Health & Wellness: Indian Perspective

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India’s Healthcare sector is rapidly expanding and by 2020, is expected to reach USD 280 billion and generate 40 Lakh new jobs, with the private sector’s share in healthcare delivery set to increase to over 81%. India has made significant improvements on basic health indicators and various Government departments, agencies and the industry segments are working together towards establishing world-class healthcare standards at affordable cost.

Similarly, India’s Wellness industry which is poised to reach USD 16 billion by 2015 is recognized as a global leader in the field of health, nutrition and wellness, given its rich heritage and ancient roots. India is a preferred destination for medical tourism with significant cost advantage, skilled medical professionals and world-class hospitals, coupled with globally differentiated offerings like Ayurveda, Yoga, and Unani. An interplay of Healthcare and Wellness is therefore critical to by 2020 ensure holistic health and well-being of our society.

However, current public spending on health is as low as 1.2% of GDP which has led to high out-of-pocket expenses to the tune of approximately 70%. Additionally, low penetration levels of insurance and healthcare schemes have further affected affordability of Healthcare services. Although the Government is taking several proactive steps to improve accessibility and boost R&D capabilities of public and private healthcare, concerted efforts by all stakeholders will be critical to provide equitable health access to all, as envisioned by the paradigm of Universal Health Coverage.

The Government must aim to increase public spending to 2.5% by 2017, with special emphasis on primary healthcare. The industry must leverage international alliances and partnerships to expand services and capabilities through optimal utilization of resources and technology and reduced operational costs thereby maximizing performance and efficiency to achieve world-class healthcare and wellness delivery standards.

I am pleased to present the YES BANK Knowledge Report ‘Health & Wellness – Indian Perspective’ which highlights the need for active Government involvement and private participation to actualize the vision of Accessibility, Affordability, Availability and Awareness to revolutionize Healthcare in India and also realize the full potential of India’s Wellness Industry. I am confident that the contents of the Knowledge Report will facilitate multi-stakeholder deliberations for the growth and development of the industry.

Thank you.

Sincerely,

Rana Kapoor
MD & CEO
YES BANK

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"The Growth Story"
Indian economy has emerged as the fastest growing economies of the World. This growth has been driven by technological advances and business innovations in many sectors. One of the integral components of this growth story has been the – Indian Healthcare and Wellness Industry. The key segments of Healthcare including Healthcare delivery, Pharmaceuticals and Medical devices have each gained a lot of momentum in the past decade. The vast development in the sub-segment of Pharmaceutical and Medical devices has led to a cascading effect on the availability of affordable drugs and technologies to the patient. India’s dominance in the generic drug space has provided immense opportunities for pharmaceutical exports. Indian companies have also started growing up the value and have augmented investments in research and development. On the other hand, the Indian Medical device market, although disproportionately small as compare to the Indian Pharma market, has shown robust growth. The present landscape is primarily import driven with import contributing close to 75% of the market. The domestic market caters to low-value disposables and supplies space, whereas importers dominate the costly and high end medical equipments with extensive service networks.

The Indian Pharmaceutical and medical device space have started transitioning up the value chain into the “Medium Technology” segment. This augurs well for the future in India as this would imply Technology innovation and high margin product portfolio.

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Transitioning up the value chain: Indian Pharmaceutical and Medical Device Industry

The Indian Healthcare delivery space has taken significant strides which has lead to positive health outcomes. However, the corresponding growth in health infrastructure is yet to match the basic healthcare facilities in many other countries. For instance, the present number of 9 beds per 10,000 in India is far behind the world average of 40 beds per 10,000. The Government has been making efforts to counter this and The National Health Policy has identified certain steps to improve the reach of healthcare in all parts of the country, especially in the rural areas.

The biggest challenge for the Government is the uneven distribution of healthcare infrastructure amongst the urban and the rural areas of the country. Government healthcare centres providing basic services to people are not sufficient and not so well maintained. There is a growing appreciation for the role of private involvement in meeting this disparity and government is piloting the use of PPP model to help improve healthcare infrastructure.

Presently the public spending on health is also at a low 1.2% of GDP. This has led to high out-of-pocket expenses to the tune of ~70%. In addition to this the low penetration levels for insurance has also affected the affordability of Healthcare. In order to provide equitable health access to all as envisioned by the paradigm of Universal Health Coverage the government should aim at increasing the public spend to 2.5% by 2017. In addition to this special emphasis should be laid on primary health and public spends should be focused on empowering the primary care in India.

The government should also strengthen the health infrastructure by setting up AIIMS and government medical colleges. This should be well supported by skill-development programs aimed at augmenting the short-fall in Health force. Service delivery from villages to district level and beyond needs to be established.

With strong political will and a focused approach, India has the ingredient to deliver on the cause of equitable Healthcare. 4A's of healthcare - Accessibility, Affordability, Availability and Awareness can indeed become a reality in the time to come.

