Hospital, Mohali.

Analysis of Government initiatives to improve health infrastructure in India.

Healthcare is one of the critical areas and with outbreak of Covid-19 has gained much attention. Few major initiatives announced to strengthen public healthcare infrastructure in India are discussed below:

National Health Mission (NHM) launched in 2013, subsumes earlier schemes like NRHM and National Urban Health Mission (NUHM). NHM aims to provide universal access to equitable, affordable, and quality health care services to rural as well as weaker section population in urban areas. NUHM covers slum dwellers and other marginalized groups across all cities/ towns with a population of more than 50,000[5]. Since, launch in 2005, NHRM has led to improvement in overall healthcare delivery service with improved infrastructure, drugs, equipment, and human resources availability at different levels in rural areas. The National Health Mission aims to strengthen infrastructure in District Hospitals, Sub-district Hospitals and Primary Health Centres to provide Universal Health Coverage. It also targets to reduce Out of Pocket Expenditure (OOPE) along with initiatives such as Free Drugs and Diagnostics Services Initiatives.

The scheme extends financial support to States to strengthen their public health system including upgradation of existing or construction of new infrastructure. Under NHM, high focus states can spend up to 33% and other States up to 25% of their NHM funds on infrastructure.

The population Norms for setting up of public health facilities are as under:

- **Sub Centre**: 1 per 5,000 population in general areas and 1 per 3,000 population in difficult/tribal and hilly areas.

[4] CHGS, introduced in 1954, provides comprehensive health care facilities for the Central Govt. employees and pensioners and their dependents residing in CGHS covered cities. Currently, it is operational in about 74 cities with 38.5 lakh beneficiaries. This scheme provides comprehensive health care to the CGHS Beneficiaries in India

[5] Areas with Population below 50,000 are covered under the NRHM.

- **Primary Health Centre:** 1 per 30,000 population in general areas and 1 per 20,000 population in difficult/tribal and hilly areas.
- **Community Health Centre**: 1 per 1,20,000 population in general areas and 1 per 80,000 population in difficult/tribal and hilly areas.

Strengthening of Sub-Health Centres based on 'time to care' within minutes by walk from habitations has been adopted in selected districts of a hilly and desert areas.

National Health Policy 2017: In March 2017, the government approved the National Health Policy, 2017 (NHP 2017). It outlined comprehensive objectives to enhance population health through integrated sector-wide measures. This is being done so by prioritizing expanding preventive, promotive, curative, palliative, and rehabilitative services within the public health sector to achieve Universal Health Coverage (UHC). The policy aimed to provide free, comprehensive primary health care services, addressing various health aspects and diseases. Encouraging collaboration with the non-government sector aimed to facilitate healthcare access through a health card system.

Additionally, the policy focused on enhancing access and affordability of quality secondary and tertiary care services. This included strengthening public hospitals and strategically purchasing services from not-for-profit private care providers to reduce out-of-pocket expenditures. To build trust, the policy aimed to create an efficient, patient-centric, and affordable healthcare framework, meeting immediate needs.

Moreover, the policy aimed to align private health sector growth with public health goals. It sought to influence private sector operations and technologies, ensuring alignment with public health objectives. Strategic government purchasing would address gaps in public health facilities, encouraging private sector involvement for effective, ethical, and affordable healthcare provision, fostering synergy between public and private healthcare.

NHP 2017 laid down several goals and objectives. These goals and objectives are aligned to achieve sustainable development in health sector in keeping with the policy thrust. They are:

- Firstly, the policy aimed to enhance life expectancy at birth to 70 years by 2025, alongside establishing a systematic tracking mechanism for Disability Adjusted Life Years Index to measure the burden of disease. Concurrently, it sought to bring down the Total Fertility Rate (TFR) to 2.1 at both national and sub-national levels by 2025, aligning with demographic health goals.
- In addressing mortality concerns, the policy outlined ambitious targets, including a reduction of Under Five Mortality to 23, neo-natal mortality to 16, with an additional goal of achieving "single-digit" stillbirth rates by 2025. These objectives collectively aimed at improving overall health indicators and ensuring a healthier population.

- Simultaneously, the policy highlighted the imperative to expand the coverage of health services. This encompassed boosting public health facility utilization by 50% by 2025, sustaining antenatal care coverage and skilled attendance at birth above 90%, achieving over 90% full immunization for newborns by one year of age, and meeting family planning needs above 90% at both national and sub-national levels. Additionally, the policy set a target for 80% of known hypertensive and diabetic individuals at the household level to maintain a "controlled disease status" by 2025. These initiatives aimed at fostering widespread access to quality healthcare and promoting preventative measures.

National Digital Health Blueprint (NDHB)

NDHB is aimed at establishing a National Digital Health Ecosystem that facilitates Universal Health Coverage in a manner that is efficient, accessible, inclusive, affordable, timely, and safe. This will be achieved by offering a comprehensive array of data, information, and infrastructure services, utilizing open, interoperable, standards-based digital systems. The initiative prioritizes ensuring the security, confidentiality, and privacy of health-related personal information throughout this process.

The goals of the National Digital Health Blueprint are in harmony with the vision outlined in the National Health Policy 2017 and the health-related Sustainable Development Goals. These objectives encompass:

1. Managing the foundational digital health data and the associated infrastructure to facilitate seamless exchange.
2. Encouraging the adoption of open standards by all participants in the National Digital Health Ecosystem (NDHE), supporting the development of diverse digital health systems spanning wellness to disease management.
3. Establishing a Personal Health Records system, adhering to international standards, accessible to citizens and service providers with citizen-consent.
4. Defining data ownership pathways where the patient retains ownership of their Electronic Health Record (EHR), and health facilities and government entities maintain the data under trust on behalf of the patient.
5. Embracing cooperative federalism principles in collaboration with states and Union Territories to realize the vision.
6. Fostering Health Data Analytics and Medical Research.
7. Improving efficiency and effectiveness of governance across all levels.
8. Ensuring healthcare quality.
9. Capitalizing on existing Information Systems within the health sector.

The implementation strategy for the National Digital Health Blueprint involves the formation of a new entity known as the National Digital Health Mission (NDHM). This entity is proposed to be established as a government

organization with full functional autonomy, drawing inspiration from successful models such as the Unique Identification Authority of India (UIDAI) and the Goods and Services Network GSTN.

National Digital Health Mission

The National Digital Health Mission, launched in August 2020, is a transformative initiative aimed at fostering Atmanirbharta, or self-reliance, in delivering universal health coverage to all citizens of India. In alignment with the National Health Policy (NHP) 2017 and the National Digital Health Blueprint, NDHM seeks to establish a robust digital infrastructure for healthcare services throughout the nation. The mission envisions a national digital health ecosystem that embodies efficiency, accessibility, inclusivity, affordability, timeliness, and safety.

At its core, NDHM is designed to create a comprehensive digital infrastructure, encompassing significant health-related data and standardized digital services. This infrastructure is geared towards ensuring the strict confidentiality and security of personal information for the public. With a commitment to making healthcare services efficient, accessible to all, inclusive, affordable, timely, and safe, NDHM is poised to revolutionize healthcare delivery in India. The mission reflects a forward-looking approach, leveraging digital capabilities to enhance the overall health experience for citizens while adhering to the principles of security and confidentiality.

NDHM will implement the following digital systems across the country:

- Health ID: Implementation of a Unique Health ID (UHID) just like an Aadhaar ID to identify and authenticate an individual based on past health records. To create a wide network of health records, the data will also be shared with various stakeholders after getting an informed consent from the individual.
- Digi Doctor: A repository of doctors with individual details like name, institution, qualification, specialization and years of experience among other necessary details. The directory of doctors will be updated from time to time and mapped with the facilities those doctors are associated with.
- Health Facility Register (HFR): A repository of Health Facilities across the country. HFR will be centrally maintained and facilitate standardised data exchange of private and public health facilities in India. Health facilities will also be allowed to update their profiles periodically.
- Personal Health Records (PHR): A PHR is an electronic record of an individual which would contain health-related information of that individual. The data contained in PHR could be drawn from multiple sources and will be managed and controlled by the individual, who can update/ edit information.
- Electronic Medical Records (EMR): An app that contains medical and treatment history of a patient. EMR is envisaged to be a web-based system that would contain comprehensive health related information of a patient at a facility. This would help clinicians track their patients, monitor their health and suggest preventive check-ups and screenings.

NDHM is expected to bring greater efficiency, cost savings, and translate in improve the overall productivity and outcome of the healthcare segment in India.

Ayushman Bharat Pradhan Mantri Jan Arogya Yojana (AB PM-JAY)

In the Union Budget 2018-19, the Government of India announced Ayushman Bharat Mission, the largest healthcare scheme in the world, to achieve Universal Health Coverage. The two major features of this scheme are the expansion of primary health care initiatives through the creation of 150,000 Health and Wellness Centres (HWCs), staffed by front-line workers and a new cadre of Community Health Officers. The second is the Pradhan Mantri Jan Arogya Yojana (PMJAY) which is the largest health assurance scheme in the world which aims to provide a health cover of INR 5 lakhs per family per year for secondary and tertiary care hospitalization.

In this scheme, a total of 27,742 hospitals including 11,973 private hospitals with 13.3 lakh beds have been empanelled under the scheme. Among these 3,196 hospitals have more than 100 beds, whereas 7005 hospitals have more than 50 beds and are accredited under AB-PMJAY. 435 hospitals with more than 500 beds in total have also been included in the plan. Additionally, out of total number of empanelled hospitals 234 Medical Colleges have also been empanelled under this scheme.

The scheme targets to cover 55 crore people from 12 crore families, majorly poor and deprived families that form 40% of the bottom of the population. The benefits will also not be restricted by family size or age. The scheme will be an entitlement-based scheme with entitlement decided on the basis of deprivation criteria in the Socio-Economic Caste Census (SECC) database.

Expenditure incurred in premium payment will be shared between Central and State Governments in the ratio of 60:40 (other than North-Eastern States & three Himalayan States) and Union Territories with legislature. All public hospitals in the country will be implementing the scheme whereas empanelment of private hospitals will be subject to a pre-defined criterion. To control costs, government will define the cost of treatments.

The scheme will have major impact on reduction in Out of Pocket (OOP) expenditure. As per 75th round of National Sample Survey (NSS) conducted for period the Jul'2017-Jun'2018, the average per hospitalization expenditure in private hospitals stood at INR 31,845 against INR 25,850 in 71st round of NSS conducted for the period Jan-Jun'2014, an increase 23% between 2014-18.

This scheme aims to lower out of pocket expenditure, which in turn helps in improving financial stability, especially among economically weaker segments.

In Union Budget 2020-21, it was proposed to set up Viability Gap funding window for setting up hospitals in the Public Private Partnership model under Ayushman Bharat Scheme. These hospitals will be coming up in Aspirational Districts where presently there are no Ayushman empaneled hospitals. This would also provide large

scale employment opportunities to youth. This is to improve healthcare delivery infrastructure in Tier-II and Tier-III. As of September 2024, the progress under AB PM-JAY since inception is as follows.

Parameter	Achievement
States/UTs implementing AB PM-JAY	33
Beneficiary cards issued (in Crores)*	35.40
Ayushman cards made per minute	181
Avail of services per minute	30
Count of authorized hospital admissions (in Crores)	~ 7.79
Amount of authorized hospital admissions in (INR Crores)	~ 1,07,125
Number of empanelled hospitals (45% private)	~ 29,650

*As of 09th September, 2024 | Source: Ministry of Health & family Welfare

On September 11, 2024, the Union Cabinet made a historic decision by approving a large extension of the Ayushman Bharat Pradhan Mantri Jan Arogya Yojana (AB PM-JAY). All senior residents 70 years of age and above will be covered by health insurance under this ruling, regardless of their source of income. The main motive behind this act is to provide benefits to 4.5 crores families, including 6 crore senior citizens in a way of offering free health insurance coverage up to 5 lakh per family.

