

Healthcare

India Healthcare Market Potential Opportunities for Market Entry

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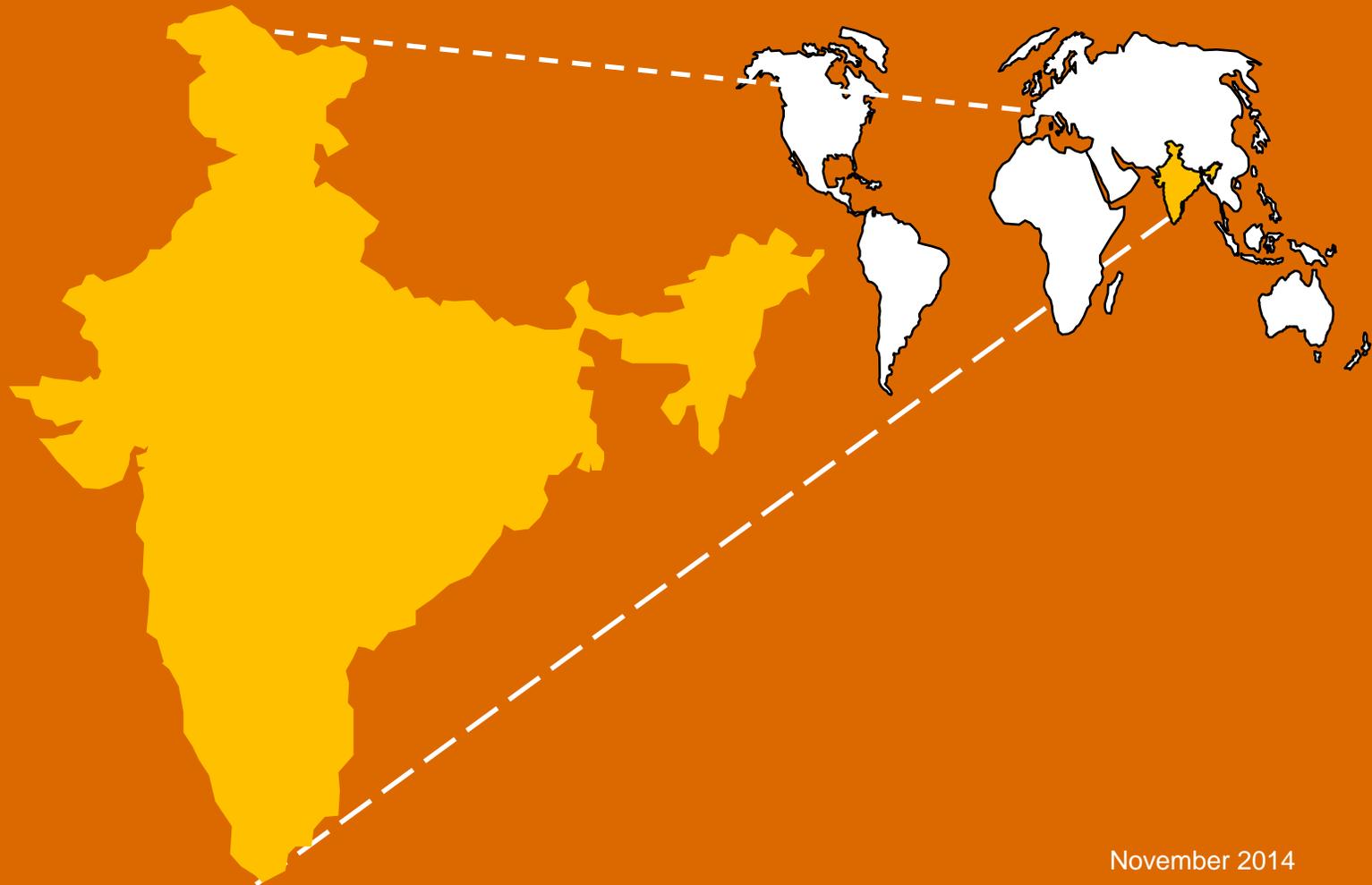
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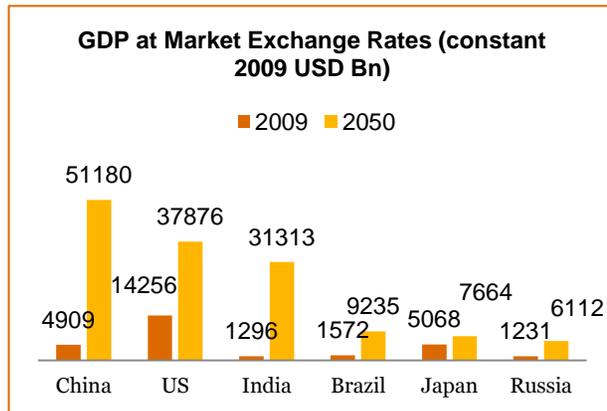
Indian Healthcare Industry

