



# Healthcare Insights for India

**Foreign direct investment:  
doing business in India**

Report by:

**India Health**   
By Informa Markets

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'FDI' means investment by a non-resident entity or a person resident outside India in the capital of an Indian company under Schedule I of Foreign Exchange Management (Transfer or Issue of Security by a Person Resident outside India) Regulations, 2000.

**Reserve Bank of India**

**India country fact sheet**

Capital	New Delhi
Administration	29 States and 7 union territories
Total area	3.29 m sq km (90% land, 10% water)
Population (2017)	34 bn (urban: 33.6% 7, rural: 66.4%) Population growth5: 1.13% (y-o-y)
Labour force	521.9 mn in 2017
President	Ram Nath Kovind (tenure: five years)
Prime Minister	Narendra Modi (tenure: five years)
GDP	US\$ 2.6 tn (current prices, FY18), GDP growth: 6.7% in FY18
Private Consumption	US\$ 1.5 tn in FY18
Trade FY18	Merchandise Imports: US\$ 302.2 bn, Merchandise Exports: US\$ 461.0 bn, Merchandise Trade deficit: US\$ 158.8 bn

Source: EY

# Overview of investment climate in India

With India aiming to become a US\$ 5 trillion economy by 2024/25, the investment climate in the country has improved considerably since the opening up of the economy in 1991. During the last decade, the Indian government has introduced a number of significant economic reforms measures to invigorate the economy.

According to the India Brand Equity Foundation (IBF), favourable policies for encouraging Foreign

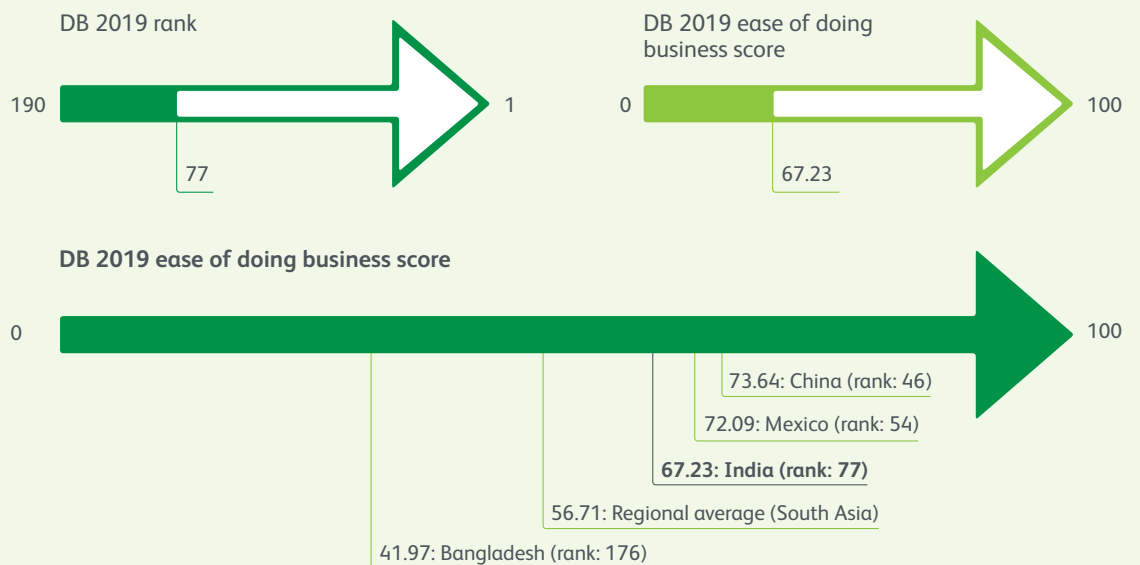
Direct Investment (FDI), tax benefits, and encouraging government policies coupled with promising growth prospects, have helped the industry attract private equity, venture capitals and foreign players into India.

Today, India is a part of Top 100 Club on Ease of Doing Business (EoDB) and globally ranks 77th out of 190 nations. It also ranks 1st in the greenfield FDI ranking. India received foreign direct investments worth US\$ 42 billion in 2018, according to the United Nations.

## Doing business 2019 India

Region: **South Asia**  
Income category: **Lower middle income**

Population: **1,339,180,127**  
City covered: **Mumbai, Delhi**



Source: The World Bank Group: Doing Business 2019: India

## FDI entry routes into India

Category 1	Category 2	Category 3
up to <b>100%</b>	up to <b>100%</b>	up to <b>100%</b>
FDI permitted through <b>automatic route</b>	FDI permitted through <b>government route</b>	FDI permitted through <b>government + automatic route</b>

Source: Invest India

- **Automatic route**

Under the automatic route, the non-resident investor or the Indian company does not require any approval from Government of India for the investment.

- **Government route**

Under the government route, prior to investment, approval is required from the Government of India. Proposals for foreign investment under the Government route are considered by the respective administrative Ministry or Department.

### Procedures for government approval for FDI

Invest India outlines the procedure for applying for FDI through the government route. The first step involves filling in an online proposal for investment on the Foreign Investment Facilitation Portal at [www.fifp.gov.in](http://www.fifp.gov.in).

The respective government departments are required to provide their comments within 4-6 weeks of receipt of the application, and additional information/ clarifications may be asked from the applicant, which is to be provided within one week.

Proposals involving FDI exceeding INR 50 billion (approx. US\$ 775 million) shall be placed before the Cabinet Committee of Economic Affairs. Once the proposal is complete in all respects, the same gets approved within 8-10 weeks.