Pradhan Mantri Swasthya Suraksha Yojana (PMSSY)

In May 2018, the government approved continuation of Pradhan Mantri Swasthya Suraksha Yojana (PMSSY) beyond 12th Five Year Plan and for the fiscal year 2023-24, allocated financial outlay of INR 3,365 crore. PMSSY was first rolled out in 2003 with twin objectives of reducing regional imbalances in the availability of affordable/reliable tertiary healthcare services and augment facilities for quality medical education.

- Setting up new AIIMS like institute:
  - 750/960 beds
  - 15-20 Speciality/Super-Specialty departments
  - 100 MBBS/ 60 Nursing seats
  - Focus on PG Education and research.
- Upgradation of government medical colleges:
  - Creation of Super-Specialty departments – ranging from 8 to 10
  - Additional 150-250 beds
  - Around 15 new PG seats

- Average cost: INR 200 crore - shared 60:40 between Centre and States (90:10 in case of NE and hilly states)
- HR and running cost to be provided by the State Govt.

Under the PMSSY setting up of 22 new AIIMs and upgradation of 75 GMCs have been approved, where 6 AIIMS out of the sanctioned AIIMS are functional and upgradation of 50 GMCs is completed. All 6 AIIMs of phase 1 (Bhopal, Bhubaneswar, Jodhpur, Patna, Raipur and Rishikesh) are operational with total bed strength of 5,760 (960*6) and have dedicated Covid facilities.

Other Policies

Foreign Direct Investment

Currently, 100% FDI under the automatic route is permitted in the hospital sector and manufacturing of medical devices. In the AYUSH sector too, 100% FDI is permitted for the wellness and medical tourism segment. During April 2000- March 2024, India received USD 10.26 Bn FDI in hospitals and diagnostic centres.

Other Major Announcement & Initiatives

Proposal to attach a medical college to an existing district hospital through PPP model – 58 medical colleges in underserved areas of the country with intake capacity of 100 MBBS seats in each medical college were approved. Out of these 58 medical colleges, 13 are in aspirational districts. Out of 58 approved medical colleges, 50 have become functional, while 8 are yet to be functional. Fund sharing between the Central Government and States is in the ratio of 90:10 for the North-East/special category States and 60:40 for other States. The total cost of establishing one medical college under the said scheme is INR 189 crore. The entire Central share to the tune of INR 7,541.10 crore has been released to the State/ UT Governments under the Scheme.

- Proposal to launch special bridge course to augment the skillset of nurses, para-medical staff, teachers, and care givers. The course will be designed by the Ministry of Health in collaboration with eminent professional bodies.
- Encourage large hospitals to offer resident doctors Diploma and Fellow of National Board (DNB/FNB) courses under National Board of Examination, so as to increase the pool of specialized medical professionals.
- Propose to expand Jan Aushadhi Kendra Scheme to all districts offering 2000 medicines and 300 surgical by 2024.
- Using machine learning and AI, in the Ayushman Bharat scheme, health authorities and the medical fraternity can target disease with an appropriately designed Preventive regime.

Scaling up Healthcare Facility by Implementation of "Hospital Initiative"

To assist in emergency to provide relief to Indians affected by the Covid 19, Hospital Initiative was introduced by The Office of the Principal Scientific Adviser to Govt. of India in partnership with Invest India. The initiative suggested infrastructure facility extension in the form of modular (prefabricated), self-contained cabins or containers with configurations available for 20 to 100 beds to the pre-existing hospitals on a state-by-state basis. The rapid deployment of such facility extension encourages large scale adoption which is capable to accommodate higher volume of patients and extend timely treatment in the event of surge. These extension with the design life of over 25 years can also be used as permanent extensions by the hospitals.

Union Budget 2024-2025 for Healthcare Sector

- Total budgetary allocation to the Ministry of Health and Family Welfare is INR 906.59 bn for FY 2024-25, increased by about 13% over INR 791.45 bn allocated in revised estimates of FY 2024. Of the allocated INR 805.18 bn, Department of Health and Family Welfare would receive INR 876.57 bn and Department of Health Research would receive INR 30.02 bn. Funds are also allocated towards establishing 22 new All India Institute of Medical Sciences (AIIMS), where the ministry set aside INR 68 bn for the project.
- The Government increased capital outlay towards National Health Mission to INR 360 bn in FY 2024-25, compared to INR 315.51 bn allocated in revised estimates of 2023-2024.
- The Ayush Ministry's interim Budget allocation for 2024-25 has increased by 23.74% from the revised estimates of INR 30 bn in 2023-24.
- The National Digital Health Mission received budget allocation INR 2 bn in current year which is similar to the previous year.
- The National Tele Mental Health Program received a budget allocation of INR 0.90 bn in current year, increased from the previous year's revised estimates of INR 0.65 bn.
- There is also an up-scaling of the funds allocated for autonomous bodies as they went up from INR 172.51 bn in the previous budgetary allocation to the current INR 180.14 bn.
- Government has allocated INR 73 bn to AB-PMJAY in FY 2024-25, increased by 10% from INR 72 bn in revised estimates of previous year, highlighting the government's focus on expanding the AB-PMJAY health coverage to over 550 million more people who are currently not covered under any government or private health insurance scheme. This might gain the interest of hospitals/investors and provide a boost to the healthcare sector.
- Establishment of 157 new nursing colleges in co-location with the current medical colleges is announced in the recent budget.
- Governments has announced the mission of eliminating sickle cell anemia by 2047.

- As a part of budget allocated to the Department of Health Research, INR 27.3 bn out of INR 30 bn was allocated to Indian Council of Medical Research (ICMR), an increase of 19% from last year.

The Indian healthcare Sector has continued to grow at a significant rate through effective budgetary allocations and promoting collaborations. The FY 2025 union budget highlights the government's focus on two core drivers of improved healthcare: increasing the number of trained medical professionals and investing in research and development. A notable increase in allocations also indicates the commitment towards a more efficient healthcare system.

The budget's overall goal of improving healthcare facilities and services falls short of the National Health Policy's goal of dedicating at least 2.5% of GDP to healthcare, underscoring the continued difficulties in providing comprehensive healthcare across India.

Hospital Infrastructure in India

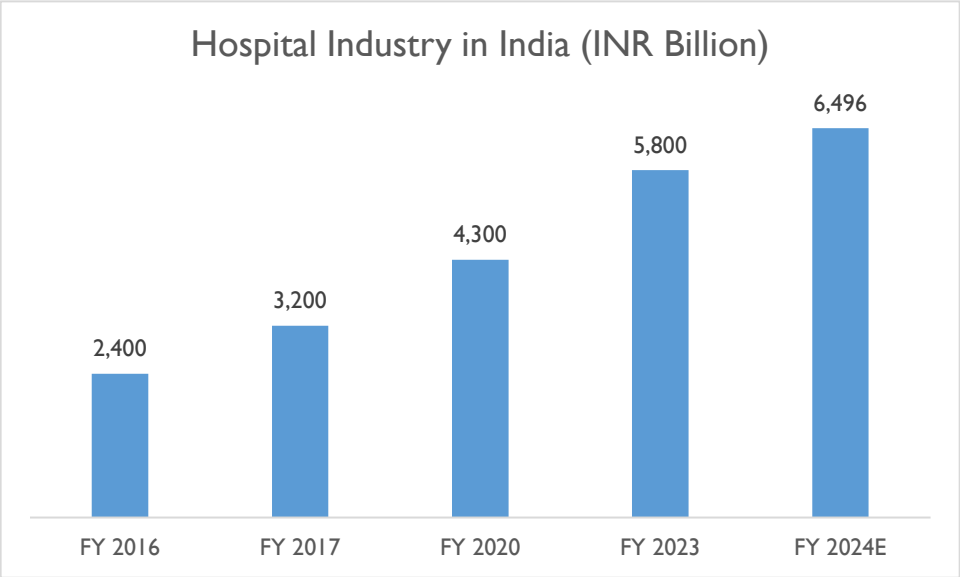
The Indian healthcare sector renowned for its dynamic growth potential and diverse components and around 80% of the contribution is done by hospital sector as per NITI Aayog report 2021. The demand for healthcare services in India is projected to increase significantly due to several key factors, including rising income levels, an aging population, growing health awareness, and a shift towards preventive healthcare. One major driver of this growth is the low cost of medical services in India, which has made the country a leading destination for medical tourism, drawing patients from around the globe. In addition, India has become a hub for research and development (R&D) activities for international companies, thanks to its relatively low cost of clinical research.

Several supportive policies have also contributed to the growth of the healthcare sector. The Indian government has implemented favorable policies to encourage foreign direct investment (FDI) and provide tax benefits, creating a conducive environment for growth. These policies, combined with the promising growth prospects of the sector, have attracted substantial investments from private equity (PE) firms, venture capitalists (VCs), and foreign players. Overall, the Indian healthcare sector is poised for robust growth, driven by increasing demand, competitive cost advantages, and supportive government policies.

Healthcare ecosystem in India include, private and public hospitals dominate, pharmaceuticals and life sciences, Diagnostics and medical insurance, medical devices, health tech, and health & fitness sectors.

Indian Hospital Sector

The hospital sector forms the core part of Indian healthcare industry, which also include medical devices, clinical trial, medical tourism, telemedicine, health insurance and medical equipment. Hospitals is the largest segment and in the total healthcare market.



Source: Dun & Bradstreet Secondary Research

Indian hospital industry witnessed significant growth, increasing from INR 2,400 billion in FY 2016 to INR 5,800 billion in FY 2023, further, it is estimated to have risen by 12% in FY 2024, reaching approximately INR 6,496 billion.

Growth in the patient base due to changes in lifestyle, increase in non-communicable diseases, growing elderly population, high discretionary income, and increasing penetration of health insurance schemes is expected to propel the healthcare delivery sector in the country during the coming decade.

Furthermore, the Government's focus on making affordable healthcare available to all the socioeconomic strata of the country has created tremendous opportunities in the country's healthcare sector. Ayushman Bharat is expected to improve occupancy levels at participating hospitals. Government's emphasis to upgrade government hospitals attached to medical colleges and setting up of AIIMS colleges will augur well for the sector.

Growth in organized hospital chains will also benefit the sector as they are now penetrating tier 2 cities. Improvement in healthcare standards by offering quality diagnostics and care at affordable prices is fuelling growth for organized hospital chains and will be beneficial for the sector.

Infrastructure Overview

In addition to the Public and Private classification of hospitals, another classification of the Healthcare Delivery sector consists of primary, secondary, and tertiary healthcare facilities. A primary healthcare facility is the first point of contact between a patient and a medical practitioner and is intended to address common ailments. These facilities include Sub-Centres and primary health centers (PHCs). PHCs are the most basic healthcare units, often serving as outpatient clinics, Primary healthcare facilities are essential for providing basic healthcare services, preventive care, maternal and child health services, and immunization programs.

Secondary healthcare facilities in India are usually located in district or taluka headquarters and play a crucial role in providing more advanced medical care. District hospitals, sub-district hospitals, and Community Health Centres (CHC) are common examples of secondary healthcare infrastructure. These hospitals have more specialized medical staff, diagnostic equipment, and inpatient services, making them capable of handling a wider range of medical conditions and surgeries. Secondary healthcare facilities serve as referral centers for primary healthcare centers and are instrumental in addressing healthcare needs beyond basic primary care.

Tertiary healthcare facilities in India represent the apex of the healthcare system, offering advanced medical services, specialized treatments, and super-specialty care. These facilities are typically large teaching hospitals, medical colleges, and specialized institutions. They are equipped with state-of-the-art technology, a wide range of medical specialists, and research capabilities. Tertiary hospitals provide services in various medical fields, including cardiology, oncology, neurosurgery, and organ transplantation. They often serve as regional or national centers of excellence, attracting patients from across the country and even from abroad. Tertiary healthcare infrastructure is essential for handling complex and critical medical cases and contributing to medical research and innovation. While primary healthcare facilities are dominated by the government, secondary and tertiary sub-segments have an overwhelming private presence.