At the inflexion point

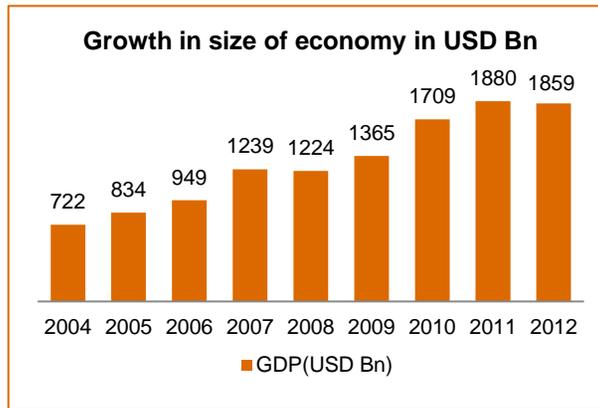


India in terms of key macro-economic indicators

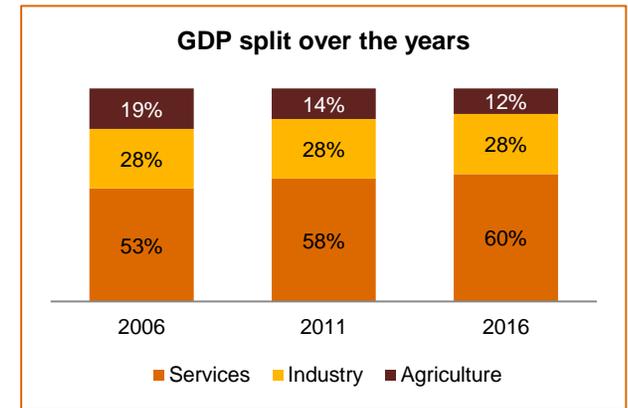
By 2050, India will be the 3rd largest economy in the world



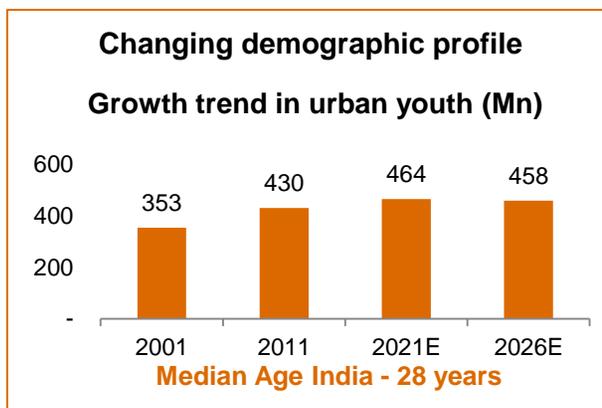
India has shown a steady growth in its GDP over the past decade



The Services sector is the largest source of GDP growth



Fundamentals of the economic growth lies on India's demographic dividend



Macro-economic profile - India

- Demographic dividend advantage for India translates to a significant labour force which represents a potential to contribute to the economic growth
- Currently India's economy is around ~1.8trillion USD and is expected to become the 3rd largest economy next to China and the USA in 2050
- Services sector is the largest contributor to economic growth and is expected to constitute ~ 60% of the national GDP in 2016
- In terms of growth rate, agriculture sector is expected to grow at an average rate of 4.3% ,whereas industrial and service sector show a forecasted growth of 9.5% and 10.1% respectively during the next decade

Most Fortune 500 companies today have a significant presence in India

Food & Beverage



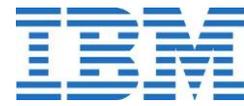
Consumer Durables



Automotives



Computers & Software



Pharmaceuticals



Financial Services



Insurance



Engineering



Power and productivity
for a better world™



Logistics



Manufacturing



Tecumseh

Petrochemical & Chemicals

bp



Advantage India

- Democratic system of governance: Progressive reforms in place to attract foreign investment (**100% FDI in health**)
- Large domestic market – growing consumer population
- Rising affordability
- Availability of skilled and qualified Human Resources
- Enabling environment – growing GDP and FDI, English as a language for business
- Conducive regulatory environment for healthcare

Source: PwC Analysis

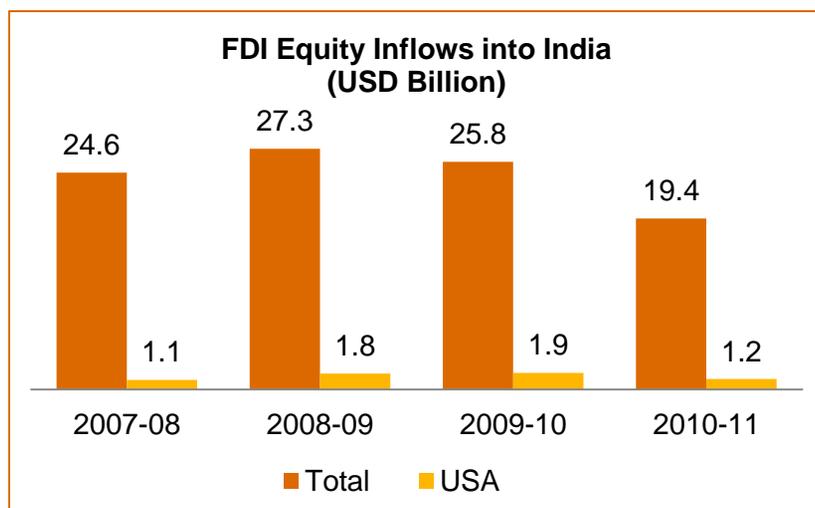
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4

