

TATA CAPITAL



Healthcare Fund



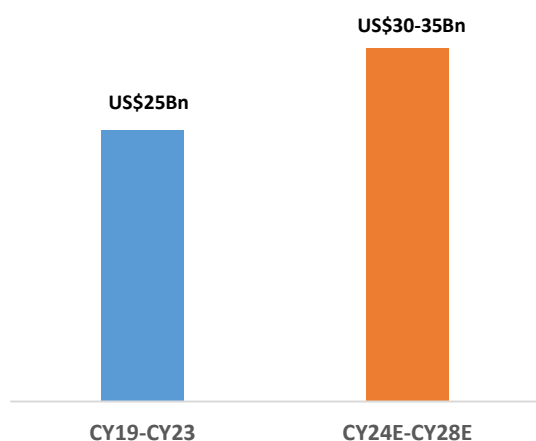
**Macro Callouts for
Healthcare Investing**



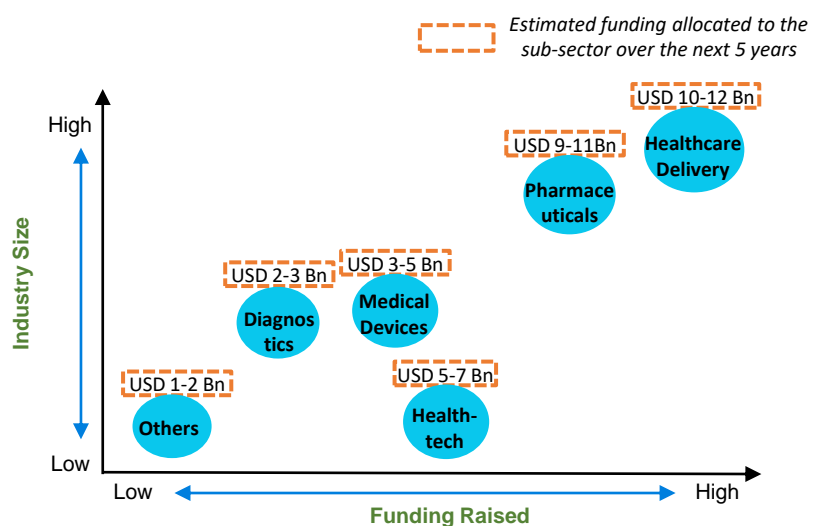
Macro Callouts for Healthcare Investing

India's healthcare and lifesciences sector is one of the fastest-growing healthcare and lifesciences markets in the world. By 2030, India will have ~1.2 billion people in the middle-income segment with over 42% of the population in urban cities. While on the one hand, the sector today stands at a threshold of significant supply-demand mismatch, on the other hand there are signs of improving affordability and availability of talent pool. This makes the sector a compelling investment opportunity for both private and public market players. As we see today, India's Healthcare and Lifesciences market is estimated to reach USD 319Bn by FY29 implying a growth that is twice GDP growth. This growth trajectory for the sector is underpinned by favourable macro factors viz. 1) Demographics - increasing affluence among the population; 2) Disease Burden - a dual disease burden; 3) Insurance Penetration - improving insurance penetration; 4) Infrastructure: gaps in healthcare infrastructure; 5) Government Initiatives - government's focus on healthcare and 6) India's competitive advantage – low cost and availability of talent. In this paper we have evaluated the six main healthcare specific macro aspects 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.