Public Healthcare Infrastructure in India	
Primary Healthcare Facilities	Sub Centres and Primary Healthcare Centres
Secondary Healthcare Facilities	Community Health Centres, Sub Divisional Hospitals and District Hospitals, Mobile Medical Units
Tertiary Healthcare Facilities	Medical Colleges, ESI Hospitals, Urban Health Posts and PSU Hospitals

Source: Ministry of Health & Family Welfare

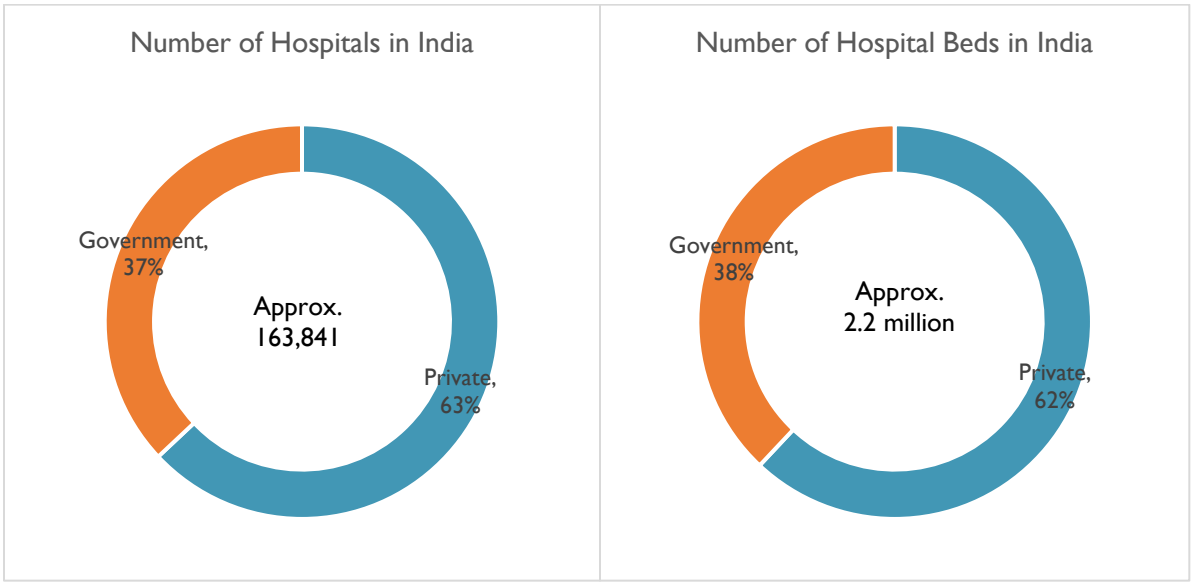
As per the data released by the Health Dynamics of India (Infrastructure and Human Resources) 2022-23. The following table illustrates the latest update about the number of service facilities as of 31st March 2023.

Type	Quantity in Numbers
Health Sub Centre (HSCs)	169,615
Primary Health Centres (PHCs)	31,882
Community Health Centres (CHCs)	6,359
Sub District Hospitals	1,340
District Hospitals	714

Source: Ministry of Health & Family Welfare 2023

India's healthcare system is characterized by a harmonious coexistence of public and private hospital sectors, each wielding substantial influence. The expansive hospital infrastructure in the country encompasses a diverse array of 1,63,841 establishments, with an estimated 37% classified as government institutions, and a majority, constituting 63%, falling under the private sector umbrella.

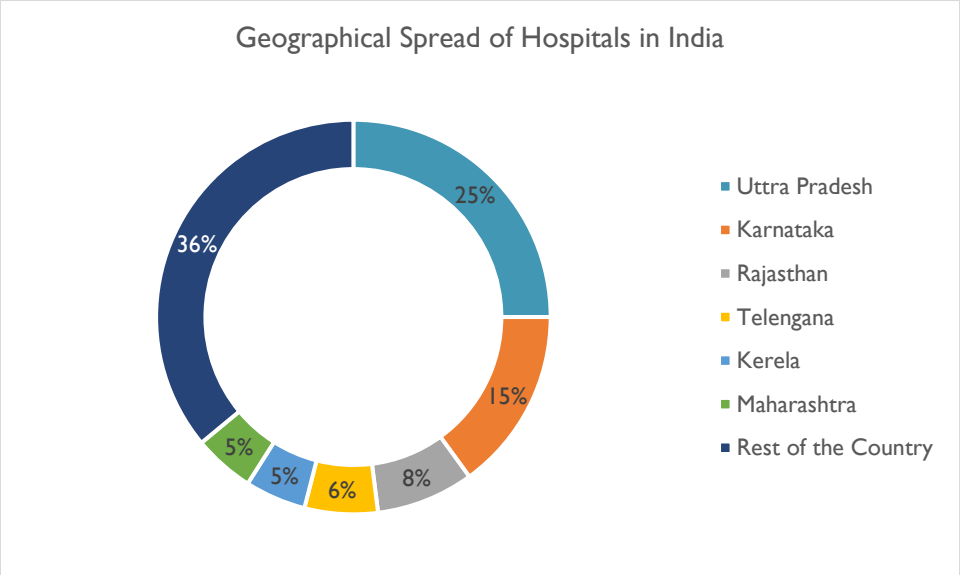
In the realm of patient accommodation, this system boasts a total of approximately 2.2 million beds. Within this extensive network, 38% of the beds find their place in government-sector facilities, reflecting the public healthcare contribution, while the private sector claims a significant majority with 62% of the beds.



Source: National Health profile 2022, D&B Estimates

Uttar Pradesh leads in healthcare infrastructure in India, accounting for one fourth of total hospitals operational in the country. Nearly 65% of hospital beds cater to the 50% population residing in 6 states – Uttar Pradesh, Karnataka, West Bengal, Telangana, Kerala, and Maharashtra. Estimates suggest approximately 19 lakh hospital beds of which 95 thousand are ICU beds and of 95 thousand ICU beds, 48,000 ICU beds are equipped with ventilators in India. Majority of the beds and ventilators in India, are concentrated in seven States – Uttar Pradesh

(14.8%), Karnataka (13.8%), Maharashtra (12.2%), Tamil Nadu (8.1%), West Bengal (5.9%), Telangana (5.2%) and Kerala (5.2%).



Economics & Policy Research published in April 2020

Increase in ageing population, rising income, sedentary lifestyle amongst young population are the key drivers facilitating the growth of healthcare industry in India. Further, growing medical tourism in India at competitive cost, greater health awareness, increasing health insurance penetration are major enablers for development of world class private hospital infrastructure in India. Still majority of population falls in the middle- and lower-income group and have low affordability and therefore necessitate steady improvement in public healthcare infrastructure.

Furthermore, the outbreak of Covid-19 has further pressurized India healthcare industry across the value chain. Most recently, the surge in second wave of Covid-19 and subsequent acute shortage of hospital beds, ICU bed availability, medical professionals, lab testing and critical medical supplies such as oxygen, ventilators, medicine etc. has highlighted the shortcoming of Indian healthcare infrastructure even more. The pressing times has aggravated the demand scenario where medical facilities in India need to be scaled up to fulfill the healthcare need of constantly growing population.

Amidst growth led demand, and acute shortage of hospital infrastructure as well as of healthcare professionals, the sector provides vast opportunity for public as well as private players to set up specialty hospitals and multi-care specialty hospital and cater the unmet need of people.

Amidst growth-led demand and acute shortage of hospital infrastructure as well as of healthcare professionals, the sector provides vast opportunities for public as well as private players to set up specialty hospitals and multi-care specialty hospitals and cater to the unmet needs of people.

Demand Drivers:

Increasing number of elderly populations, sedentary lifestyle translating into rising incidence of lifestyle diseases, and focus on preventive healthcare is creating a higher demand for all healthcare services. All aspects of the healthcare industry, ranging from hospitals, pharmaceutical product and diagnostic service to ancillary care services is witnessing higher demand. Demand for hospital services is driven by affordability of patients as well as concentration of quality doctors to refer patients. The hospital market in India is currently accounts majority of the healthcare industry and it is further expected to witness significant growth due to several factors listed below:

Changing Health Profile:

India is the most populous country in the world. With the projected population increase from 1.21 billion to 1.52 billion between March 1, 2011, and March 1, 2036, at an annual growth rate of 1.0 percent, the nation anticipates a 25 percent surge over 25 years. This demographic evolution is marked by an increased sex ratio, rising from 943 females per 1000 males in 2011 to an expected 952 on March 1, 2036. The working-age population (15-59 years) is also set to rise from 60.7 percent on March 1, 2011, to 65.1 percent on March 1, 2036.

Despite improvements in maternal and infant health indicators, there are persistent challenges, with non-communicable diseases emerging as a significant health concern. Non-communicable diseases (NCD), including cardiovascular diseases, cancers, chronic respiratory diseases, and diabetes, contribute to 60% of total mortality in India. The prevalence of these diseases is exacerbated by behavioral risk factors such as unhealthy diet, physical inactivity, tobacco, and alcohol use, resulting in an alarming increase in NCD-related deaths from 44% in 2000 to 66% in 2019[6]. In the CY 2022, total 9.91 Crore people screened under National Programme for Prevention & Control of Cancer, Diabetes, Cardiovascular Disease & stroke (NPCDCS) in India. Out of which, around 75 lakhs were diagnosed with Hypertension, 61 lakhs with Diabetes, 29 lakhs with Hypertension and Diabetes, 2 lakhs with cardiovascular diseases (CVDs), 1 lakh with Stroke and 3 lakhs with Common Cancers. This suggest that about 17% of the people suffering from at least one of the health issues listed above.

Moreover, the health challenges faced by the youth in India, as highlighted by the World Health Organization, pose an additional strain on the healthcare system. Conditions initiated at a young age, including tobacco use, physical inactivity, risky sexual behaviors, injuries, and violence, contribute to two-thirds of premature deaths and one-third of the total disease burden in adults. The youth in India grapple with diverse health issues have contributed to rising cases of NCDs.

[6] https://data.worldbank.org/indicator/SH.DTH.NCOM.ZS?locations=IN
the data is as per latest available sources.

India's changing demographics, characterized by population growth, an aging population, and shifting health profiles, will result in a substantial demand for a comprehensive and responsive healthcare system. Addressing the challenges posed by NCDs, elderly care, and youth health will be crucial for ensuring the well-being of the nation in the coming years translating in increasing healthcare services opportunity to the hospital sector.