India is the third most active investment destination for foreign companies



- India attracted cumulative FDI inflow of **USD 237 billion** in the last decade with 70% equity inflows
- **BFSI** (Financial, Banking and Insurance services) was the most preferred destination for FDI in India
- **USA** reported cumulative FDI equity inflows of **USD 9.8 billion** in the last decade. However, the number would be considerably higher if we account for the FDI inflow through **tax havens**

Leading US companies have significant investment plans in India

Company	Investment Plans in India
GE	<ul style="list-style-type: none"> • GE started India operations in 1902 and ramped up its presence in transportation, energy, healthcare and financial services .It has an employee base of over 14,500 now • John Welch technology centre set up in 2000 (\$130 million) in India , first and largest such centre outside US. Plans to investing over \$55 million for expansion of the centre • New manufacturing facility for the energy sector with an investment of \$200 million
Microsoft	<ul style="list-style-type: none"> • Planned to increase the workforce in India by adding 3,000 more jobs with \$1.7 billion investment in 2009 • Announced investment of \$20 million in the Indian education sector
IBM	<ul style="list-style-type: none"> • With an investment of \$500 million, planning to expand their base and the workforce
Coca Cola	<ul style="list-style-type: none"> • Planning to invest \$5 billion by 2020 on activities including setting up of new bottling plants
GM	<ul style="list-style-type: none"> • Plans to invest \$300 million within the next 2 years to start 6 new products

Source: PwC Analysis

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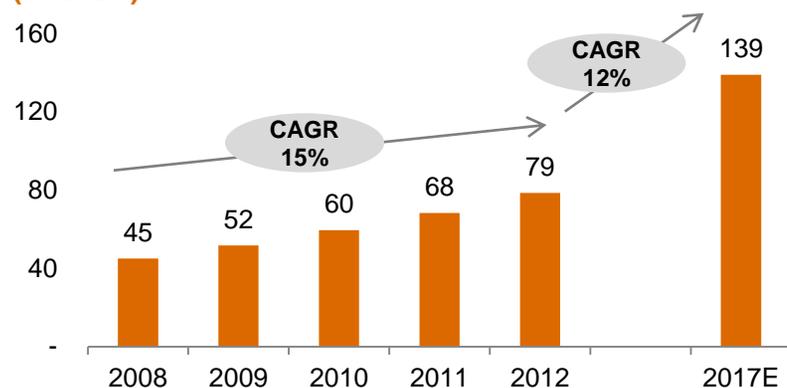
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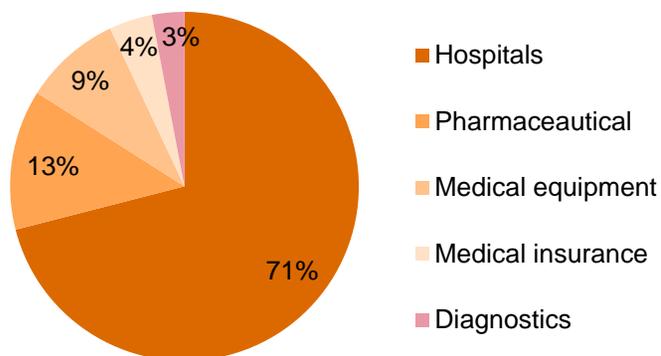
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Valued at USD 79 Bn (2012), Indian healthcare industry is likely to witness sizeable growth (12% CAGR) over the next 3-5 years

Market Size of Healthcare industry in India (USD Bn)



Segment wise Split of Healthcare Industry (2012)

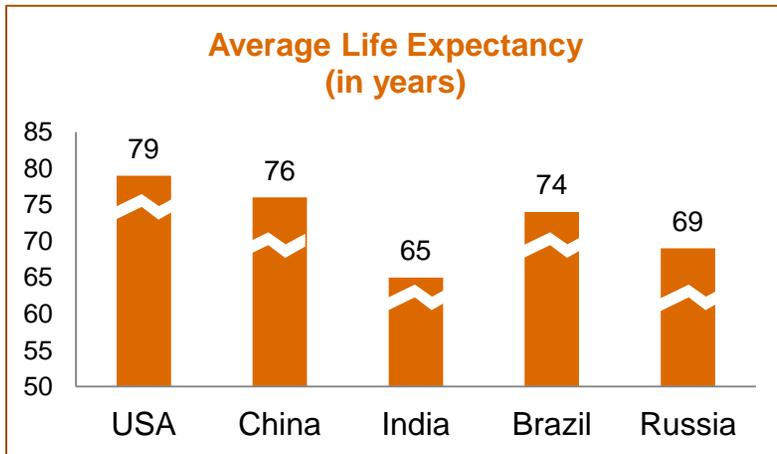


Key growth drivers for healthcare sector in India

Growth drivers

- ***Favourable demographics***
- ***Increasing incidences of lifestyle diseases***
- ***Emerging middle class and rising healthcare consumption***
- ***Growing health insurance penetration***
- ***Increased investments from PE funds***
- ***Medical value travel advantage***
- ***Diversifying delivery models***

