

TATA CAPITAL



Healthcare Fund

A decorative background graphic consisting of a grid of dots that forms a series of upward-curving lines, resembling a stylized wave or a series of overlapping arches. The dots are in shades of blue and grey, and the overall effect is a sense of movement and growth.

India Healthcare & Lifesciences

A Top-Down perspective



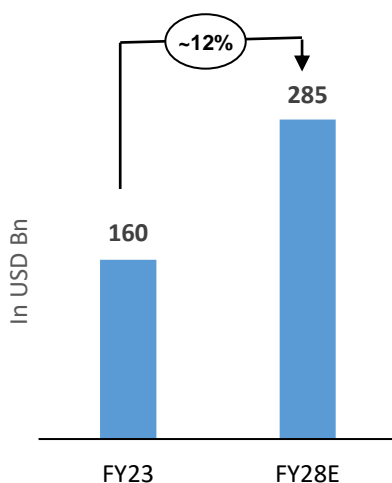
India Healthcare / life-sciences

India Healthcare & Lifesciences – The Macro Story

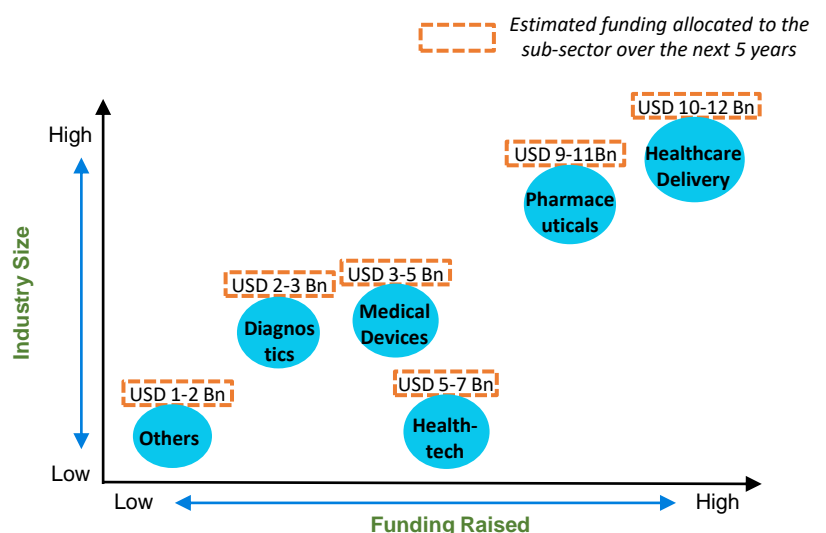
The India Healthcare and Lifesciences market is estimated to reach USD 285Bn by 2028 growing at a CAGR of ~12% over the next 5 years. The growth will be underpinned by a favourable macro environment for the healthcare and lifesciences sector in India. The country’s population is becoming affluent with an estimated 80% of the population to be in the middle class by 2030 who will drive healthcare spend. A triple disease burden (acute, chronic and pandemic) and improving insurance penetration (~ 65% insured in 2023) will drive the demand for healthcare services in the country. India is lagging from healthcare infrastructure perspective compared to other developing nations and requires significant investment from both government and private players. In this paper we have evaluated the five main healthcare specific macroeconomic aspects (Demographics, Disease Burden, Affordability, Infrastructure and Government Initiatives) that will play an important role in investor decision making over the next 5 years.

The outcome of the above macro environment will lead to an estimated USD 30-35Bn private capital investment getting allocated to the sector over the next 5 years; Healthcare Delivery and Pharmaceuticals will attract 2/3rd of the overall funding in the sector. Other segments such as Healthtech, Medical Devices and Diagnostics are expected to grow higher than the overall market and are expected to double in market size over the next 5 years.

India Healthcare & Lifesciences Market Size (2023-2028E)