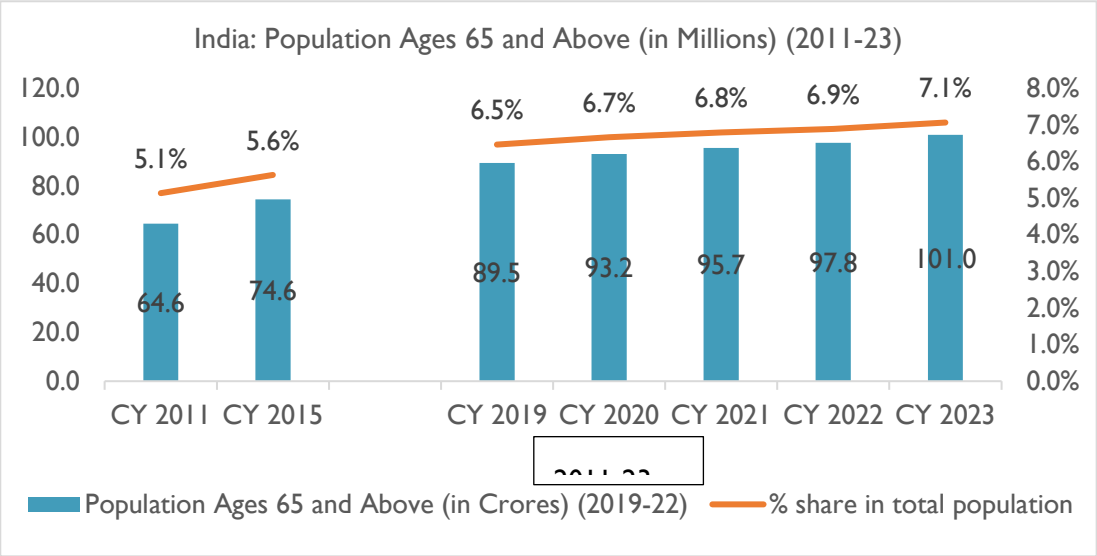
Access to Huge Population Base, Excess to Quality Healthcare Facilities & Affordability

India is home to one sixth of world population i.e., 1.4 billion[7] in as on 1 March 2024. Moreover, India's population is expected to increase from 1.21 billion to 1.52 billion during the period as on 1st March 2011-2036 - an increase of 25% in twenty- five years at the rate of 1.0 percent annually. Urban population increased from 278 million to 373 million between (2001-11) and the proportion of urban population to total population increased from ~27.8% to ~31% where urbanization in India has increase at an average annual rate of about 2.4%. The share of urban population is further estimated have grown to about 35% of Indian population i.e., ~470 million by 2021 and is estimated to grow to 41.7% i.e., to 625 million by 2030 where 5 state in India namely Tamil Nadu, Gujarat, Maharashtra, Karnataka, and Punjab will have more than 50% urbanization. Also, the number of metropolitan cities in India is projected to increase from 46 in 2011 to 68 by 2030. Increase in urbanization is directly related to the rise in service sector and the jobs created resultantly. Rapid urbanization and better employment have resulted in increase of the per capita private consumption expenditure (at current prices). Consequently, this growth in income has strengthened the demand for high quality healthcare facilities. Furthermore, the quality healthcare facilities across nation in driving the growth of the hospital sector.

Increasing Geriatric Population:

The proportion of the population aged 65 and above in India, which stood at 5.1% in CY 2011 and has increased to 7.1% CY 2023, is playing a significant role in the increasing demand for tertiary healthcare services. This demographic segment, constituting a considerable percentage of the total patient base, has witnessed substantial growth. Projections further indicate that India's ageing population (age 60 and above) is projected to grow to over 347 million[8] by 2050. Simultaneously, changing lifestyles have brought about a shift in the health profile of the elderly, leading to a higher prevalence of age-related and lifestyle-related diseases. The availability of more affordable lifesaving drugs has extended life expectancy, but with that comes an increased need for specialized medical interventions.

[7] Population estimated based on Census 2011 Population
[8] UNFPA Report



Source: World Bank[9]

This demographic shift is driving the demand for geriatric care and healthcare services due to the rise in age-related health conditions like diabetes, pulmonary disorders, dementia, and osteoarthritis. As ageing population expands, they will require more frequent health check-ups and medical care, necessitating comprehensive geriatric care, including regular healthcare services to monitor and manage their health conditions.

The demographic transition also points to an escalating demand for elderly care services. As the proportion of elderly individuals rises, there will be an increased need for nursing homes, day-care centers, and various outpatient and intensive care services to address age-related health issues.

Penetration of Health Insurance

India's out-of-pocket expense on healthcare is significantly higher than the global average. Therefore, to lower down this high out of pocket expense, Indian population is increasingly resorting to the health insurance policies. Health insurance penetration is on rise due to inflationary healthcare cost, rising incidence of lifestyle diseases and rising income. Initiatives like AB-PMJAY provide comprehensive hospitalization cover to the bottom 40% of the country's population, while another 18% is insured through other government and group health schemes. Retail health insurance penetrates only a meagre 3.2% of the 138-crore population, leaving a huge part of it - 38.8%, which is about 56 crore individuals - unprotected from any sort of health insurance cover. However, the health insurance penetration is increasing year by year, which will make quality healthcare delivery available to masses at affordable prices which favors the growth hospital sector in India.

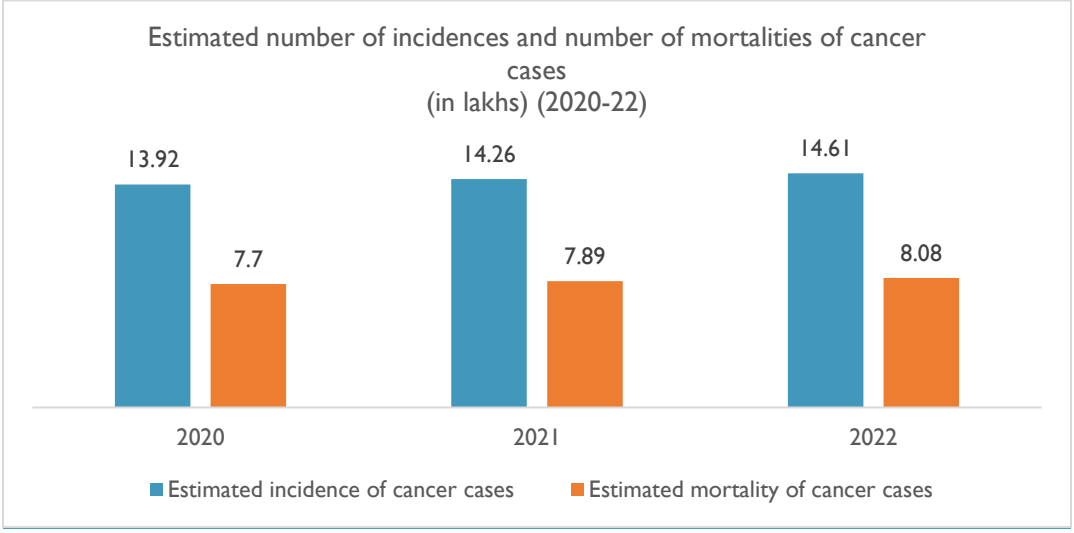
[9] https://data.worldbank.org/indicator/SP.POP.65UP.TO.ZS?locations=IN
the data is as per latest available sources.

Other Factors:

Rising Chronic and Lifestyle Diseases: [10]

The surge in lifestyle diseases such as diabetes, hypertension, cardiovascular diseases (CVD), and obesity has fueled a growing demand for improved healthcare infrastructure in India. Sedentary lifestyles, coupled with rising consumption of unhealthy, high-fat diets, have contributed significantly to these chronic conditions, particularly among the working-age population. Post-COVID-19, this trend has intensified, leading to increased awareness about preventative healthcare and personalized treatment. According to reports by the Indian Council of Medical Research (ICMR) and GOQii IndiaFit, states like Kerala, Goa, and Puducherry have witnessed alarmingly high diabetes prevalence rates of 25-26.4%, while hypertension impacts over 315 million people. With nearly 40% of the population affected by abdominal obesity, the healthcare sector is witnessing an urgent need to expand hospital capacity, enhance diagnostics, and integrate ongoing health management systems to cater to this rising burden of lifestyle diseases

Post-COVID-19, these issues have intensified, prompting a demand for enhanced healthcare infrastructure and preventative measures. As per Indian Council of Medical Research and India Diabetes (ICMR-INDIAB) report released in June 2023 [11], the prevalence of diabetes was particularly stark in states like Goa, Puducherry, and Kerala, where rates approached 25-26.4%. Hypertension affected a staggering 315 million individuals, and obesity rates were notable, affecting 28.6% of the population with generalized obesity and 39.5% with abdominal obesity.



Source: Indian Council of Medical Research- National Cancer Registry Programme [12]

[10] GOQii has over 6 million people on the GOQii platform and survey was conducted to capture different health related data points from users (sample range from over 4000 users for cardiac health, 10K plus users for stress etc) who on the GOQii platform.
[11] ICMR-INDIAB study between Oct 18, 2008, and Dec 17, 2020,
[12] The data is from the latest available source.

Major State	Estimated incidence of cancer cases (2022)	Estimated mortality of cancer cases (2022)
Uttar Pradesh	210,958	116,818
Maharashtra	121,717	66,879
West Bengal	113,581	62,652
Bihar	109,274	60,629
Tamil Nadu	93,536	50,841

Source: Indian Council of Medical Research- National Cancer Registry Programme [13]

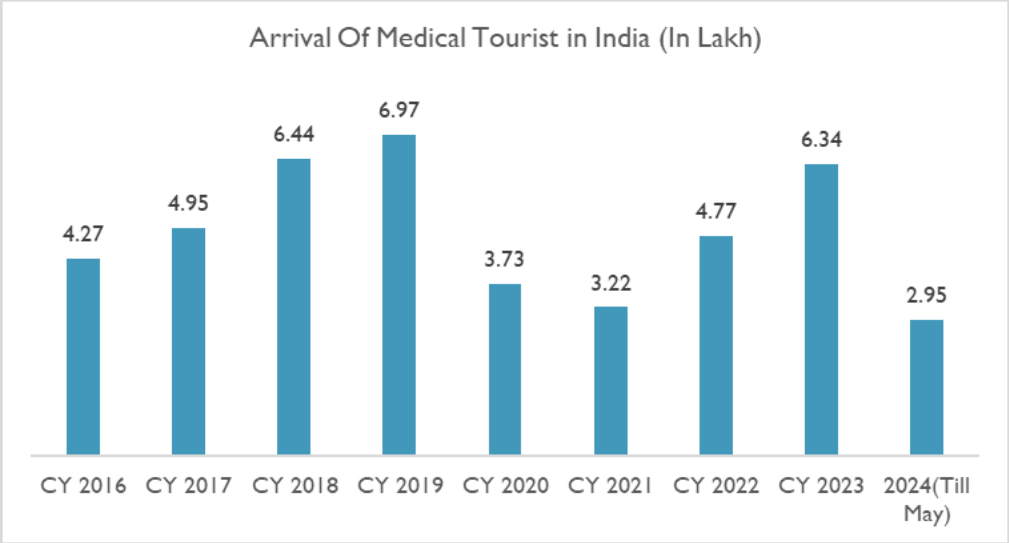
The increasing prevalence of chronic and lifestyle diseases has led to higher demand for enhanced hospital infrastructure driven by the need to have accurate personalized treatment plans and ongoing health management.

Medical Tourism

India has solidified its position as the third most sought-after destination for medical tourism, commanding over 18% of the global medical tourism market. According to the Ministry of Tourism, nearly 6.34 lakh medical tourists chose India in 2023 to seek medical treatment and as of May 2024, Medical tourism in India reached 2.95 lakh, drawn by the comparative affordability of specialized surgical procedures such as heart surgery, bone marrow transplant, and liver transplant, where the cost differential can be as significant as 10-20% in specific cases.

The arrival of foreign tourism in India due to medical purposes has shown significant fluctuations from CY 2016 to CY 2023, starting at 4.27 lakh in 2016 and reaching 6.34 lakh in CY 2023 increasing at a CAGR of 5.8% during CY 2016-2023. This surge is fueled by a confluence of factors, including the availability of highly skilled medical professionals, the cost competitiveness of conducting critical treatments, reduced waiting periods, and the establishment of world-class facilities by private hospitals such as Fortis, Wockhardt, and Max, collectively contributing to the burgeoning landscape of medical tourism in the country. The allure of India as a medical tourism hub lies not only in cost-effectiveness but also in the quality of healthcare services provided, attracting a substantial influx of international patients seeking top-notch medical care.

[13] Based on the latest available information



Source – Ministry of Tourism

The country's growth in medical tourism not only bolsters its global standing in healthcare but also enhances its economic landscape. The projected increase in medical tourism in India, reaching an estimated USD 13 billion by CY 2026, will significantly elevate the demand for various healthcare services provided by hospital sector. This surge will necessitate expanded healthcare infrastructure, skilled professionals, and technological advancements to cater to the growing influx of international patients seeking specialized medical treatments.