Growth Factors (1/7) – Growing population, increasing urbanization and improved life expectancy will spur the demand for healthcare services



Growing urbanisation & emergence of new urban centres

India's population is equal to **1.2 billion** and has exhibited a 17.6% decadal growth from 2001 to 2011

The number of urban agglomerations (UAs) has increased from 384 towns to 475 from 2001-2011. Approximately 265 million persons, constituting 70% of the total urban population, live in these UAs/Towns*

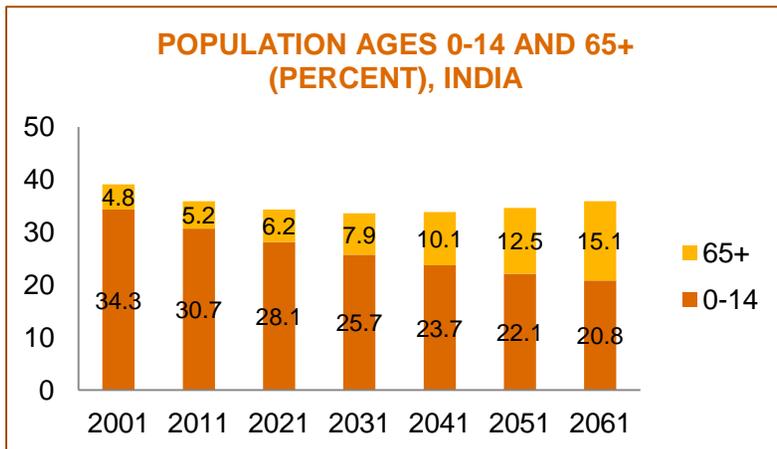
Increasing life expectancy

India's life expectancy has increased from 60.2 years in 2000 to 66.2 years in 2012 as a result of concerted efforts to tackle communicable diseases. As a result, the proportion of the elderly in India's population will rise and is expected to increase to nearly 8% by the year 2031.

This will have several implications as the elderly population needs greater healthcare facilities, which will require higher health care expenditures than other population groups

Increasing demand for healthcare

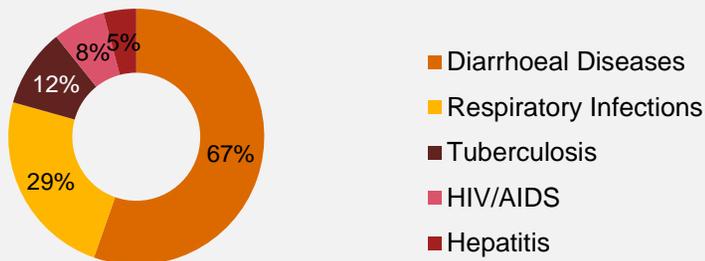
While most of the quality health services have been focussed on the larger cities, the next round of growth penetration is set to cater to a wider population base in smaller towns and tier II towns



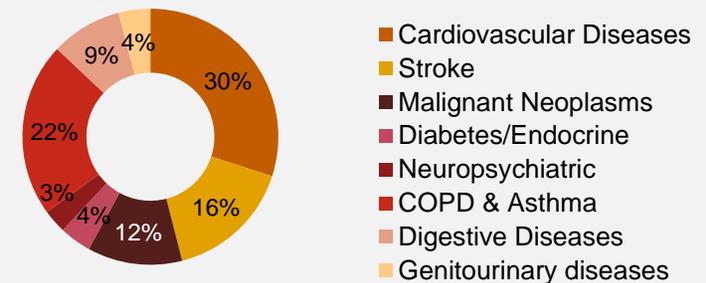
* cities having a population of over 0.1 million

Growth Factors (2/7) - India is dealing with the dual burden of communicable and non-communicable diseases, which developed countries have had to deal with only sequentially