Healthcare in India

Healthcare is defined as “The prevention, treatment and management of illness and the preservation of mental and physical well-being through the services offered by the medical and allied health profession”. While the definitions of the various types of health care vary depending on the different cultural, political, organizational and disciplinary perspectives, there appears to be some consensus that primary care constitutes the first element of a continuing health care process, that may also include the provision of secondary and tertiary levels of care.
India has undergone tremendous economic and technological upheaval in the past few decades. With its ever increasing importance in the world map, India has emerged as a strong power house to reckon with. In lieu of the strong economic environment and demographic changes, the Indian Healthcare industry has also seen exceptional growth. The Indian Healthcare Industry is growing at a CAGR of 15% and is expected to touch USD 250 billion by 2020. The growth in the Indian Healthcare is driven by rising disposable income, increasing aging population, rising literacy level, booming demand for Indian generic drugs and improved medical infrastructure. In addition to this, the relatively lower cost of operation and skilled manpower base, has made India a key emerging location for global Life Sciences companies’ research and manufacturing activities.

The Indian government has also introduced several reforms for Healthcare upheaval. The increased outlay in the 11th and 12th five year plans has led to positive outcomes especially in maternal and child health. Schemes like the National Rural Health Mission (NRHM) have led to an increased focus on improving the health delivery system in rural areas.

The strides of the Indian healthcare industry has although led to significant improvements in Health outcomes but a lot needs to be done to provide the 4A’s of healthcare — Accessibility, Affordability, Availability and Awareness.

Given the complexity of the sector, this would require collaborations between the multiple stakeholders of the Healthcare ecosystem including the government, providers, payers, pharmaceutical and medical devices firms.

The Indian Pharmaceutical industry is also at an inflexion point. All the developed economies, including US, UK and Japan are in the process of implementing healthcare reforms, to increase accessibility and lower costs, which will have a huge positive impact on all sub-segments of the Indian
industry. With most global companies trying to lower their operational costs by outsourcing operations, India is at an advantage in this changing scenario and has all the right ingredients to become a Life Sciences Hub.

In India too, several changes are underway, like the strengthening of patent laws, increasing healthcare coverage, and standardizing manufacturing and research practices to further improve the quality. To comply with its commitment to the WTO, India introduced product patent regime in 2005 which has led to a sea of change for the domestic Life Sciences industry and has strengthened the confidence of global players regarding their operations in India.

With this increased momentum, we are also amidst streamlining various regulations of the Indian Healthcare Industry. Some of these include the drug pricing policy, foreign direct investments in Pharma, clinical-trial regulations, quality regimen, and compulsory license. This augurs well for the Industry as this transition phase would increase our global acceptability.

We believe that the next few years will provide a dynamic environment for domestic and international players to work towards better clinical outcomes. With support from all quarters, the India Healthcare Industry would certainly shine and provide high-quality, technologically advanced and affordable solutions to the world.

**Key Segments: Healthcare**

As India progresses on its growth path, healthcare constitutes an important aspect of the country’s development. With increased attention from the Government as well as international organizations like the WHO and other non-profit organizations, we see healthcare in India poised for growth.

**A. Pharmaceuticals:**

The Indian pharmaceutical industry, sized at USD 32 billion in 2012-13, has remained on a strong growth trajectory, over the past few years. The industry is marked with high fragmentation and relatively low drug prices, as compared with the regulated markets. The industry is majorly driven by knowledge, skills, low production costs, and quality. Due to this there is demand from both domestic as well as international markets. The industry is ranked 3rd globally in volume and 13th in value supplying 10 % of global production. The industry is highly fragmented with about 15000 players with mostly in unorganized sector. Out of these, about 300 -400 are classified as belonging to medium & large organized sector. However, organised players dominate the formulations market, in terms of sales. In 2012-13, the top 10 formulations companies accounted for 42.6 per cent of total formulation sales. MNC pharmaceutical companies have steadily gained a foothold in the Indian formulations market. As of March 2013, they enjoyed a market share of 26-28 per cent. Of this, the domestic formulations market was valued at about $11.4 billion and constituted less than 2 per cent of the global pharmaceutical market in value terms. This is because of lower drug prices and lesser penetration of healthcare, vis-a-vis developed markets, such as US and Europe. India spends only 1-1.5 per cent of its total gross domestic product (GDP) on healthcare and hence, ranks amongst the lowest in this respect, globally. In contrast, developed countries spend about 7-10 per cent of their GDP on healthcare.
Pharmaceutical sector is further sub segmented into Bulk Drug/ Active Pharmaceutical Ingredients manufacturers and traders; Formulation Companies; Contract Research And Manufacturing Services & Biotech Companies.

B. Hospitals:

Hospitals can be broadly classified on the basis of services offered, complexity of ailment and ownership patterns.

Classification of hospitals

1. Classification of hospitals based on services offered

i. Primary care/dispensaries/clinics: Primary care facilities are mainly outpatient units that offer basic, point-of-contact medical and preventive healthcare services. These units do not have any intensive care units (ICUs) or operation theatres. They act as primary point of contact in the healthcare system where patients come for routine health screenings and vaccinations. Primary care centres also act as feeders for secondary care/ tertiary hospitals, where patients are referred to for treating chronic ailments.

ii. Secondary care: Secondary care facilities diagnose and treat ailments that cannot be treated in primary care facilities. These act as second point of contact in the healthcare system. There are two types of secondary care hospitals: general and specialty care.

