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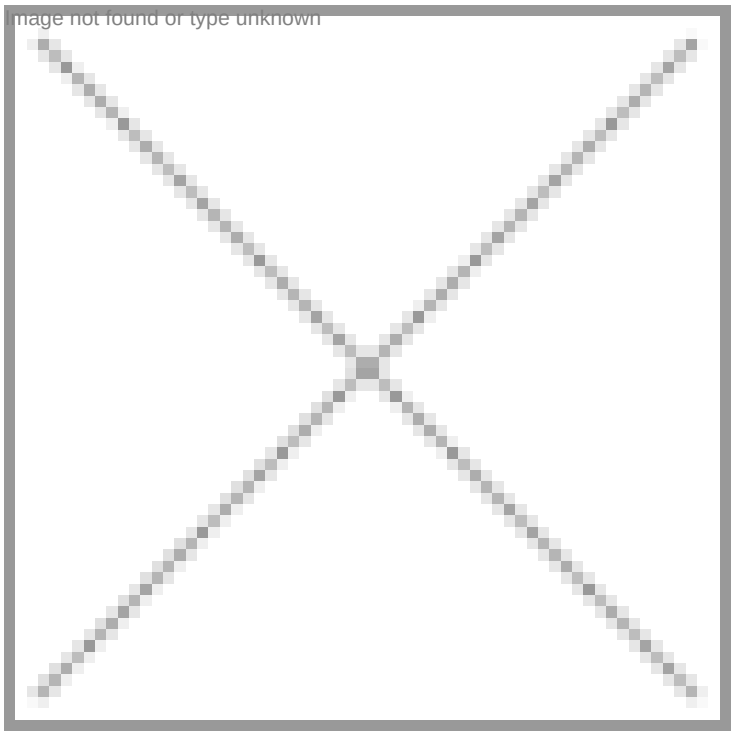

Healthcare industry will boost the Indian economy

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Suresh Vazirani

Managing Director, Transasia Bio-Medicals Ltd

Good times lie ahead for India's health care services industry. Grow ing at a rapid pace it is poised to emerge as one of the future growth drivers of the economy. The Indian government expects the $17-billion Indian healthcare industry (roughly 4 percent of the country's gross domestic product), which comprises hospital services, healthcare equipment, managed care and pharmaceuticals, to grow at a rate of 13 percent annually for the next five years.

With global revenues of an estimated $2.8 trillion, the healthcare industry is the world's largest industry. India's high population makes it an important player in this industry. According to the Insurance Regulatory and Development Authority, the Indian healthcare industry has the potential to show the same exponential growth that the software and pharmaceutical industries have shown in the past decade. Only 10 per cent of the market potential has been tapped till date. This itself should be a pointer of the growth prospects.

The last few years have seen a rise in the purchasing power of the middle class. With an erratic urban lifestyle, healthcare is on the top of everyone's list. This combined with the availability of high-class healthcare facilities, thanks to the involvement of the private sector, has seen a distinct willingness to spend more on healthcare. India's expenditure on health, in terms of percentage of GDP, is among the highest for developing countries. Add to this the vast difference in costs between Indian and Western countries, India is being seen as the preferred destination for quality health solutions.

The pathology market is currently 2.5 per cent of the overall healthcare delivery market. There are 40,000 independent pathology labs in the country and around 70 per cent of treatment decisions in the country are based on lab results.

The Government of India's National Health Policy (2002) envisages an overall increase in health spending to 6 percent of GDP by 2010, of which one-third would be committed to public health investment. The Policy aims at widening the extent and coverage of care. It also envisions a greater role for the private sector in the urban primary care and tertiary care sectors with growth of private health insurance.

India is on the cusp of another outsourcing wave: high-end laboratory and diagnostic testing. For hospitals in the UK and the US it is cheaper to outsource laboratory and diagnostic tests to India. This is the case in West Asia as well. The major factor that is driving the growth of manufacturing of diagnostic equipment and kits in India is the wide gap of 70-80 percent cost advantage that Indian laboratories offer over countries like the UK and the US.

In this segment Indian service providers are offering highly specialized tests like molecular diagnostics for autoimmune disorders, cytogenetics or diseases related to abnormalities in chromosomes and hormones. The net is widening to include cancer, HIV, tumor and hepatitis marker tests. Indian labs offer a comprehensive test menu - over 1,500 tests under one roof.

Outsourcing of laboratory testing and diagnostic services is set to become big business in India. According to a study by SKP Crossborder Consulting on the Indian healthcare industry, the $864-million diagnostics and pathology laboratory-testing business is growing at a CAGR of 20 percent.

At present there are about 25 companies manufacturing diagnostic kits and equipment in the country. Transasia Bio-Medicals Ltd leads this segment from the front and has seen a phenomenal growth in the past five years. We have attained market leadership on the strength of our quality, service and R&D policies. Due recognition of these parameters over the years by the governing authorities is testimony of our absolute commitment to delivering quality products and services worldwide. Our 26-year-old track record enables us to understand the needs of this industry and be a step ahead of the competition in all spheres. We have expanded our horizons and today are exporting to about 50 countries all over the world.

The IVD (in-vitro-diagnostics) market has grown from $147 million in 2002-03 to approximately $285 million this year. With greater awareness and preference for better healthcare facilities, the growth should be healthy and the IVD market should be worth around $455 million by 2010, realistically speaking. However, if the environment continues to be conducive to the CAGR of around 25 percent as it has been since the last three years, then a figure of around $700 million by 2010, could be attainable.

And the sustenance story will continue with the next big success story out of India â€“ medical tourism. An estimated 120,000 medical tourists came to India last year and a CII-McKinsey report suggests that medical tourism could be as big as a $2 billion industry by 2012. Currently this segment is estimated to be around $333 million.

Analysts and industry watchers alike feel that this is just the tip of the iceberg and taking into consideration the allied indirect benefits to industries like aviation, hotels and tourism, the actual scenario could be more than what meets the eye.

Indian diagnostics sector estimated to grow at 30-40 percent

Dr Shama Bhat, chairman and managing director, Bhat Biotech shares the data on the diagnostic sector

The world-wide diagnostics market is estimated at $24 billion and the Indian market is $100 million. The annual growth of diagnostic industry in India is growing at the rate of 30-40 percent. This excludes diagnostic equipment such as MRI and CT scan. The trend today is towards immunochromatography tests, PCR (Polymerase Chain Reaction), biosensor-based tests, luminiscense, DNA micro arrays, protein micro arrays and reagent free analysis.