Increased Healthcare Awareness and Rising Disposable Incomes

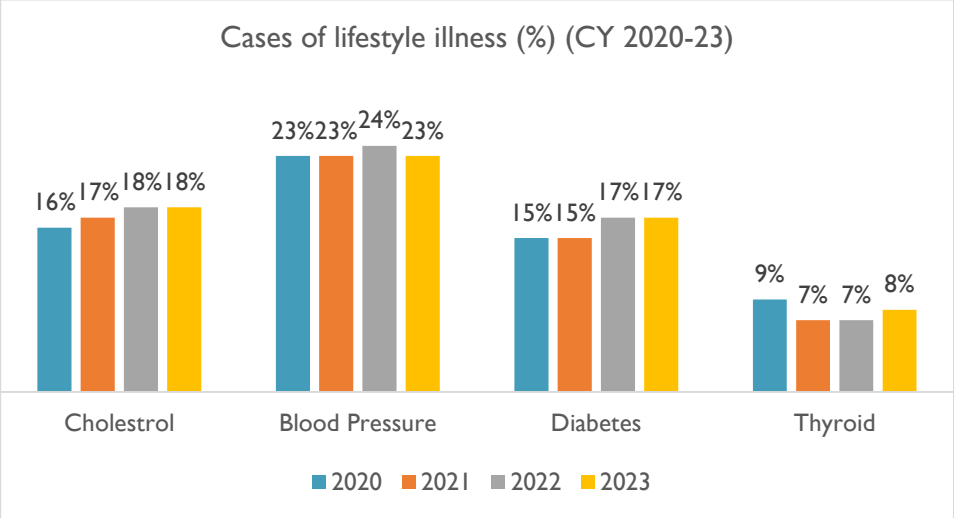
- *Awareness Campaigns*: Rising awareness about health issues and the importance of early diagnosis is encouraging individuals to seek hospital services more frequently. Public health campaigns and education initiatives are playing a significant role in increasing health literacy.
- *Economic Growth*: Higher disposable incomes and urbanization lead to improved living standards and greater expenditure on healthcare. As people move to urban areas, they have better access to healthcare facilities and are more willing to spend on hospital services contributing to market growth.

Expansion in Tier 2 and Tier 3 Markets

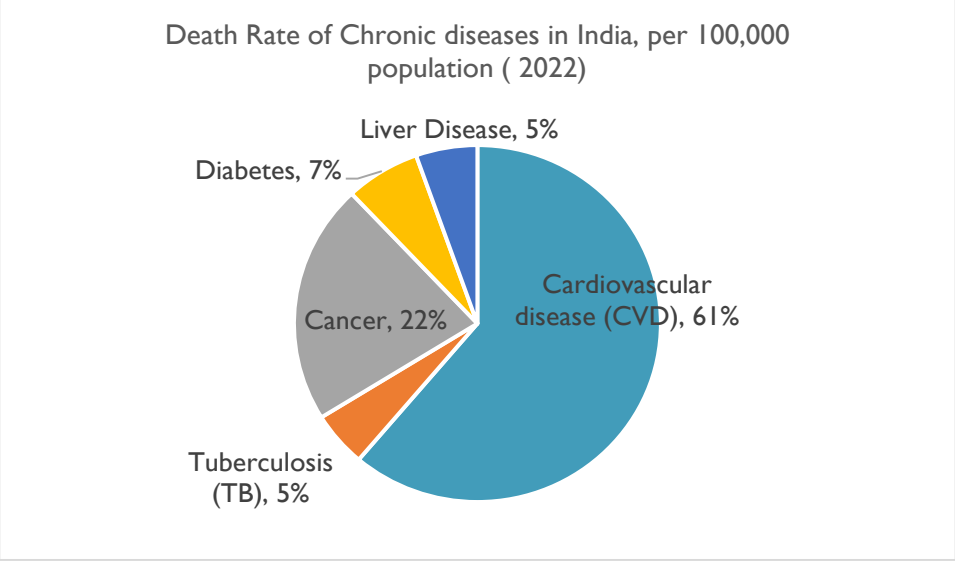
- *Infrastructure Development:* Growing hospital infrastructure in tier 2 and tier 3 cities increases access to healthcare services for a larger population. Investments in hospital facilities in these areas are making healthcare services more accessible to people who previously had limited access.
- *Increased Demand*: As these regions develop economically, the demand for quality healthcare services, rises. This creates new opportunities for healthcare service providers to expand their reach and tap into a growing market.

Cardiovascular disease (CVD) profile in India

Non-communicable diseases (NCDs) encompass a vast group of diseases such as cardiovascular diseases, cancer, diabetes and chronic respiratory diseases. Cardiovascular diseases emerged as a major health crisis in India, contributing significantly to the nation's mortality rates. The GOQii IndiaFit Report highlights CVD as a critical component of the broader lifestyle disease burden. Sedentary habits and unhealthy diets have accelerated the incidence of CVD, particularly in urban areas. Hypertension, a key risk factor, affects 315 million people, while obesity another major contributor is rampant, with 39.5% of individuals experiencing abdominal obesity. The economic and social implications of this crisis are severe, with increasing demand for advanced healthcare services, timely diagnostics, and effective management of CVD-related complications.



Sources: GOQii India Fit Report 2023 and 2024



Source: Dun & Bradstreet Research [i]

As per the Industry estimates, 60% of death (per 100,000 population) due to chronic illness is accounted by cardiovascular disease, showing the need of the cardiovascular services which can detect and treat disease.

Comparison With Global Scenario

Total non-communicable diseases contribute to around 38 million (68%) of all the deaths globally and to about 60%-61% of all deaths in India majority happened due to contributed by CVD. The majority of NCD deaths occur in low and middle-income countries such as India, which is undergoing an epidemiological health transition owing to rapid urbanisation, which in turn has led to an overall economic rise, but with certain associated flipsides.

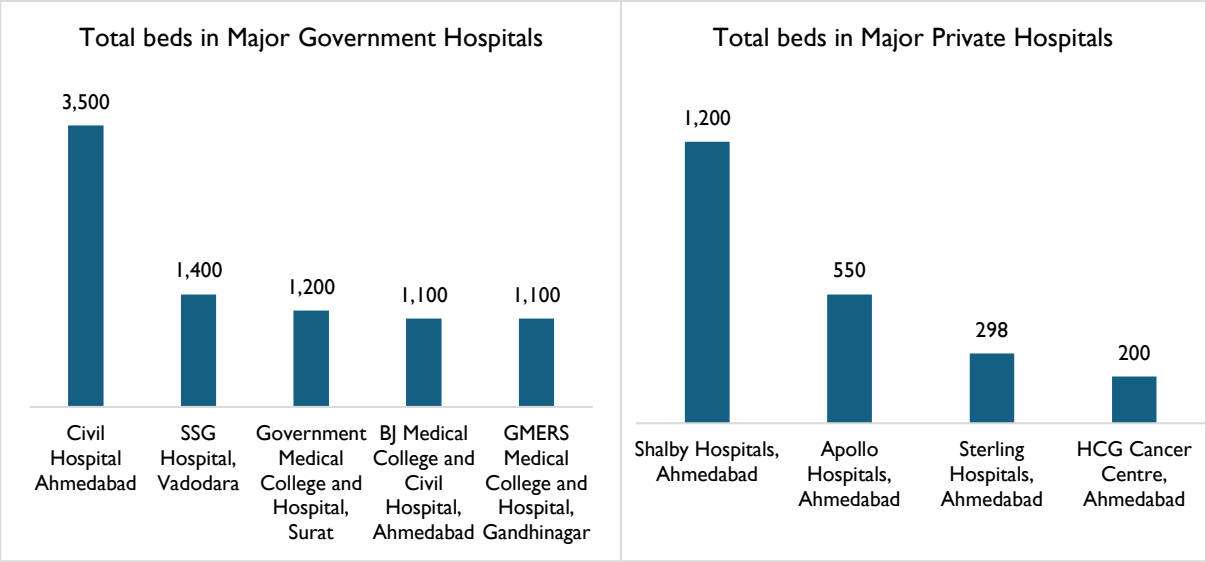
Cardiovascular diseases (CVDs) being a major contributor in NCD deaths have seen a significant rise in prevalence in India, reflecting a growing public health challenge. The contribution of CVDs to the overall disease profile increased from 30% in 1990 to 55% in 2016[14], accounting for approximately 62% of all deaths in India that year. Between 2005 and 2015, the number of reported CVD cases surged from 38 million to 64.1 million. Under the National Programme for Prevention and Control of Cancer, Diabetes, Cardiovascular Diseases, and Stroke (NPCDCS) in 2022, of the 9.91 crore individuals screened, where 2.25 lakhs diagnosed with CVDs. This rising prevalence aligns with increasing income levels, urbanization, and lifestyle changes. The World Health Organization (WHO) projects a continued rise in CVDs by 2030, underscoring the urgent need for enhanced healthcare infrastructure and preventive measures to address this escalating burden.

[14] Insights on CVD compiled from Apollo Hospitals Enterprises Limited

Hospital Infrastructure in Gujarat:

Gujarat's hospital infrastructure has evolved significantly over the years, reflecting a blend of modern facilities and traditional healthcare practices. The state boasts a comprehensive network of ~175 government, and, ~362 private hospitals, ranging from primary healthcare centers in rural areas to multi-specialty tertiary care hospitals in urban regions. The state has around ~1,18,727 doctors and as of 2022, Gujarat boasts 319 Community Health Centers (CHCs), 1,463 Primary Health Centers (PHCs), and 6,575 sub-centers. Leading government institutions such as Civil Hospital Ahmedabad and SSG Hospital Vadodara cater to large populations with advanced medical services, while private players like Shalby Hospitals and Apollo Hospitals provide cutting-edge treatments. With the combination of private and government hospitals, there are 64,862 beds available for the public.

Source – D&B Secondary Research



According to the estimates total major government hospitals of Gujrat boast around ~8000 beds in total in contrast total major private hospitals contribute around ~2,200.

The state also hosts some of the finest medical colleges, contributing to both education and healthcare services. Prominent institutions like B.J. Medical College in Ahmedabad offer 250 MBBS seats and are affiliated with Civil Hospital, which has approximately 3,500 beds, making it one of the largest government hospitals in Asia. Similarly, Government Medical College in Baroda with 1,400 beds and Government Medical College in Surat with 1,200 beds are significant contributors to the state's healthcare infrastructure. Other institutions like GMERS Medical College, Gandhinagar and Pramukhswami Medical College, Karamsad also provide considerable bed capacity, addressing the healthcare demands of the population while contributing to clinical training.

Despite these advancements, Gujarat faces challenges in meeting WHO-recommended standards, with a shortfall in hospital beds and uneven distribution of healthcare facilities across districts. Efforts are underway to enhance

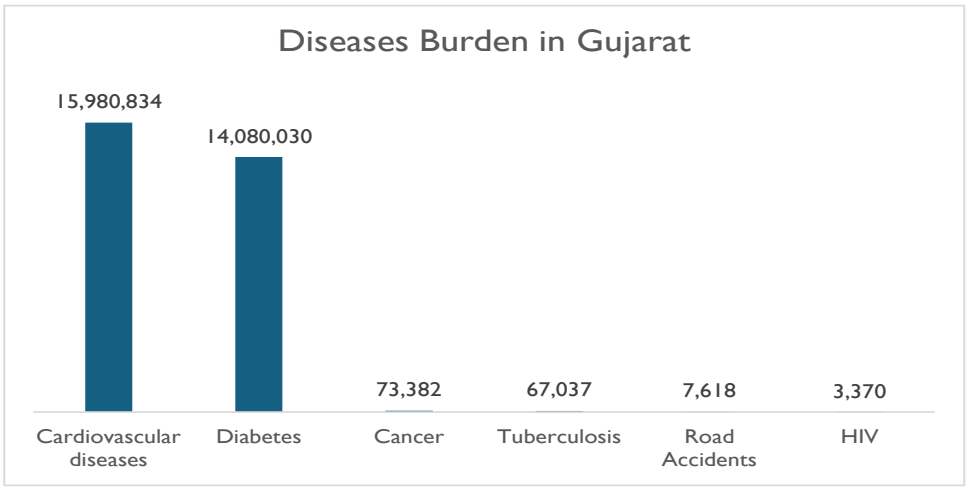
rural infrastructure, expand diagnostic centers, and integrate advanced technologies to bridge these gaps, ensuring equitable access to quality healthcare for all.