India healthcare private capital investment activity to remain robust



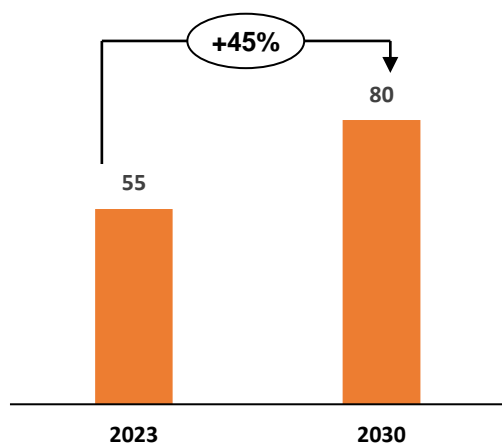
Source: TCHF analysis

The 5 key macro indicators for India Healthcare and Lifesciences Industry

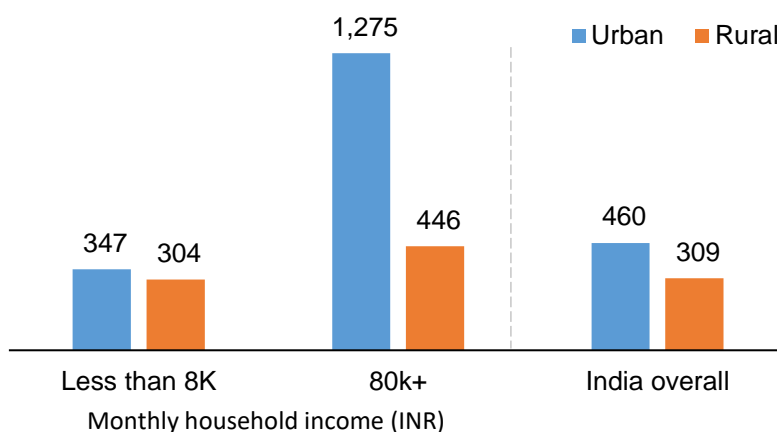
1) Demographics

Burgeoning middle class will drive the consumption growth and healthcare spend

Middle Class Household (%)



Monthly spend on Health (INR) by income groups

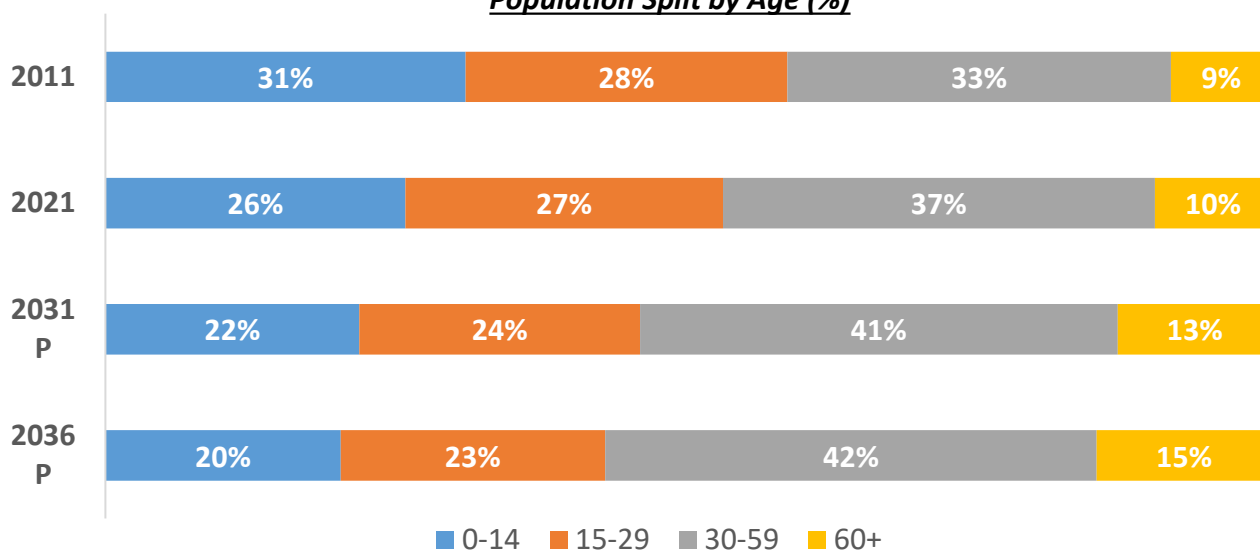


By 2030, 140Mn additional households will be classified as middle-class and 40%+ of population will live in urban areas, this shift in demographics will result in 3x-4x growth in healthcare expenditure. Urbanization and modernization lead to significant changes in lifestyle - sedentary jobs, lack of physical activity, and unhealthy dietary habits – contributing to increased prevalence of chronic diseases.

1) Demographics

15% of India's population will be over 60 years by 2036 creating pressure on healthcare infrastructure

Population Split by Age (%)

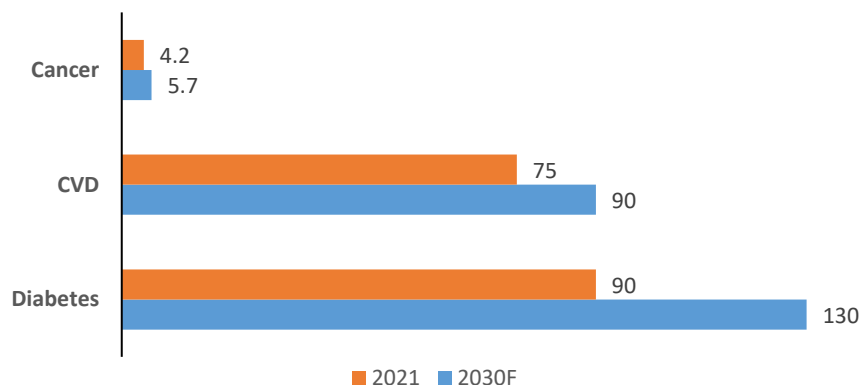


India will have 200Mn+ elderly (60+) population by 2036, this combined with the rising life expectancy will create an unprecedented demand for healthcare services in the country. Significant investments towards increasing hospitals and other allied services capacity will be required to address the demand.