Leading causes of death : Communicable

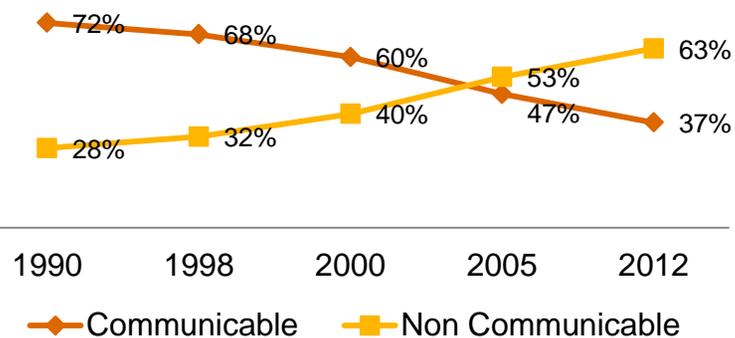


Leading causes of death: Non- Communicable



Source: WHO Global Burden of Disease 2010

Communicable Vs. Non-Communicable

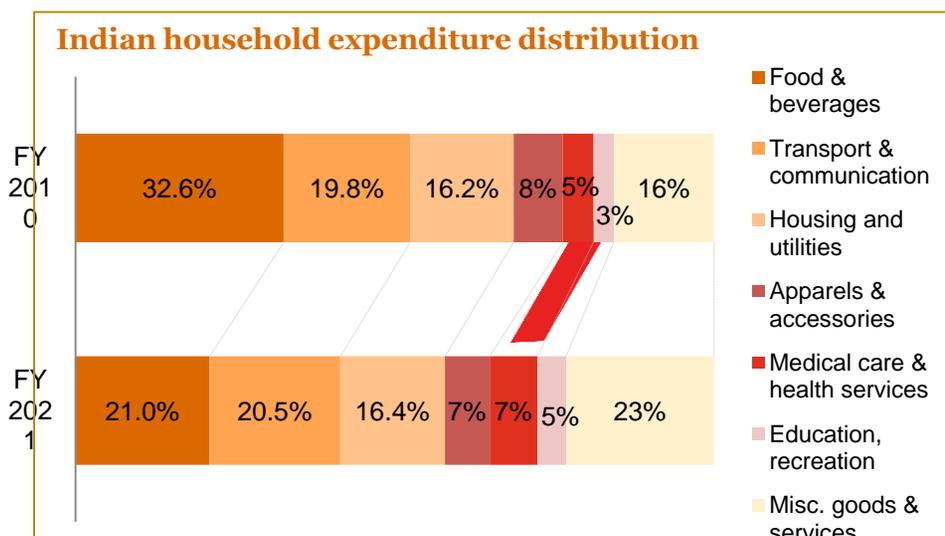


Share of non communicable disease segment is rising in the country

- India has 17% of world population, it accounts for 21% of global disease burden
- NCD's constitute 63% of overall disease burden in India & their increasing incidence will adversely impact the economy to the extent of 230 billion INR in a decade
- Rural India accounts for 70% communicable disease cases, and over 50% of non-communicable disease.

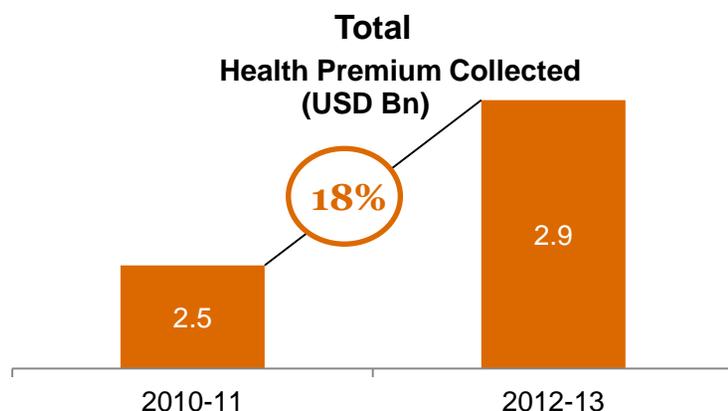
Growth Factors (3/7) – Emerging middle income class segment will also impact the private consumption on healthcare which is set to increase from 5% to 7.5% by end of this decade

India's Population Distribution (millions)			1.19 billion		1.36 billion
Household income/year (INR)		\$/day per capita	2010	CAGR (%)	2021(Projection)
> 8,50,000	Upper middle +	>\$10	80	9.7%	190
3,00,000 – 8,50,000	Middle	\$5-\$10	170	6.3%	300
1,50,000 – 3,00,000	Emerging middle	\$1.7-\$5	470	1.9%	570
< 1,50,000	Low	<\$1.7	460	-4.6%	290



- The expansion of the **emerging middle income class** is driven by strong domestic growth accompanied by a decrease in the numbers of the lower segments
- As the share of wallet increases for products and services such as **healthcare**, transport, education, durables, etc – significant opportunity exists for the companies targeting this income segment

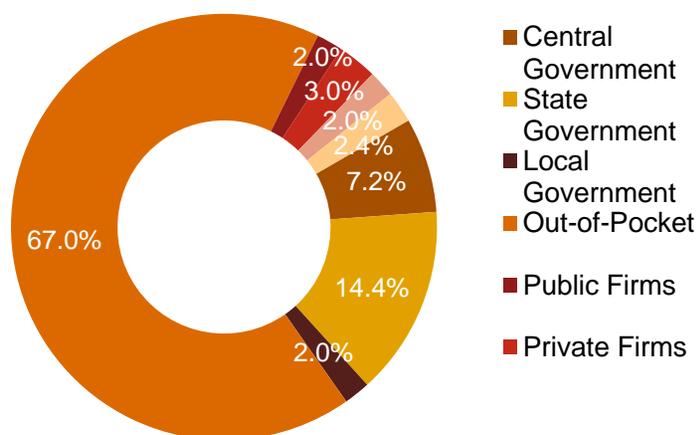
Growth Factors (4/7) - Health insurance is stimulating the growth of healthcare delivery



Growing health insurance penetration

- The health insurance market is currently valued at ~2.9 Bn USD and registered a growth of 18%
- Close to 300 million population (~25%) is covered under some form of health insurance in the country today
- Around 70% of healthcare expenditure is still being paid out of pocket by individuals
- Voluntary (private) health insurance market growing at ~ 35% and is expected to grow at a rate of 23-25% for next 5 years

