

Hospitals

Industry Code (as per Stock Exchange): IN060103001'

November 2023

Overall Industry Risk Score: **15/20 | Favourable**

Sample Size: 77 Companies

Median Rating Value of sample size: A

Individual Parameters Contributing to the Score

Demand & Supply Balance



20/20

High Demand

Given the increasing penetration of healthcare, it is one of the fastest growing sectors in the country in terms of both revenue & employment. The aggregate size of the Indian healthcare market is estimated to be USD 372 billion.

India is set to exceed China as the most populous nation in the world (1.4 billion) and along with an increasing share of higher age groups and the high vulnerabilities to infectious diseases, the demand for healthcare services is expected to grow sharply. Further, the domestic healthcare expenditure has been buoyed by higher health awareness & disposable incomes, lifestyle ailments and increasing medical coverage.

Additionally, the concept of Medical Tourism is expected to boost demand from other developing and underdeveloped nations.

With the growth in the overall healthcare segment, there is an expansion in related services such as pathological and diagnostic services. The Telemedicine market has started to evolve and has a significant potential in India with the steady growth in communication networks; this market is projected to touch USD 5.4 Bn by 2025, growing at a CAGR of 30%.

Extent of Competition



12/20

Neutral

While there is a large number of local and unorganised healthcare providers across the whole of India, the sector is getting increasingly organised with higher presence of pan Indian players both in the hospital and diagnostic segment. Consolidation in the healthcare sector is on the rise as larger economies of scale facilitates higher investments and building strong healthcare brands. The intensity of competition is higher in the larger cities while it is less in the smaller urban locations. Healthcare providers with a trusted franchise supported by a long track record of quality services and infrastructure, have a competitive edge in this market and are able to command a premium.

Regulatory Risk



16/20

Stable Regulatory environment

The healthcare sector is a critical area for the government in a developing nation like India. Under the Union Budget 2023-24, the Ministry of Health and Family Welfare has been allocated Rs. 891.5 billion (US\$ 10.76 billion), an increase of 3.4% compared to Rs. 862.0 billion (US\$ 10.4 billion) in 2021-22. According to the Economic Survey 2022-23, public healthcare expenditure in India has risen moderately from 1.8% in FY21 to 2.1-2.2% in FY22-FY23. Government of India has set an objective of increasing public health expenditure to 2.5% of GDP by 2025.

The government has also taken a significant step towards improving health insurance cover through “Ayushman Bharat” in Sep-2018 which has been subsequently renamed as the “Pradhan Mantri Jana Arogya Yojana (PMJAY)”. This insurance programme covers around 500 million citizens of India and has given a significant boost to healthcare services.

Further, the initiatives such as National Digital Health Mission (NDHM) are encouraging adoption of digital tools in healthcare. In order to increase access to healthcare, particularly in rural regions, the National Health Mission (NHM) is supporting the implementation of mobile medical units (MMUs) and telemedicine.

In order to promote medical tourism, the government is also set to implement ‘Heal in India’ initiative with a ‘one step initiative’. (Source: CMIE)

It may be noted that the Government also provided special support to the sector during the Covid pandemic; a credit incentive programme of Rs 500 billion was announced in May 2021 to boost healthcare infrastructure in the country.

Input Related Risk



12/20

Largely predictable supply of inputs from diversified sources or Raw Materials with rare, occasional disruptions / fairly predictable price band

The steady cost escalations of medical devices and drugs have been increasing the input costs in the industry although the government has attempted to mitigate the cost pressures by rationalizing the GST rates in respect of some of the items.

The availability of skilled manpower in the healthcare sector remains a significant challenge in India particularly in the semi urban and rural areas. The supply of skilled medical resources i.e. both physicians and nursing professionals needs to be ramped up to provide adequate support to the growing healthcare sector in India.

Many of the healthcare units are unable to pass on their high costs through their medical service charges and incur losses or low profitability till they reach a certain scale of operations.

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