### FDI for healthcare and medical devices

The Indian healthcare industry is one of the largest and rapidly growing markets in the Asia-Pacific region. Between 2008 and 2022, the healthcare market is expected to record a Compound Annual Growth Rate (CAGR) of 16.28 % and the total industry size is estimated to reach US\$ 372 billion by 2022. Similarly, the hospital industry in India stood at US\$ 61.79 billion in 2017 and is expected to increase at a CAGR of 16-17 % to reach US\$ 132.84 billion by 2022.

Meanwhile, the medical devices industry in India has the potential to grow at 28 % per annum to reach US\$ 50 billion by 2025, and India's biotechnology industry is expected to rise at an average growth rate of around 30 % a year and reach US\$ 100 billion by 2025.

The Indian government has shown a clear inclination to increase India's competitiveness in the global market as a healthcare hub. Currently, FDI is permitted up to 100 % under the automatic route in the hospital sector and manufacture of medical devices. For the pharmaceutical industry, foreign investment is permitted up to 100 % in greenfield projects and up to 74 % in brownfield projects under automatic route and beyond 74 % in such projects requires government approval.





The liberalising of government policies allow businesses to quickly scale-up existing operations by infusing capital or engaging in time-sensitive strategic acquisitions.

Taking advantage of this lucrative opportunity, an increasing number of multinational corporations are setting up their manufacturing bases in India and foreign hospital groups are entering into joint venture partnerships and Public-Privates Partnerships (PPPs) to establish facilities in the country.

According to various studies, India would require 1.75 million beds by 2025 and over 6800, more hospitals are needed in India to provide necessary health facilities to people in rural areas. Hospitals that were previously confined to a specified area with limited infrastructure and services are now expanding, mainly due to the foreign investment being received by the sector. Private equity investors have made an investment of over US\$ 3.4 billion in Indian hospitals between 2007 and 2017.

As a result, India has also witnessed the emergence of various multi-speciality, single-speciality, and super-speciality hospitals in Tier 1 and Tier 2 cities. Corporates predominantly manage these hospitals.

Foreign investors are also playing a significant role in the development of the hospital diagnostic sector. According to data released by the Department of Industrial Policy and Promotion

(DIPP), hospitals and diagnostic centres attracted foreign direct investment of US\$ 3,133.81 million between April 2000 and June 2015.

### Opportunities for FDI in Indian healthcare industry

The following sectors have significant opportunities for foreign investors:

#### **Demographics:**

With an ageing population and life expectancy to cross 70 years by 2022, there is a need for home-based healthcare devices. According to the United Nations, India's population is set to touch 1.45 billion by 2028, making it the world's most populous nation.

#### **Health insurance:**

The percentage of the Indian population that has been covered under health insurance is unfortunately very insignificant. Lack of awareness and the casual approach is some of the reasons that have contributed to this. Though there is an increase in the number of healthcare insurance policies over the past few years majority of the population remains without any coverage.

#### **Hospitals and infrastructure:**

There is a tremendous demand for tertiary care hospitals and speciality hospitals in India. There is a gap between the availability of the beds and required beds in the hospital in India. The government private sector will play a role in bridging this gap.

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**Technology driven services:**

Significantly low presence of physicians in rural and semi-urban areas has led to the limited access to proper healthcare facilities for the people living in these areas. Telemedicine is considered to be one of the solutions to this inaccessibility to healthcare services in rural and semi-urban areas. India's medical technology sector is forecasted to reach US\$ 9.60 billion by 2022.

**Medical tourism:**

Another area of opportunity is medical tourism. India is getting popular worldwide in providing quality healthcare service at a lower cost and every year, about 1,00,000 patients from various countries come to India for availing treatment for various diseases. The revenue through medical tourism is expected to contribute significantly in the years to come due to cost advantage India has in delivering service.

**Telemedicine:**

It is a known fact the percentage of specialist physicians residing in rural India is very negligible. So, the innovative medical care providing facility called telemedicine may be used effectively to serve the 70 % of the population who reside in rural India. Telemedicine market in India is expected to rise at a CAGR of 20 per cent during 2016-2020, reaching US\$ 32 million by 2020.

**Luxury offering:**

A new trend is emerging as luxury offerings in the healthcare sector. More than essential requirements, healthcare providers are making offerings of luxurious services. For example: pick and drop services for patients by private helicopters and luxurious arrangements for visitors to patients in hospitals.

**Role of FDI and the growth of medical tourism**

India's medical tourism industry could grow by 200 % by 2020, hitting US\$ 9 billion, according to Ministry of Tourism figures. In 2015, India ranked as the third most popular destination for medical tourism, when the industry was worth US\$ 3 billion. The number of foreign tourists coming into the country on medical visas sat at nearly 234,000 that year. By 2017, the number of arrivals more than doubled to 495,056.

The presence of world-class hospitals, skilled medical professionals and low treatment cost in comparison to other countries, has strengthened India's position as a preferred destination for medical tourism. Treatment for major surgeries in India costs approximately 20 % of that in developed countries. India also attracts medical tourists from developing nations due to lack of advanced medical facilities in many of these countries.

There are many positive implications of FDI in healthcare sector and medical tourism. One of the major impacts that foreign investment would have is the creation of the necessary infrastructure. Investments are also needed beyond the metros to expand access to healthcare. In addition to helping increase physical capacity in the healthcare sector, such as increasing the number of hospital beds, diagnostic facilities, and increasing the supply of specialty and super specialty centers, FDI can also help in raising the standards and quality of healthcare, in upgrading technology, and in creating employment opportunities, with potential benefits to the health sector and the economy at large.

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Healthcare has become one of India's largest sectors both in terms of revenue and employment. India Health presents an opportunity to all stakeholders in search of a platform that facilitates business interaction, learning and development, and access to the right healthcare entities, authorities and associations in a fast-emerging economy.

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