

## HEALTHCARE INVESTMENT

## Small is beautiful

While the giants of India's health-care delivery sector such as Apollo Hospitals, Fortis Healthcare and Wockhardt are able to grab most of the headlines, a number of investment houses seem to prefer backing the relatively small players.

Among these are radiology centres that conduct CT scan and MRI examinations, pathology labs that conduct hundreds of different tests daily, day care surgery centres that send most patients home the same day, and single-specialty hospitals that focus on ailments affecting a particular part of the body.

At a recent Healthcare Investment Summit organised in Mumbai by VC Circle, a reputed media outlet aimed at venture capitalists and private equity players, several delegates emphasised the huge business opportunities that lie outside the big multi-specialty hospitals.

Ratan Jalan, formerly CEO of Apollo Lifestyle, and currently the head of a healthcare consulting firm, pointed out that as much as two-thirds of the healthcare expenditure in India happens outside the hospitals, that is in OPD (out patient department) services, dialysis (for kidney problems), care of pregnant women and elderly people.

Pointing out that the returns on capital investments in traditional hospitals have generally been disappointing over the past few years, Alistair Stranack, head of Global Healthcare Practice, Parthenon group, said this was because asset utilisation in these hospitals was relatively low. He also predicted that in the coming decade, there will be a radical transformation in the healthcare scenario in India with home-based care, telemedicine, day care surgery and management of chronic disorders such as diabetes and high blood pressure accounting for a growing share of the total healthcare expenditure.

Stranack also stressed that diagnostics (that is pathology laboratories)



offer very high leverage opportunities, particularly in Tier II and III towns, where the biggest laboratory often depends on one well-known pathologist. "If such standalone medical centres located in several towns were to join hands and become a chain, it will present an excellent prospect for growth and investment," he added.

Shiraz Bugwadia of o3 Capital also felt pathology laboratories are a big thing of the future, along with companies like Opto Circuits of Bangalore and Trivitron of Chennai, which are engaged in manufacture of medical devices. Incidentally, Trivitron is setting up one of the largest medical technology parks in Asia, not far from its corporate head office in Chennai.

A number of private equity investors have already made commitments in the healthcare sector. Thus, Evolve India Life Sciences Fund, a Mauritius-based private equity fund, makes it a point to invest in small to mid-sized pharmaceutical, biopharmaceutical and medical device companies located in India or having significant operations in India. Likewise, IndiaVenture Advisors, jointly sponsored by Ajay Piramal and State Bank of India ex-chairman A.K. Purwar, has dedicated 75 per cent of its ₹400 crore corpus to life sciences companies.

Other well known investors in the healthcare sector include Apax Partners, which also has a stake in Apollo

Hospitals; Warburg Pincus, which recently bought a sizeable stake in Metropolis Health Services; and ICICI Venture (through its healthcare arm I-Ven Medicare).

★ SUMIT GHOSHAL

## FICCI-IBA SEMINAR

## Global partnerships needed

India's current economic growth and its rising global stature augur well for domestic banks and considering economic growth over the next decade, these banks will end on a high note. The trends are already visible, as various studies suggest.

For starters, mortgages are likely to cross ₹40 trillion by 2020 – the books of banks show mortgages have grown from 1.5 per cent to 10 per cent in the past 10 years. As per a Boston Consulting Group (BCG) report, the ratio of total outstanding mortgages, including housing finance companies (HFCs), to the GDP is currently 7.7 per cent. If by 2020, this ratio reaches 20 per cent, a figure similar to China, the mortgage industry will grow at an average rate of over 20 per cent during the next decade. As a result, outstanding mortgages are expected to cross ₹40 trillion, which is higher than the