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Why M&A is becoming core growth lever for emerging healthcare companies

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India's healthcare and life sciences sector is undergoing a significant transformation, with mergers and acquisitions emerging as a key strategy for sustainable growth. Increasingly, healthcare companies are using acquisitions to expand their geographic presence, strengthen technology capabilities, diversify service offerings, and build integrated care ecosystems. This shift is being driven by a maturing healthcare market, evolving investor expectations, rapid digital adoption, and a more demanding regulatory environment. Private equity is further fuelling consolidation by providing both capital and strategic expertise. While successful integration and regulatory compliance remain critical challenges, organisations that execute acquisitions effectively will be well positioned to drive innovation, improve patient outcomes, and build scalable, future-ready healthcare enterprises.



India's healthcare and life sciences sector is entering a new phase of growth. Emerging healthcare companies are increasingly employing acquisitions as a business strategy to expand faster, bolster their capacities and establish market leadership. According to an EY report, the sector recorded Rs 10,000 crore worth of announced transactions across hospitals, diagnostics and specialty care in Q2 FY26 alone.

While deal activity has accelerated across the ecosystem, the more significant shift is who is driving it. Acquisitions are no longer the territory of large healthcare conglomerates; they are becoming an important growth tool for founder-led healthcare businesses to build capabilities.

Healthcare organisations have historically developed competencies naturally. However, that strategy is becoming increasingly difficult due to the rate of change brought about by the adoption of new technologies, evolving regulations and growing patient expectations. Acquiring capabilities can be quicker, less risky and more cost-efficient for many businesses nowadays than creating them from the ground up.

Why acquisitions are gaining momentum

Several factors are contributing to this shift.

One is the changing funding environment. Capital has been selective since there has been an increase in healthcare spending post the pandemic. Healthcare businesses are searching for effective strategies to scale as investors place a greater emphasis on profitability and sustainable growth. At the same time, funding constraints have made it possible for strategic buyers to gain access to markets, customers and capabilities at reasonable valuations.

Another driver is the growing maturity of India's healthcare ecosystem. Over the past decade, the sector has witnessed the emergence of specialised healthcare providers, diagnostics networks, digital health platforms and niche service businesses. This has created a broader pool of acquisition opportunities, enabling companies to pursue strategic expansion across services, capabilities and geographies.

Technology is also playing a major role. Instead of taking years to develop solutions themselves, healthcare organisations are now buying into platforms that have been already proven successful in domains like digital health, artificial intelligence and data analytics. These acquisitions can help accelerate innovation, increase operational efficiency and enhance patient engagement by reducing time to market. Technology is a tool to enable create access and affordability to widen the healthcare ecosystem

Acquisitions are also helping healthcare focused companies build integrated care platforms. A diagnostics network purchasing a home healthcare provider or a specialty care chain acquiring a patient-engagement platform can help create more seamless patient journeys and open cross-selling opportunities. With healthcare delivery becoming more consumer-driven, companies are leveraging acquisitions to build complementary capabilities faster than organic growth can achieve. This is especially relevant in preventive healthcare, where coordinated action across diagnostics, monitoring and treatment is increasingly

becoming a key differentiator.

In addition, increasing regulatory and compliance requirements are encouraging consolidation. Expectations for quality standards, accreditation, data management, and patient safety are raising the level of operational complexity. Larger, more integrated organisations are often better positioned to absorb these costs and strengthen compliance capabilities.

How healthcare M&A is evolving

Unlike traditional acquisitions focused primarily on revenue growth, many healthcare transactions today are centred on strategic capability building.

Capability acquisitions are becoming increasingly common. Healthcare providers are acquiring digital platforms, specialised clinical expertise and operational capabilities that would otherwise take years to develop. Similarly, pharmaceutical and medical technology companies are using acquisitions to expand product portfolios, strengthen manufacturing capabilities and access new technologies.

Geographic expansion is another major driver. India's healthcare landscape remains highly fragmented, with strong regional players operating across diagnostics, clinics and specialised care services. Acquiring established businesses often provides a faster route into new markets than building operations from the ground up.

Access to talent and intellectual property is also becoming an important consideration. In areas such as biotech, healthcare technology and clinical research, acquisitions can provide immediate access to specialised expertise and differentiated capabilities that are difficult to replicate organically.

The growing role of private equity

Private equity investors are playing an increasingly active role in shaping healthcare consolidation strategies.

Moreover, acquisition-led growth is being considered from the outset of an investment, rather than after a company has achieved scale. Investors are evaluating not only a company's standalone growth prospects but also its ability to participate in broader industry consolidation. Mergers & Acquisitions (M&As) are ways of creating strategic moat while creating a catalyst for growth.

Beyond capital, investors often support portfolio companies through target identification, due diligence, transaction structuring and post-acquisition integration. For founder-led businesses undertaking acquisitions for the first time, this expertise can be critical.

In a highly specialised industry such as healthcare, successful acquisitions require a deep understanding of clinical, operational and regulatory dynamics. As a result, sector expertise is becoming increasingly important in identifying attractive opportunities and managing execution risks.

The challenges of acquisition-led growth

While acquisitions can accelerate growth, execution is imperative.

The biggest challenge is frequent integration. It can be challenging to integrate cultures, management teams, operational and technological systems, especially for expanding businesses with little past acquisition experience.

Regulatory and compliance diligence is just as important. In the highly regulated world in which healthcare companies operate, ignoring compliance risks can result in serious liabilities. An evaluation of all licensing, accreditation, quality and data governance considerations must take place prior to any acquisition.

Additionally, businesses need to be realistic about anticipated synergies. Acquisitions can offer prospects for revenue growth and operational efficiency, but achieving these advantages usually takes time, money and disciplined execution.

Looking ahead

Diagnostics, specialty care platforms, medical technology and digital health are a few areas of the healthcare sector that seem especially well-positioned for further consolidation. Strategic acquisitions will probably become a more crucial path to expansion as healthcare delivery becomes more specialised and technology driven.

Importantly, acquisition-led growth is not just a financial strategy but a strategic tool for value creation. The most successful healthcare consolidators will be those with a clear rationale disciplined capital allocation and strong integration capabilities. As the sector matures, companies that combine operational excellence with thoughtful consolidation strategies will be better positioned to create differentiated platforms, attract institutional capital and develop sustainable competitive advantages.

Conclusion

With the aim of scaling up efficiently, at the same time providing better results for their patients, healthcare companies are slowly moving towards acquisitions from being an occasional business transaction to a key strategic competence. The companies that excel not only in acquiring businesses but also have robust integration processes and vision about the future will succeed in grooming the next set of healthcare leaders in India.

Vaibhav Doshi, Partner, Somerset Indus Capital Partners