2) Disease Burden

India faces a triple disease burden of acute, chronic and pandemic like disease burden

Prevalence of common NCDs (in Mn)



An estimated 11.6% of the population suffers from some form of NCD. Around 6 Mn people die from chronic diseases every year accounting for 60% of total deaths in India. The government is increasing its focus towards reducing premature mortality from NCDs by 1/3rd by 2030 through programs like NPCDCS (National Programme for Prevention and Control of Cancer, Diabetes, Cardiovascular diseases & Stroke) which if focussed on improving awareness, early detection and access to affordable treatment. Indian chronic care management space has high scope for players to offer preventive/therapeutic services

3) Affordability

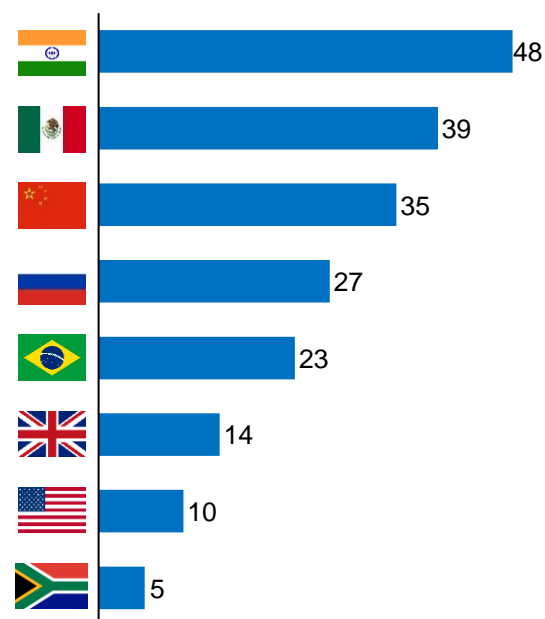
Improving insurance penetration but OOP still accounts for ~50% of healthcare expenditure

Insurance Penetration in India

Population coverage

| | 2014-15 | Current |
|------------------------------|------------|------------|
| Commercial insurance | 6% | 15% |
| Employee schemes (CGHS,ESIS) | 6% | 10% |
| Government schemes | 25% | 32% |
| Uncovered population | 63% | 43% |

% of Healthcare Expenditure paid out of pocket



India has a high healthcare OOP spend of ~ 50%, ranking poorly compared to other emerging economies like Mexico, China, Brazil and South Africa. Given the high OOP spend, India remains a cost sensitive market. While the government through PMJAY has covered the bottom of the pyramid families, there is a missing middle of ~30%-40% which is currently left out and needs to be addressed.

Source: TCHF inhouse/sponsored research

4) Infrastructure

India currently lags in healthcare infrastructure capacity

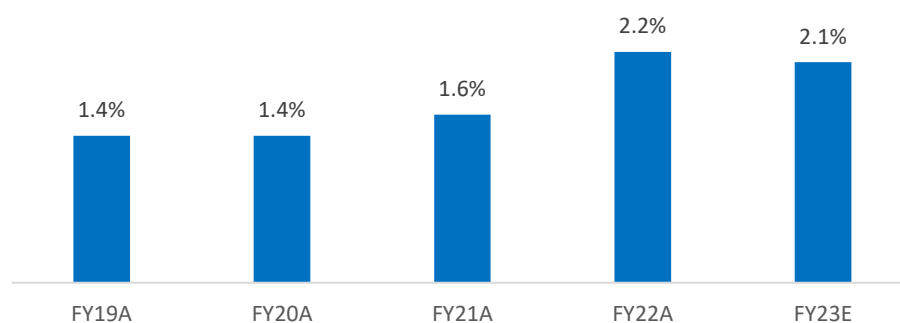
| Metrics |  |  |  |  |  |  |  |  |
|---------------------------|---|---|---|--|---|---|---|---|
| Hospital Beds/1000 people | 1.1 | 4.3 | 2.1 | 1.9 | 2.2 | 3.8 | 2.5 | 2.9 |
| Physicians/1000 people | 0.7 | 2.2 | 2.3 | 2.3 | 2.7 | 4.1 | 3.0 | 2.6 |

India lags behind other developing countries like Brazil, Malaysia, China etc on both infrastructure and manpower. Both private and government investment is required to increase hospital beds and physicians to 2-4X the current resources to come at par with other aspirational nations in terms of healthcare facilities. Telemedicine services & Digital health platforms are helping bridge the gap and improving healthcare access & delivery especially in remote areas which is positive development.

5) Government Initiatives

Overall spend on healthcare increasing, currently at 2.1% of GDP; government spend lagging behind

Healthcare Expenditure as % of GDP



Marquee Government initiatives

PMJAY

Bottom **40%** of the population with insurance coverage of **~USD 6,100 / annum** per family

ABDM

450 Mn ABHAs ID created, **306 Mn** Health records synced, **218K** registered health facilities

PLI

Aimed at boosting API, intermediates and key starting materials (KSMs) production where India is import dependent; **INR 7k Cr** outlay, **10.5k** employment generated

R&D

Promotion of Research & Innovation in Pharma-MedTech sector (PRIP) scheme with an outlay of **INR 50 billion** for the next five years