Sources of Finance in Health Sector in India



Changing role of Government from provider to payer

- The emergence of government sponsored health insurance schemes provided the impetus to the insurance industry and is expected to further expand to the different states/provinces
- Main objective of these schemes was to offer financial protection to below-poverty line segment against catastrophic health shocks
- Between 2007 and 2010, 6 major schemes have emerged, including one sponsored by the government of India (GOI) and five state-sponsored schemes
- Approx. 240 million Indians are covered by these schemes so far, up from 34 million beneficiaries in 2003

(5/7) - Market entry –The Indian health care sector is becoming an attractive investment destination for PE and VC companies and is exhibiting investments across the spectrum

Hospital chains –



PE / Strategic Investor -



- In 2013 , over a tenth of all PE investments in India were in the Healthcare space
- The healthcare and life sciences sector in India has emerged second in terms of investment value with investments worth 729 million USD from 15 deals
- The healthcare and life sciences sector tops the list of PE exits, in terms of both value and volume, with six deals worth 513 million USD. This constitutes 45% of the total deal exit value

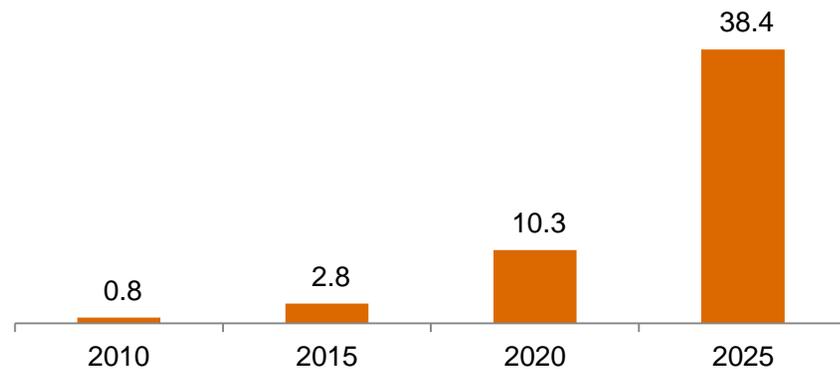
Year	Deals	Value (\$ Mn)
2013	73	1,264
2012	30	755
2011	24	274
2010	23	438
2009	24	281
2008	18	333
2007	23	395

Major healthcare M&A transactions 2011-13

Year	Target	Investor	Deal Value (USD mn)
2013	Medica Synergie Private Limited	Quadria Capital , DEG and Swedfund	64.0
2013	Medanta Medicity Hospital (28% stake)	Carlyle Group	154.0
2013	Sterling Hospitals (Controlling Stake)	Promoters bought back from Actis	54.1
2013	Meditrina Hospitals (Significant Minority Stake)	Matrix Partners	5.9
2013	Rainbow Hospitals (Significant Stake)	CDC group plc , Abraaj Capital Holdings Limited	17.5
2013	Omni Hospitals (Substantial Minority Stake)	ASK Pravi Capital Advisors Pvt. Ltd.	10.0
2013	Vikram Hospital Private Limited (64% stake)	Multiple Alternate Asset Management Pvt Ltd	15.0
2013	Ivy Hospital	DEG	12.2
2013	Bangalore Assisted Concepcion Centre	Healthcare Global Enterprises	NA
2013	Fortis Healthcare Ltd (6.59% stake)	International Finance Corporation	45.0
2013	Global Baroda Hospital	India Ventures Advisors Private Limited	8.0
2013	Lazarus Hospitals (25% stake)	4SightCapital	5.5
2012	Krishna Heart & Super Specialty Institute (86%)	Shalby Hospitals Pvt Ltd	14.0
2012	Manipal Health Enterprises	India Value Fund	100.0
2012	Care Hospitals	Advent International	110.0
2012	Medipoint Hospital Pvt Ltd (51% stake)	DM Healthcare Pvt Ltd	NA
2012	Vasan Healthcare Pvt Ltd (15% stake)	GIC	100.0
2012	Sahyadri Hospitals (significant minority stake)	IDFC Project Equity	38.6
2012	DM Healthcare (24.66% stake)	Olympus Capital	100.0
2011	Medfort Hospitals (8.07% stake)	ePlanet Ventures, TVS Capital	2.5
2011	Max Healthcare Institute Limited (26% stake)	Life Healthcare Group Holdings Limited	108.0
2011	Moolchand Healthcare (21.64% stake)	Sequoia Capital India	22.3
2011	Vaatsalya Healthcare (28% stake)	Seedfund, Aquarius	10.0

Growth Factors (6/7)– Medical value travel is growing in India at ~ 35% currently due to quality care available at affordable prices