5-Yr Private Capital Investment in India Healthcare



India healthcare private capital investment activity to remain robust



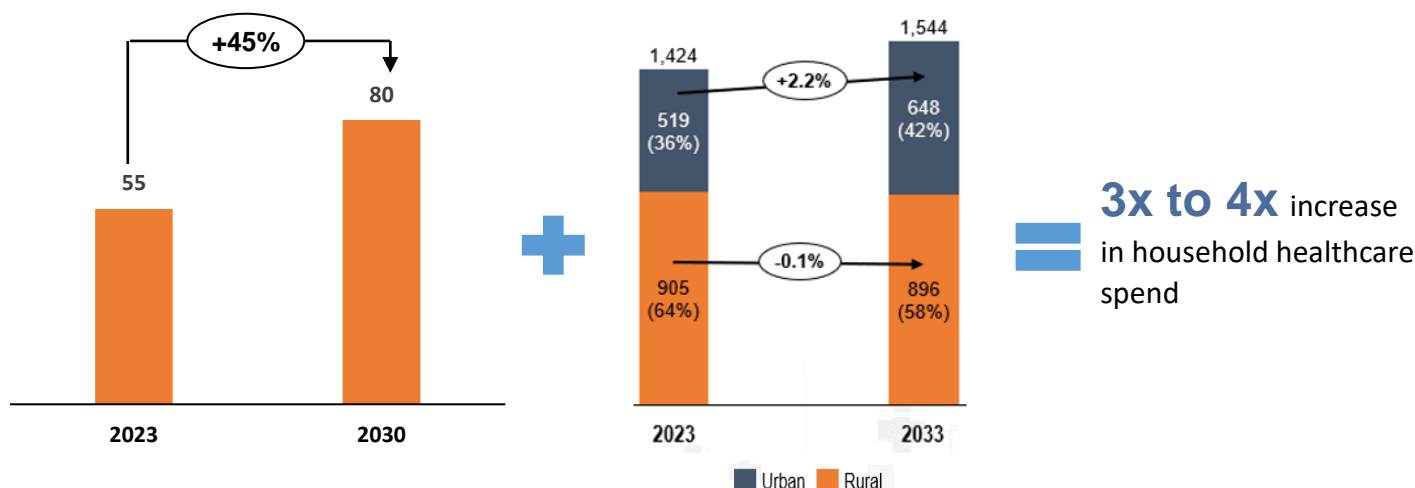
Source: TCHF analysis

The 6 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 (%)

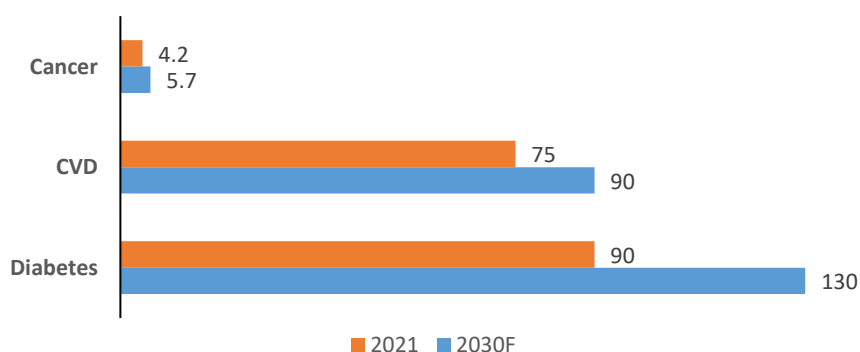


By 2030, 140Mn additional households will be classified as middle-class and 40%+ of population will live in urban areas, this shift in demographics will result in 3x-4x growth in healthcare expenditure. Urbanization and modernization lead to changes in lifestyle - sedentary jobs, lack of physical activity,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

A rapidly rising NCD burden to drive demand for healthcare services

Prevalence of common NCDs (in Mn)



An estimated 11.6% of the population suffers from some form of NCD and ~ 6 Mn people die from chronic diseases every year. Cardiovascular disease is the leading cause of death in the country annually claiming over 3 Mn lives. It is estimated that the prevalence of Diabetes, Cardiovascular disease and Cancer will reach 226 Mn in 2030 from 169 Mn currently. To tackle the growing NCD burden, concerted efforts from both the government and private sectors is required. This has already been demonstrated in the remarkable reduction we have achieved in communicable disease-related deaths. India's chronic care management space has high scope for players to offer preventive/therapeutic services.