Demographics & Health Indicators:

Indicator	Value
Population	70,400,153
Density k/m^2	308 people/Km^2
Birth Rate	19.3/1000 Inhabitants
Life Expectancy	70.9 years
Maternal Mortality Rate	57/1 lakh live births
Total Fertile Rate (Live Birth/Women)	1.9
Infant Mortality Rate (per 1000 Live Births)	30 deaths/1000 live births
Under 5 Mortality Rate (per 1000 Live Births)	37.6 / 1000 live births

Source – D&B Secondary Research (as of 2023)

Gujrat Boast has a population of over 70 million in 2023 and is projected to reach 90 million by 2030, the state requires substantial scaling up of its facilities. The current availability of 64,862 beds across both public and private sectors falls significantly short of the recommended 352,000 beds (5 beds per 1,000 population), leaving a gap of 287,138 beds. Similarly, diagnostic centers are insufficient; with only 923 diagnostic centers available, there is a shortfall of 6,218 centers based on the norm of 1 diagnostic center per 10,000 people.



Source – D&B Secondary Research

Moreover, Gujarat has made significant progress in improving health indicators. The infant mortality rate (IMR) and maternal mortality rate (MMR) have seen substantial reductions over the years due to better prenatal and postnatal care.

However, similar to all over India, non-communicable diseases (NCDs), and lifestyle-related illnesses are increasing in Gujrat also. As per the industry, Gujrat has the highest prevalence of CVD (cardiovascular disease) as 22.7% of the population is suffering from this category.

Medical Tourism:

Gujarat has established itself as a key destination for medical tourism in India, contributing significantly to the sector's growth. With a wide array of state-of-the-art hospitals, healthcare centers, and expertise in specialized treatments such as Cardiology, Neurology, Infertility, Orthopedics, Cosmetic Surgery, and Eye Care, Gujarat attracts patients from across the globe. Additionally, the state's rich cultural heritage and captivating tourist attractions further enhance its appeal as a medical tourism hub. Gujarat accounts for an estimated 25–31% of India's medical tourism, providing affordable yet world-class medical care to international patients.

Demand of Hospital Infrastructure:

The demand for hospital infrastructure in Gujarat is steadily increasing due to the state's growing population, and the rising need for quality healthcare services. With a current gap of beds, including both government and private sectors, the state faces a significant shortage in meeting the ideal standard of 5 beds per 1,000 population. This gap is compounded by the growing demand for specialized healthcare services, driven by both the increasing disease burden and the rise in medical tourism. As Gujarat continues to strengthen its healthcare sector, there is a pressing need for investment in expanding bed capacity, diagnostic centers, and super-specialty hospitals to ensure accessibility, affordability, and the effective delivery of healthcare services across the state.

Opportunities in Gujarat's Healthcare Sector

Gujarat's healthcare sector presents immense opportunities driven by its growing population, infrastructure gaps, government initiatives, and rising demand for specialized healthcare services. These factors provide a strong foundation for both public and private players to invest and grow in the state. Below are key areas of opportunity in Gujarat's healthcare sector:

Addressing Infrastructure Gaps

Gujarat currently has 64,862 beds across public and private sectors, but to meet the national norm of 5 beds per 1,000 people, the state requires approximately 352,000 beds. This leaves a significant deficit of 287,138 beds,

presenting a lucrative opportunity for investors to establish multi-specialty and super-specialty hospitals across urban and rural areas.

Moreover, with only 923 diagnostic centers currently operational, the state requires 7,040 centers to cater to its growing population. This deficit of 6,218 centers creates significant demand for investments in diagnostic facilities, imaging centers, and laboratories, particularly in underserved areas.

Government Support and Incentives

The Gujarat government has introduced various incentives under its **Startup Policy** to promote healthcare innovation and entrepreneurship. Opportunities include:

- **Capital Assistance:** A 50% subsidy on gross fixed capital investment (excluding land costs) up to INR 50 lakh for setting up healthcare-related incubators.
- **Mentoring and Operational Support:** Eligible incubators receive mentoring support worth INR 5 lakh annually and operational grants of up to INR 1 crore annually.
- **Technology Development:** Support for the procurement and development of key healthcare software, with subsidies of up to INR 1 crore for institutions developing advanced diagnostic or healthcare technologies.
- **Reimbursement of Stamp Duty and Registration Fees**: Eligible incubators will receive a full reimbursement (100%) of the Stamp Duty and Registration Fees paid during the first transaction involving the sale, lease, or transfer of land and office space.

Government Healthcare Budget

The Gujarat government has allocated INR 19,348 crore for Health and Family Welfare in the 2024-2025 budget, marking a 15% increase from the revised estimate of INR 16,809 crore in 2023-2024. This increase underscores the state's focus on strengthening healthcare infrastructure, with specific provisions such as INR 2,191 crore for the Aarogya Suraksha Yojana, aimed at improving health coverage for economically vulnerable populations. With 6.5% of the total expenditure dedicated to healthcare, Gujarat's budget allocation exceeds the national average, reflecting a strong commitment to enhancing medical services, expanding healthcare facilities, and addressing the rising demand for specialized care and medical tourism.

Overall, Gujarat's healthcare sector presents significant opportunities for growth through Public-Private Partnerships (PPP), digital health advancements, and wellness initiatives. The state is ideal for telemedicine, AI-based diagnostics, and IoT-enabled devices, particularly in remote areas. Additionally, Gujarat's focus on wellness, preventive healthcare, and its strong pharmaceutical industry creates potential for investments in wellness centers,

Ayurvedic treatments, and medical device manufacturing. With robust healthcare infrastructure and a growing population, Gujarat offers substantial opportunities for healthcare research, clinical trials, and innovation. Government support and a favorable environment position the state to become a leading hub for healthcare services and investments.

Overview of Kidney Treatment

Prevalence of chronic kidney disease (CKD) appears to be increasing in India. According to the Global Burden of Disease Study, the deaths due to CKD have increased from 0.6 million to 1.4 million. In 2017, 697.5 million CKD cases were reported globally of which one-third were contributed by India (115 million). This has been attributed to the increasing prevalence of diabetes, hypertension and ischemic heart disease. The awareness level among the people is poor. Approximately 70% of the people live in rural areas with limited access to health care services with the result that CKD is often diagnosed in advanced stages. Moreover, the burden of kidney failure is increasing, with almost 210,000 new cases being diagnosed each year.

India has a growing number of nephrology facilities including dialysis centers and kidney transplant units. Currently, Delhi-National Capital Territory (NCT), boasts over 300 nephrologists catering to more than 70 nephrology centers, with around 13,500 patients undergoing hemodialysis and 550 receiving peritoneal dialysis. The region hosts approximately 50 facilities dedicated to kidney transplants, with over 23,000 renal transplantations conducted as of 2023.

Additionally, India's health expenditure accounts for only 4% of the total GDP, with public health spending constituting roughly a quarter of this amount. Chronic kidney disease (CKD) patients, particularly those on dialysis, often face financial burdens, spending several lakhs annually on treatment in private facilities. Pradhan Mantri National Dialysis Programme (PMNDP) for chronic kidney disease (CKD) patients ensures availability of dialysis services in all the district hospitals in the country free of cost to all BPL beneficiaries. PMNDP is operational in both Public-Private Partnership (PPP) mode and in-house mode. PMNDP has been implemented in the country in all the 36 States/UT.

Gujarat Status of Pradhan Mantri National Dialysis Program	
Operation Mode: In-house / PPP	In-House
Total No. of Districts	33
No. of Aspirational Districts	2
No. of Districts (where Dialysis services are functional)	33
Total No. of functional Dialysis centers	272
Total No. of functional Dialysis Machines	1281

Source – Ministry of Health and Family Welfare (MoHFW), Government of India. (As on 31st January 2025)

Competitive Scenario

The competitive landscape of the Indian hospital sector is shaped by its fragmented nature, primarily attributed to the surge in privatization within the healthcare industry and the emergence of prominent private hospital chains across the country. The dominance of the private sector in healthcare delivery, particularly in secondary and tertiary segments, intensifies the competition, while the primary sector remains largely under government control.

The private healthcare sector itself is characterized by fragmentation, encompassing large corporate hospital chains and standalone private establishments, including nursing homes. Notable players in the Indian hospital market, such as Apollo Hospitals Enterprise Limited, Fortis Healthcare Limited, Narayana Health, and others, contribute significantly to this competitive environment.

Nevertheless, the healthcare sector has been experiencing a trend of consolidation, particularly in the wake of the Covid-19 pandemic, as individuals seek elevated healthcare standards. The shift is evident in the transition from smaller nursing homes to larger hospitals. Many standalone hospitals are actively seeking partnerships with larger hospital networks and exploring potential buyers. As a result, the prevailing pattern is steering the hospital industry towards a phase of consolidation. Despite this, there remains a sustained and robust demand for healthcare services within the Indian hospital sector, and organized players in the industry are consistently expanding their market share.

Key Segmentation: large chains v/s regional (or standalone) hospitals

In the hospital industry, a crucial segmentation revolves around the distinction between large hospital chains and regional or standalone hospitals. Large hospital chains wield considerable strengths, primarily derived from their expansive network and centralized management. Economies of scale play a pivotal role, allowing these chains to benefit from bulk purchasing of medical equipment, standardized operational practices, and cost efficiencies. Brand recognition is another notable strength, as patients often associate established chains with reliability and quality healthcare services. Standardized practices across multiple locations ensure consistency in service quality, contributing to the trustworthiness of these chains.

Regional or standalone hospitals, on the other hand, often thrive on their intimate connection with the local community. Community engagement is a notable strength, allowing these hospitals to tailor their services to the specific healthcare needs of the local population. Their smaller scale fosters agility and flexibility in decision-making, enabling quicker adaptations to changing circumstances. Some regional hospitals carve out niches by specializing in specific medical fields, becoming go-to centres for specialized care.

Despite this vast expanse of the Indian hospital industry, a notable characteristic is the limited pan-India presence of healthcare establishments. This limitation is particularly evident when examining both large hospital chains and

regional or standalone hospitals. Large hospital chains, known for their extensive networks and standardized practices, often concentrate their presence in specific cities or metropolitan areas. This strategic focus allows them to capitalize on the economic vibrancy and dense populations of urban centres, tailoring their services to meet the healthcare demands of these regions. As a result, their pan-India presence is restricted, with operational hubs typically concentrated in metros and tier I cities.

In contrast, smaller standalone hospitals, often secondary healthcare facilities, concentrate their efforts on tier II and tier III cities, addressing the healthcare needs of populations in less densely populated regions. Their approach is rooted in community engagement and adaptation to the unique healthcare requirements of the local population. Thus, with this strategy, they foster a deep connection with the communities they serve.

Analysis of key factors shaping competition in hospital industry

Factors that shape competition in this industry are:

- **Service Excellence and Patient-Centric Approach:** In the highly competitive arena of private hospitals, service excellence and a patient-centric approach stand as fundamental pillars of success. These hospitals place a premium on delivering top-notch healthcare services, focusing on positive medical outcomes, and ensuring an overall positive experience for their patients. The commitment to personalized care and patient satisfaction is paramount, distinguishing private hospitals in a market where patient preferences and experiences play a crucial role in decision-making.
- **Technological Innovation and Infrastructure:** Private hospitals understand the significance of staying at the forefront of medical technology to remain competitive. They invest substantially in cutting-edge equipment, digital health solutions, and state-of-the-art infrastructure. This commitment to technological innovation not only enhances the quality of healthcare services but also positions private hospitals as leaders in the adoption of advanced medical practices and procedures.
- **Network Expansion and Brand Building:** In the pursuit of market dominance, private hospital chains strategically focus on network expansion and brand building. Geographical growth is a key strategy, allowing these chains to establish a recognizable brand and maintain standardized levels of healthcare quality across their various locations. A robust network and a strong brand contribute significantly to patient trust and loyalty.
- **Cost-Efficiency and Competitive Pricing:** Cost-efficiency and competitive pricing are critical considerations for private hospitals seeking to thrive in a competitive market. These institutions implement strategic cost-control measures without compromising on the quality of healthcare. Transparent pricing

practices further enhance patient trust, contributing to the overall competitiveness of private hospitals in the healthcare landscape.