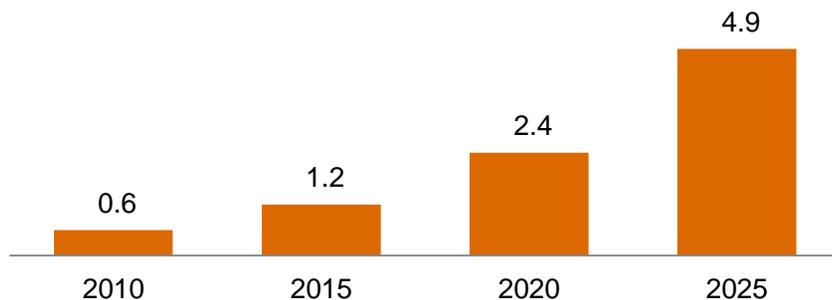
Medical Value Travel- Market Size (USD Bn)



Medical Value Travel Opportunity

- Medical value travel opportunity in India is expected to reach ~\$10.3 Bn by 2020
- Advantages for medical treatment in India include reduced costs, the availability of latest medical technologies, a growing compliance on international quality standards, and a large English speaking population

Medical Tourists Visiting India (in millions)



Cost-advantage driving foreign patient inflow

- In 2010, ~0.6 Million medical tourists visited India and will witness a 15% growth on year -on-year basis
- The most popular treatments sought in India by medical tourists are alternative medicine , bone-marrow transplant, cardiac bypass, eye surgery and hip replacement
- India is known in particular for heart surgery, hip resurfacing and other areas of advanced medicine

Growth factors (7/7)- Opportunities exist in all formats of the healthcare pyramid

	Primary Care	Secondary Care	Tertiary Care
Dynamics	Highly fragmented and localized, largely catered by government, increased interest by corporates	Fragmented and Localized, significant growth in Tier II towns	Organized, Mostly in Metros & Tier-1 cities
Market size	c. USD11.9 billion	c.20.9 billion	c. 14.8 billion
Major Organised Players	Apollo clinics, Wellspring Healthcare, Nationwide, Manipal Cure and Care, Star clinics, Vitalife etc.	Columbia Asia, Nova, Vatsalaya	<ul style="list-style-type: none"> ▪ Pan India Players: Apollo, Fortis, Care, Manipal, ▪ Regional Players: Sterling, Global Hospitals, Max, AMRI, Wockhardt, Yashoda, Vikram, Shalby
Formats/ Service Offerings	Primary health centers (Government owned) Neighbourhood clinics (Unorganised doctors owned), Corporate owned clinics, Diagnostics PPP's	Secondary Care format is represented by mid sized hospitals & day care centers ; Mid sized hospitals (100-200), short stay surgery centres, single specialty centres	Tertiary Care is represented by large corporate hospitals with high end specialised care. Tertiary/high end care corporate hospitals, Centres of excellence, single-specialty, multi-specialty academic medical centres, medi-cities

Primary and secondary care are likely to see more investments in the coming future, and highest growth is expected in Tier II & Tier III cities

Organized players are mainly concentrated in metros, tier 1 and tier 2 cities in India

Sr. No	Provider	Number of Hospitals	~ Total Beds*	Additional Planned Beds (in next 5 years)	Regional focus	Type	Business segments
1	Apollo	50	8,500	3,000	Pan-India (Major presence in South India)	Multispecialty/ Tertiary care	Hospitals, Primary care clinics, pharmacy chains, Insurance
2	Fortis	75	12,000	2,500	Pan-India (Major presence in North India)	Multispecialty/ Tertiary care	Hospitals, dialysis chain, dental chain
3	Manipal	15	4900	1,200	South India	Multispecialty/ Tertiary care	Hospitals, Medical education
4	Narayana Hrudalaya	17	5,000	3,000	Pan-India (Major presence in South India)	Multispecialty/ Tertiary care (mainly cardiac)	Mainly hospitals
5	Max	12	1,900	1,050	North India	Multispecialty/ Tertiary care	Hospital, Health Insurance
6	Global	9	2,000	500	South India	Multispecialty/ Tertiary care	Mainly hospitals
7	Care	12	1,400	1,000	South India	Multispecialty/ Tertiary care (mainly cardiac)	Mainly hospitals
8	Metro Hospitals	8	900	750	North India	Multispecialty/ Tertiary care (mainly cardiac)	Mainly hospitals
9	Columbia Asia	8	800	1,500	Pan-India	Multispecialty/ Secondary care	Mainly hospitals
10	Others Corporate (Medanta, Hinduja, Shalby etc.)	190	36,500	30,000			
11	Govt./ Pvt. Medical College	-	-	30,000			
12	Other Private (Unorganized)			60,000			
Total			~ 74,000	~140,000			

Favourable regulatory framework provides an enabling environment for investment in healthcare

Key features for hospitals under Section 35D tax clauses: For a newly operational 100 bed hospital

Eligibility criteria

- It should not be set up by splitting up, or the reconstruction of a business already in existence;
- It should not be formed by machinery or plant previously used for any purpose. This condition is relaxed where the used plant and machinery does not constitute more than **20 per cent of the total value of the machinery or plant** used in the new business (**'the 80:20 test'**)

Quantum of deduction

- Operations commenced on or after the April 1, 2010 – 100% of capital expenditure
- Operations commenced on or after the April 1, 2012 – 150% of capital expenditure