Source: TCHF sponsored research

3) Insurance

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

Insurance Penetration in India

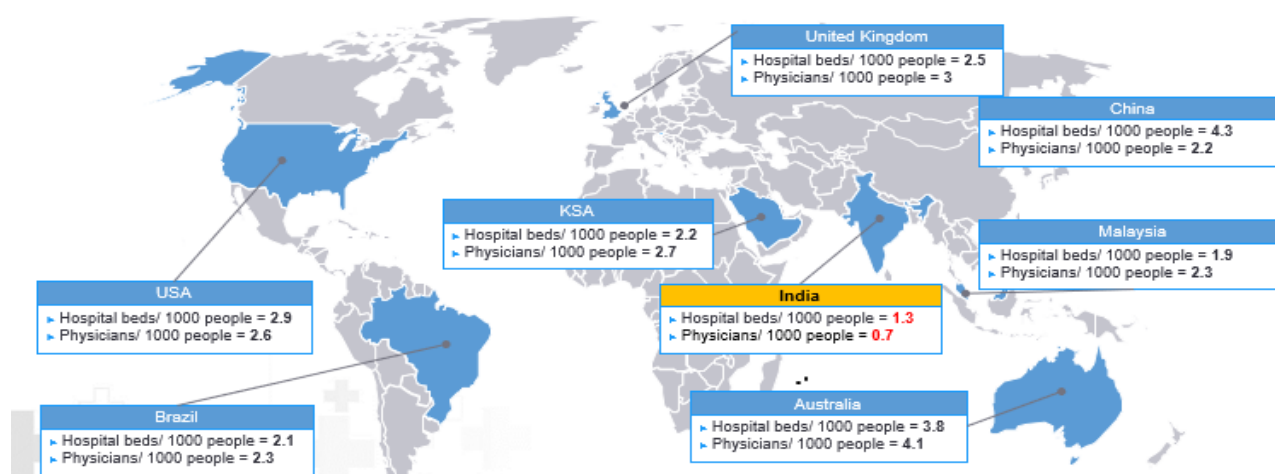
Population coverage

<u>% of lives covered</u>	<u>2013</u>	<u>2023</u>
Public Insurance	31%	45%
Private Insurance	6%	20%
Uncovered population	63%	35%

India's health insurance penetration has gone up from ~25% in 2013 to 65% in 2023 but is still low with 35% of population uninsured (~500 Mn people). This clearly constitutes the "Missing Middle" that needs urgent addressing. The country is also grappling with 50%+ out of pocket expenditure (OOPE) in healthcare which significantly lags the global average of 18% OOPE. The government has indeed taken marquee steps such as PM-JAY to improve the insurance coverage to the underserved, meanwhile Private Health insurance companies have also played a pivotal role in reducing the OOPE and ease of claiming insurance through product innovation, distribution and technology.

4) Infrastructure

India currently lags in healthcare infrastructure capacity



India has made remarkable strides in medical infrastructure over the past decade with an estimated 1.2Mn beds added, almost tripling the beds in 2013 (0.6Mn beds). It is estimated that India with a current bed density of 1.3 per 1000 population needs 2.4 Mn additional beds to meet the WHO recommended ratio of 3 beds per 1000 population. Both the government and private enterprises are investing and increasing the bed density in Tier-II and beyond regions of the country. Given the significant demand for healthcare services and rising affordability, we expect the pace of investment in healthcare infrastructure to rise over the next five years.

Source: TCHF inhouse/sponsored research

5) Government Initiatives

Healthcare a key focus area for the government

Healthcare is key focus area for the government, and public spending is estimated to reach 2.5% of GDP by 2025. The government has launched its marquee four mission mode projects to improve healthcare accessibility and affordability namely PM-Ayushman Bharat Health Infrastructure Mission (PM-ABHIM), Ayushman Arogya Mandir (erstwhile AB-HWCs), Pradhan Mantri Jan Arogya Yojana (PMJAY) and Ayushman Bharat Digital Mission (ABDM). Recently, the government has also launched the Ayushman Bhav campaign which is a comprehensive nationwide healthcare initiative that aims to provide saturation coverage of healthcare services, reaching every village and town in the country. The government has also taken several steps such as offering PLI in the API, intermediaries and KSM production where import dependence is high. Medical Devices has also been a key area of focus for the government where several med-tech parks have been setup to boost indigenous manufacturing.

6) Competitive Advantage

Pharmacy for the world and low-cost healthcare services

India benefits from a vast skilled talent pool across physicians, nurses, science, and engineering graduates. India is renowned for its cost-effective healthcare solutions, offering medical treatments, surgeries, and pharmaceuticals at lower costs compared to many developed countries. Estimates indicate medical services in India at 80% discount to USA, this affordability factor attracts patients from around the world, approximately 2 million patients visit India each year from 78 countries for medical, wellness and IVF treatments, generating USD 6 Bn for the industry. Additionally, India is the largest provider of generic medicines globally, occupying a 20% share in global supply by volume. Indian companies have the largest share of US-FDA DMF filings annually with ~ 35% market share. With 670 US-FDA approved plants, India has the highest number of US-FDA compliant pharmaceutical plants outside of USA. India is also one of the biggest global suppliers of low-cost vaccines with an estimated 60% of global vaccines being produced in the country.