- **Human Capital and Doctor Reputation:** The reputation of employed doctors and the caliber of human capital play a pivotal role in the competitiveness of private hospitals. These institutions focus on attracting and retaining top-tier medical professionals, leveraging their expertise to build a strong reputation within the healthcare industry. A hospital's success is often closely tied to the expertise and reputation of its medical staff.
- **Patient Engagement and Marketing:** Proactive patient engagement and effective marketing are integral components of the competitive strategy for private hospitals. These institutions invest in targeted marketing campaigns, online presence, and community engagement initiatives to enhance visibility, attract new patients, and retain existing ones. A strong emphasis on patient engagement contributes to the overall competitiveness and success of private hospitals.
- **Specialized Healthcare Services:** To distinguish themselves in a competitive landscape, private hospitals often diversify by offering specialized healthcare services. Whether through advanced diagnostics or niche medical specialties, providing comprehensive solutions to specific healthcare needs is a key strategy. The ability to offer specialized services contributes to the attractiveness of private hospitals among patients seeking tailored and advanced medical care.
- **Collaborations and Partnerships:** Private hospitals recognize the importance of strategic collaborations and partnerships in enhancing their capabilities and reputation. Engaging with pharmaceutical companies, research institutions, or other healthcare organizations allows private hospitals to stay at the forefront of medical advancements. These collaborations contribute to their overall competitiveness by expanding their offerings and reinforcing their position as leaders in the healthcare industry.

Key Players:

Apollo Hospitals Enterprise Limited

Established in 1983 and headquartered in Chennai, Apollo Hospitals is a pioneer of modern healthcare in India. As the country's first corporate hospital, it spearheaded the private healthcare revolution. Apollo Hospitals is one of India's largest healthcare networks, with over 10,000 beds across 73 hospitals, 6,000 pharmacies, 700+ clinics, 2,300 diagnostic centers, 200 telemedicine units, 15 medical education and research centers, and more than 11,000 doctors. The group offers a comprehensive range of services, from preventive care and wellness programs to advanced life-saving treatments and diagnostics, impacting over 200 million lives in 150+ countries. Apollo specializes in key areas such as cardiology, oncology, dermatology, emergency care, neurology, orthopedics, and joint replacements. It operates across major cities like Bangalore, Chennai, Delhi, Hyderabad, Nashik, and Mumbai, among others.

Fortis Healthcare Limited

Incorporated on February 28, 1996, and headquartered in Gurugram, Fortis Healthcare is a leading provider of integrated healthcare services in India. It is one of the largest healthcare networks in the country, operating 28 facilities with 4,500+ beds (including O&M facilities) and 400+ diagnostic centers (including joint ventures). Fortis is also present internationally in the UAE, Nepal, and Sri Lanka. With a workforce of approximately 23,000, including 12,500+ healthcare professionals, the organization delivers specialized care in cardiology, oncology, dermatology, neurology, orthopedics, minimally invasive surgery, and more. Fortis has a strong presence in 10 cities across India, including Punjab, the NCR, and Tamil Nadu.

HealthCare Global Enterprises Limited

Founded in 2006 and headquartered in Bangalore, HealthCare Global Enterprises (HCG) specializes in delivering high-quality, patient-centric care. Treating over 130,000 patients annually, HCG performs over 100,000 cardiac procedures, 75,000 neurosurgeries, 25,000 knee replacement surgeries, and critical care treatments annually. With 575+ highly experienced doctors and 21 cancer centers, 4 multispecialty hospitals, and 8 day-care centers, HCG is a leader in oncology and multispecialty services. It provides anesthesiology, endocrinology, interventional radiology, gastroenterology, and hepatology expertise. HCG has a notable presence in Gujarat, including Ahmedabad, Bhavnagar, and Rajkot, as well as Karnataka, with its flagship HCG Suchirayu Hospital in Hubli.

Key operational metrices of leading hospital chains in India

Apollo Healthcare Enterprises Ltd	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
In-patient admission ('000)	478	352	460	540	569
ALOS (Day)	3.86	4.19	3.96	3.41	3.30
Occupancy Rate%	67%	55%	63%	64%	65%
ARPOB per day (INR)	37,397	40,214	45,327	51,668	57,488
Operational Bed	7,491	7,409	7,875	7.860	9,423
Bed capacity	10,261	10,209	9,911	9,957	10,138

Fortis Healthcare Ltd	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
In-patient admission ('000)	195.4	157.4	NA	NA	NA
ALOS (Day)	3.23	3.61	3.73	4.38	4.28
Occupancy Rate%	68%	55%	63.4%	67.1%	64.7%
ARPOB per day (INR)	43,562	43,288	49,408	55,101	60,887
Operational Bed	4,000	4,100	4,100	4500	4500
Bed capacity	NA	NA	NA	NA	NA

Narayana Hrudalaya Ltd	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
In-patient admission ('000)	285.91	155.53	191	229	236
ALOS (Day)	3.5	4.6	4.8	4.5	4.4
Occupancy Rate%	88.8%	89.1%	NA	NA	NA
ARPOB per day (INR)	26,575	28,493	NA	NA	NA
Operational Bed	5,859	5,992	6,011	5,888	5,683
Bed capacity	6597	6,725	6,584	6,186	6,074

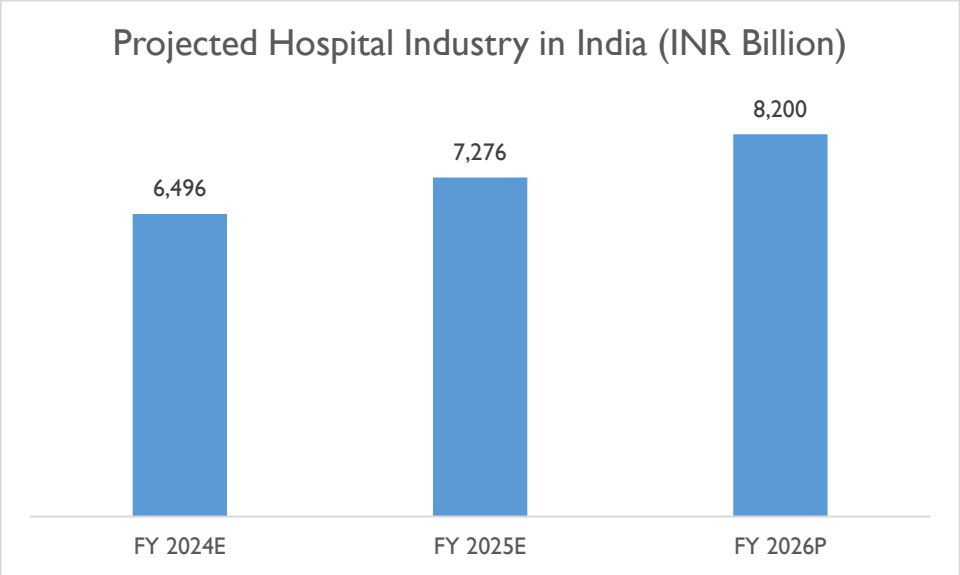
HealthCare Global Enterprises Limited	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
In-patient admission ('000)	68.18*	60.73	NA	NA	NA
ALOS (Day)	2.27	2.29	2.28	NA	2.05
Occupancy Rate%	42.9%	48.4%	58.3%	65.4%	NA
ARPOB per day (INR)	32,767	32,632	37,841	38,042	42,058
Operational Bed	2,071	NA	1,702	1,833	1,923
Bed capacity	NA	2,036	1,944	2,036	2,200

* FY 2019-20 registrations exclude patients (at few locations) to reflect more qualitative aspects while adoption of digital systems, hence are not directly comparable with earlier periods.

Growth Forecast

India's healthcare sector stands at the forefront of a transformative era, offering a landscape rich with opportunities across providers, payers, and medical technology. In response to heightened competition, businesses are keenly exploring the latest dynamics and emerging trends that promise positive impacts on their operations.

Notably, the cornerstone of this growth lies in the hospital sector, according to the industry it is estimated to generate an annual turnover of nearly INR 6,496 billion in FY 2024 and is projected to reach nearly INR 8,200 billion by FY 2026. There are a few aspects within the hospital sector that are expected to drive growth in the coming years – including telemedicine, e-health services, and the medical tourism market.



Source – D&B Research Estimates

The National Digital Health Blueprint, spanning the next decade, holds the potential to unlock incremental economic value exceeding USD 200 billion for the healthcare industry in India.

The projected population increase from 121.1 crores to 151.8 crores by 2036, coupled with an aging demographic and a rise in non-communicable diseases (NCDs), highlights the evolving healthcare landscape. Challenges posed by NCDs and the increasing demand for elderly care services underscore the need for comprehensive and responsive healthcare systems. Furthermore, health challenges among the youth, ranging from malnutrition to lifestyle-related issues, contribute to the complex healthcare scenario.

Additionally, the increasing geriatric population significantly fuels demand for tertiary healthcare services. Lifestyle changes, cost-effective lifesaving drugs, and improved healthcare accessibility are pivotal factors propelling this growth. Access to a vast population base and improved affordability, fueled by rising urbanization and income

levels, further strengthens the demand for high-quality healthcare facilities. The penetration of health insurance, initiatives like AB-PMJAY, and a positive trend in health insurance coverage signify a transformative shift in healthcare accessibility. Overall, these factors, coupled with the incidence of lifestyle diseases and the rise of medical tourism, collectively shape a robust trajectory for the hospital industry in India.

As India strides confidently towards becoming a global healthcare hub, the Government plays a pivotal role in shaping this vision. With plans to elevate public health spending to 2.5% of the country's GDP by 2025, the Government's strategic initiatives highlight its commitment to fostering a robust, inclusive, and technologically advanced healthcare ecosystem. In this complex yet promising landscape, the healthcare sector in India is not just witnessing growth but is poised for a paradigm shift, promising a future characterized by innovative solutions, heightened accessibility, and improved healthcare outcomes for its diverse population.

Threat & Challenges

High realty cost

The formidable challenge of high realty costs stands as a significant impediment to the rapid expansion of the private healthcare sector in establishing new hospitals. The soaring costs associated with real estate, both in terms of acquisition and rentals, pose a substantial barrier, with land acquisition intricacies, procedural delays, and the labyrinthine clearance processes further compounding the hurdles faced by new projects.

In response to this bottleneck, prominent private players are strategically navigating these challenges by adopting innovative approaches. Among these, a notable trend involves shifting towards a rent model, allowing hospitals to circumvent the hefty upfront costs associated with land acquisition and ownership. Additionally, the exploration of alternative avenues such as the Operations and Maintenance (O&M) model is gaining traction. This asset-light growth strategy not only provides a viable solution to the financial constraints posed by high realty costs but also offers a pragmatic approach to sustainable expansion within the dynamic landscape of the private healthcare sector.

Long gestation period and capital-intensive nature of the sector:

The establishment of a hospital entails a highly capital-intensive endeavor marked by prolonged gestation and payback periods. For existing hospital setups, businesses encounter the ongoing need for capital to facilitate the upgrading, maintenance, replacement of equipment, and expansion initiatives. Notably, the intricacies of the financial landscape are accentuated by the fact that land and infrastructure costs constitute a substantial proportion, ranging from 60% to 70%, of the total capital expenditure.