Carry forward and set-off of losses

- Eligible to claim set-off of losses of a specified business (entitled for deduction under section 35AD) with profit of a specified business irrespective of latter being eligible for deduction under section 35AD or not.
- No time limit specified for carry forward and set-off – can be carried forward indefinitely for set-off against income from specified business

Unmet demand for healthcare offers a huge potential ,but with its own unique challenges

India has lowest total & government per capita spending amongst BRIC nations

BRIC Nations	Per capita total expenditure on health at average exchange rate (US\$)	Per capita total expenditure on health (PPP int. \$)	Per capita government expenditure on health at average exchange rate (US\$)	Per capita government expenditure on health (PPP int. \$)
India	45	132	15	43
Brazil	734	943	335	431
Russia	475	1038	306	669
China	169	309	85	155

Challenges

- **Potential opportunities exist for new providers/entrants to healthcare**, in view of significant infrastructure requirements in the country. For instance, bed density of 0.9 per 1000 population is lower than the peer nations
- **India has the largest number of medical colleges globally (381) and produces the highest number of medical graduates (50,000) each year**, however to cater to a large population base in India , there exists a significant need gap in the supply of physicians, nurses & paramedical staff.
- **Despite the increase in the insurance coverage, there is still a large population which has remained uncovered**, thus over 70% of healthcare costs are borne by patients themselves

Low government spend

Technology Adaptation

Need to lower service costs

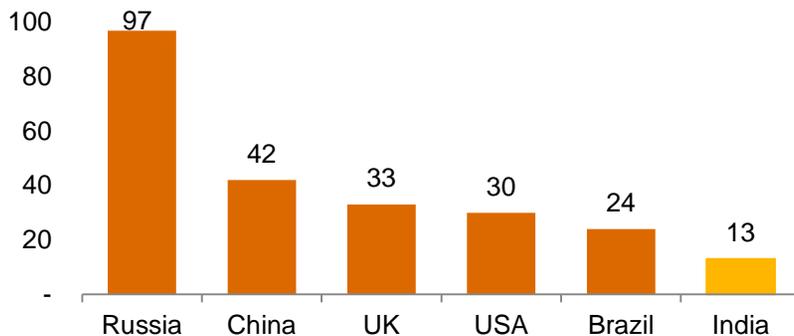
Innovative, low capex models

Attaining operational efficiency

Replicating & scaling success

The resultant infrastructure is inadequate to support the healthcare requirements, thereby offering an opportunity for new providers

Beds per 10,000 population: India v/s the world (2012)



India's healthcare infrastructure is lagging behind that of other major nations of the world

Source: "Understanding Healthcare Access in India" - IMS Institute, June 2013, WHO Statistics

The healthcare access gap

- Healthcare infrastructure gaps remain substantial, with only 1.3 beds per 1,000 population, significantly lower than the other BRIC economies and the WHO guideline of 3.5 beds per 1,000 population.
- India has only 1050 cardiac centres, adequate to perform about two million angiography procedures; however, inadequate to cover the more than 50 million patients afflicted with coronary heart disease.
- Another challenge for India is the need for investment to improve access to both primary and tertiary care in order to improve the quality component

High out-of-pocket spend financing health expenditure

- Most of the country's health expenditure is supported by private spending, primarily out-of-pocket (OOP), with public funds constituting an insufficient amount.
- Despite several government initiatives relating to social protection, such as the Employees' State Insurance Scheme and the Central Government Health Scheme, only about one-fourth of the population is covered by some form of health insurance. Though several efforts, such as the NRHM, the Janani Suraksha Yojana and the Rashtriya Swasthya Bima Yojana, have been made in the past few years to provide equitable healthcare to Indians, these programmes by themselves cannot accomplish Universal Health Coverage (UHC).

Our Healthcare Team

Contact Us...

Dr. Rana Mehta

Executive Director & Leader, Healthcare



Experience summary

Dr. Rana Mehta has more than 18 years of experience working with healthcare organizations in India. He is conversant with the excellence of services expected in the present competitive scenario across the entire healthcare value chain.

Main areas of expertise

- He has experience in strategizing, planning, commissioning and operations of over 50 hospitals in South Asia.
- Dr. Mehta's views are extensively sought after by both international and domestic media on a variety of matters effecting healthcare in the subcontinent

Clients served include

IFC, ADB and the World Bank, Max Hospitals, Fortis Healthcare, Hospital Corporation of America, all leading Health Insurance and Private Equity firms

Abhishek Pratap Singh

Associate Director



Experience summary

Abhishek Singh has over 15 years of experience in Healthcare Management Consulting & Operations with primary focus on healthcare delivery

Main areas of expertise

- He has been the founder member for Max Healthcare, a leading healthcare provider in north India. He was part of the operations and planning team responsible for commissioning and operating the hospitals.
- Abhishek works across healthcare delivery requirements by working with functional teams like corporate finance, transaction services (DD), strategy, operations, technology (IT), people and change (HR), tax and legal.

Clients served include

Apollo Hospitals, Max Healthcare, Fortis Healthcare, ICICI venture, IndusInd Bank, GE, NTPC, Catholic Bishop Council of India

For further dialogue , please contact...

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