Consequently, the formidable task of securing capital at a reasonable cost emerges as a pivotal challenge for the healthcare industry. Navigating this financial hurdle necessitates strategic financial planning, innovative financing

models, and proactive measures to ensure the sustainable growth and resilience of hospital businesses within this capital-intensive landscape.

Dependence on imports for medical equipment:

A noteworthy aspect of the Indian healthcare sector is its heavy reliance on imported medical equipment, constituting approximately 70% of the total. Key and intricate medical apparatus such as CT scans, MRIs, and PET scanners are among the major equipment imported to the country, essential for the operational efficiency of hospitals. The inherent challenge lies in the susceptibility of the sector to any hurdles or delays in the importation process, potentially disrupting the seamless functioning of medical facilities. Moreover, this significant dependence on imports exposes the healthcare industry to the volatility of foreign exchange rates, adding an element of financial risk to the equation.

In response to these challenges, the Indian government took a pivotal step in December 2014 by approving 100% Foreign Direct Investment (FDI) inflow under the automatic route in the medical devices industry. This forward-looking decision is anticipated to have multifaceted benefits for the sector. Firstly, it is expected to catalyze the growth of local manufacturing capabilities, fostering a more self-reliant ecosystem. Secondly, this move is likely to encourage technology infusion within the sector, leading to advancements in indigenous production. Ultimately, the government's strategic policy initiative aims to curtail the dependence on imports, enhance the resilience of the healthcare sector against supply chain disruptions, and mitigate the impact of foreign exchange fluctuations in the long term.

Limited number of qualified doctors and healthcare workers

India grapples with a substantial scarcity of adequately trained medical personnel, encompassing both doctors and nurses. Presently, the nation boasts approximately 706 medical colleges, generating over 90,000 doctors annually as of October 6, 2023. Despite this prolific output, a considerable proportion of medical graduates opt for opportunities abroad, particularly in western countries, lured by superior compensation, expansive research prospects, and a higher quality of available facilities. This trend exacerbates the predicament, leaving only 9.28 doctors per 10,000 population, thereby intensifying the strain on the healthcare sector.

Concurrently, Indian hospitals confront a pronounced deficit in qualified nursing staff. The overall nurse-to-patient ratio stands at a mere 2.10 nurses per 1000 population, falling below the World Health Organization's recommended norm of 3 per 1,000. According to Niti Aayog, India currently contends with a substantial shortfall of approximately 4.2 million nurses or nursing professionals in absolute terms. This scarcity not only poses a critical challenge to the effective functioning of healthcare institutions but also underscores the pressing need for

comprehensive measures to address the shortage of medical personnel, fostering a resilient healthcare ecosystem in India.

Capital shortage:

In the dynamic landscape of healthcare delivery, treatment techniques undergo rapid evolution, necessitating hospitals to promptly embrace the latest advancements in medical care to avoid the risk of obsolescence. This imperative compels hospitals to make substantial and recurrent investments to stay abreast of cutting-edge developments. The inability to secure adequate funds not only hampers the hospital's ability to invest in the latest technologies but also significantly impedes the overall growth trajectory of the healthcare sector, limiting its capacity to provide state-of-the-art medical services and maintain competitiveness in an ever-evolving healthcare landscape.

Financial Analysis

Cost & Profit Trends

Year	Expense specific to Hospitals*	Power & Fuel	Salaries & Wages	SGA Expenses	Interest Expense	PBDIT Margin	Net Margin
FY 2020	34.6%	2.1%	15.4%	2.5%	5.8%	18.6%	2.0%
FY 2021	50.1%	2.6%	20.5%	2.1%	7.7%	21.3%	1.0%
FY 2022	49.1%	2.0%	16.2%	2.4%	4.4%	25.9%	9.8%
FY 2023	46.9%	2.0%	15.7%	3.6%	3.7%	26.6%	12.7%
FY 2024	46.7%	2.0%	15.9%	3.8%	3.3%	26.6%	12.9%

Source: CMIE Prowess IQ, Dun & Bradstreet Research, Based on a Sample of 32 Companies
*Includes doctor's & consultants fee, medical consumables, and other miscellaneous expenses specific to hospitals

Expenses incurred on availing the services of visiting doctor's & specialized medical professionals, medical consumables, and other miscellaneous items that are directly related to providing healthcare services form the biggest cost component. In the sample considered, these expenses combined (termed as Expense specific to Hospitals) accounted for 46.7% of the consolidated annual revenue in FY 2024.

With more and more hospitals moving into multi-specialty domain (expanding the healthcare service offerings), the number of specialized doctors engaged is going up. Indian healthcare delivery sector is hobbled by lack of qualified healthcare professionals, and it is acute in specialized segments. Given the limited number of specialist doctors graduating every year, the total pool of experienced medical specialists is low. Consequently, the premium commanded by these specialists is high, translating into higher operational cost for hospitals.

By putting in place streamlined operational process, and negotiating for medical supplies, a hospital can control costs incurred on medical consumables & other miscellaneous expenses. However, there is least they could do when it comes to fee of specialists, especially in the case of smaller hospitals.

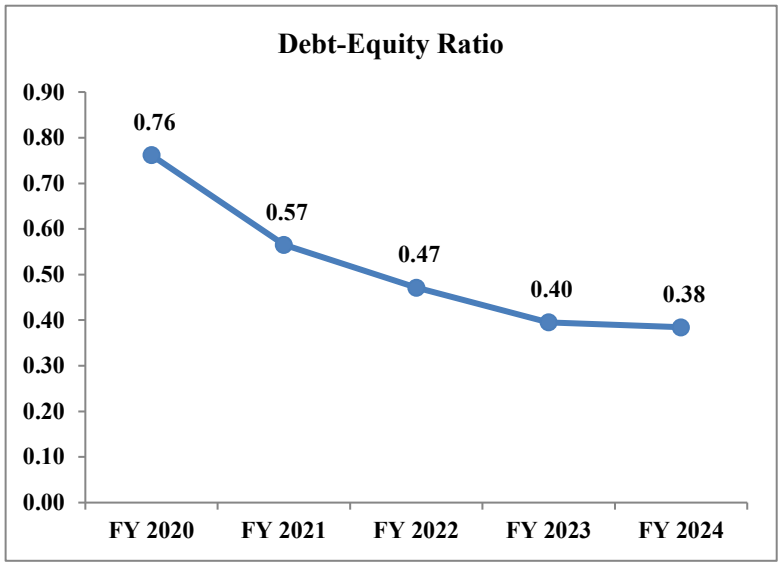
The second significant operating cost in healthcare delivery segment is the salary & wages incurred for employing resident doctors as well as paramedical staff. Unlike specialists, resident doctors are typically in the payroll of hospitals – like paramedical staff. Although resident doctors form the smallest component among the hospital employee base, they command the highest salaries. In the sample considered, salary & wage expense accounts for 15.4-20.5% of the total revenue during FY 2020-24.

Similar increase in revenue and operating expenses resulted in stable margin performance where margin hovered in similar range in FY 2024 as of the previous year.

Key Ratios

Debt Equity Ratio

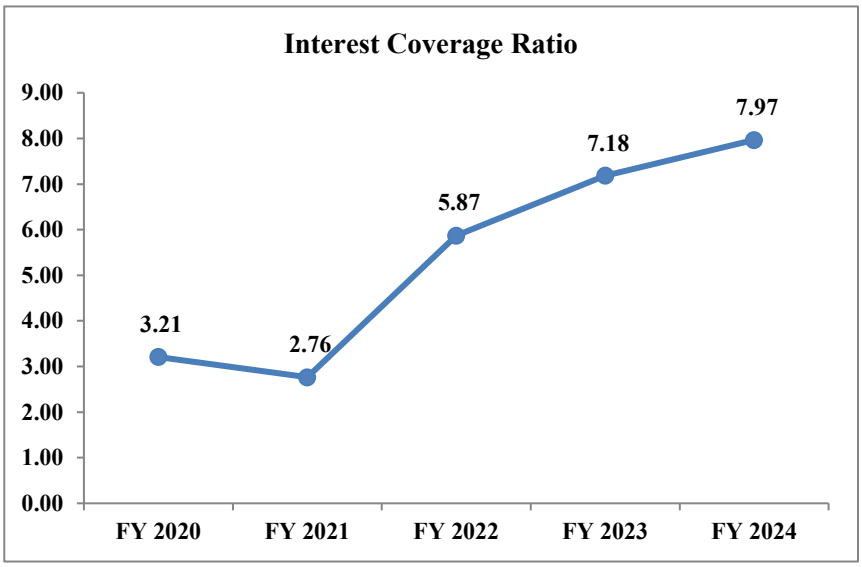
Consolidated debt equity ratio of sample hospitals has exhibited an improvement from the level of 0.76 times to 0.38 times over the last years, continuing to remain in the comfortable range. The ratio improved from 0.40 times in FY 20232 to 0.38 times in FY 2024 where the consolidated reported relatively lower y-o-y growth of 15% against 19% y-o-y growth in net worth grew in FY 2024. In the last five-years, consolidated borrowing declined at (-4%) CAGR as compared to 14% CAGR exhibited by networth, which has resulted in this positive change in ratio.



Source: CMIE Prowess IQ, Dun & Bradstreet Research, Based on a Sample of 32 Companies

Interest Coverage Ratio

Interest coverage ratio (ICR) of the sample hospital companies exhibited improvement over the period FY 20219-24 from the level of 2.76 times to 7.97 times on account of relatively higher rate of growth in operating profits (16% CAGR) than interest expense (-8% CAGR). Operating profit continued to grow backed by growing revenue, during the last five years except FY 2021. During FY 2024, healthy growth in in operating margin against 2.16% moderate growth in interest expenses helped in improving the ICR to 7.97 times.



Source: CMIE Prowess IQ, Dun & Bradstreet Research, Based on a Sample of 32 Companies

Other Key Ratios

Ratios	Average Value*
Gross Margin	79.1%
Net Margin	11.9%
Current Ratio	1.65
Quick Ratio	1.59
Account Receivables Days	48
Inventory Days	8
Account Payable Days	68
RONW	14.2%
ROA	14.8%
ROCE	19.3%
Long Debt-Equity	0.41
Networth to Total Liabilities	46.9%
Interest Coverage Ratio	7.00
Fixed Asset Turnover	1.40
Asset Turnover	0.56
WC Turnover Ratio	7.84
Inventory Turnover	60.94
Fixed Assets to Networth	0.85
Sales to Capital Employed	0.73

Source: CMIE Prowess IQ, Dun & Bradstreet Research, Based on a Sample of 32 Companies
*Average Value: Average of FY 2022-24

[i] The data is gathered for different diseases for multiple sources. These sources include government health databases, research studies published in medical journals, reports from health organizations, and statistical data from international health agencies. List of links refers are as below:

a) CVD: - The Lancet Regional Health- Southeast Asia 2023
(https://www.thelancet.com/action/showPdf?pii=S2772-3682%2823%2900016-1)

b) TB: - India TB Report
(https://tbcindia.mohfw.gov.in/wp-content/uploads/2023/05/5646719104TB_AR_2023_04-04-2023_LRP_final.pdf)

c) Cancer: -National Center for Biotechnology Information
(https://www.ncbi.nlm.nih.gov/pmc/articles/PMC10231735/)

d) Diabetes: - National Center for Biotechnology Information
The most recent data on diabetes-related deaths is not available from secondary sources. Therefore, we have estimated this value based on the last published figure of approximately 27 deaths per 10,000 by NCBI in 2019. For 2022, we have projected the death rate per 100,000, considering factors such as the increasing number of diagnosed diabetes cases in the country and trends from previous years in diabetes-related mortality in India with an approximate CAGR of 4-5%.
(https://www.ncbi.nlm.nih.gov/pmc/articles/PMC8630265/#:~:text=Similarly%2C%20mortality%20rate%20due%20to,1.75%3B%20p%20%3D%200.186.)

e) Liver Disease: - Institute For Health Metrics and Evaluation (IHME)
https://ourworldindata.org/grapher/death-rate-from-liver-disease?time=1995