General secondary care hospitals: A general secondary care hospital is the first hospital a patient approaches for common ailments. It typically attracts patients staying within a radius of 30 kilometres. The essential medical specialities in general secondary care hospitals include internal medicine, general surgery, obstetrics & gynaecology, paediatrics, ENT, orthopaedics and ophthalmology. Such a hospital will have one central laboratory, a radiology laboratory and an emergency care department. Generally, secondary care hospitals have 50-100 in-patient beds, a tenth of which are in the ICU. The remaining beds are equally distributed between the general ward, semi-private rooms and single rooms.

Specialty secondary care hospitals: These hospitals are typically located in district centres, treating patients living within a radius of 100 to 150 kilometres. These hospitals usually have in-patient bed strength of 100-300, 15 per cent of which are reserved for critical care units. The balance is typically skewed towards private beds rather than general ward beds. Apart from the medical facilities offered by a general secondary care hospital; Specialty secondary care hospitals treat ailments related to gastroenterology, cardiology, neurology, dermatology, urology, dentistry and oncology. These hospitals may also offer some surgical specialties, but these are optional, albeit desirable for such a hospital. Diagnostic facilities in a specialty secondary care hospital include a radiology department, a biochemistry laboratory, a haematology laboratory, a microbiology laboratory and a blood bank. The hospital also has a separate physiotherapy department.
iii. Tertiary care:

Single-specialty tertiary care hospitals: Tertiary care hospitals provide advanced diagnostic services and treatments. A single-specialty tertiary care hospital mainly caters to a particular ailment (such as cardiac ailments, cancers, etc). Prominent facilities in India include the Escorts Heart Institute & Research Centre (New Delhi), Tata Memorial Cancer Hospital (Mumbai), HCG Oncology (Bengaluru), Sankara Nethralaya (Chennai), National Institute of Mental Health & Neuro Sciences (NIMHANS, Bengaluru), Hospital for Orthopaedics, Sports Medicine, Arthritis and Trauma (HOSMAT, Bengaluru), etc.

Multi-specialty tertiary care hospitals: Multi-specialty tertiary care hospitals offer all medical specialties under one roof and treat complex cases such as multi-organ failure, high-risk and trauma cases. Most of these hospitals derive a majority of their revenues through referrals. Typically, such hospitals are located in state capitals or metropolitan cities and attract patients staying within a 500 kilometres radius. They have a minimum of 300 in-patient beds, which can go up to 1,500 beds. About one-fourth of total beds are reserved for patients in need for critical care. The medical specialities offered include cardio-thoracic surgery, neurosurgery, nephrology, surgical oncology, neonatology, endocrinology, plastic and cosmetic surgery and nuclear medicine. In addition, the hospitals have a histopathology laboratory and an immunology laboratory as a part of its diagnostic facilities.

iv. Quaternary care

Quaternary care facilities are similar to tertiary care facilities and focus on super-specialty surgical procedures (cardiac, neurological and joint-replacements). These facilities also have in-house research departments, unlike tertiary care hospitals.

2. Classification of hospitals based on complexity of ailment

Healthcare delivery may also be classified on the basis of the complexity of ailment being treated. For example, a hospital treating heart diseases may be classified as a primary facility if its addresses conditions such as high cholesterol; as a secondary facility if it treats patients suffering strokes; or as a tertiary facility if its deals with cases such as cardiac arrest or heart transplants.

3. Classification based on ownership

Hospitals can also be classified based ownership patterns:

- Government-owned and managed
- Privately-owned and managed
- Trust-owned and managed
- Trust-owned but managed by a private party
- Owned by a private player and managed by another private player
C. Diagnostics & Pathology:

The industry is highly fragmented and encompasses over 40,000 laboratories, very few of which are accredited. These include the major pathological laboratory chains spread across urban cities referred to as corporate laboratories, the smaller regional laboratories catering to the local population, and hospital run diagnostic facilities. The corporate laboratories cater to the portion of the population with increasing household income and health awareness; large corporations, and insurance companies; and pharmaceutical companies in their clinical and Research and Development activities. The regional laboratories and hospital run facilities primarily cater to patients with existing medical conditions. Players have adopted innovative business models to tap emerging markets of Tier II and Tier III cities.

D. Medical equipments and Devices:

The Indian Medical Device industry is currently valued at around USD 3.5 billion.

The market in comparison to the Indian Pharmaceutical Industry remains disproportionately small despite strong growth rates. The Indian Medical device Industry is expected to grow at a CAGR of 15% and touch the USD 5 billion mark by 2016. The present landscape is primarily import driven with import contributing close to 75% of the market. The domestic market caters to low-value disposables and supplies space, whereas importers dominate the costly and high end medical equipments with extensive service networks.

The Indian medical device industry is highly fragmented with close to 1000 domestic firms primarily manufacturing low technology products. However in the recent years there has been a paradigm shift in the approach and companies have expanded operations to produce cost-effective, medium end medical devices.
E. Medical Tourism:

Medical tourism, also known as medical travel is the practice of travelling across countries to obtain healthcare. Such services typically include elective procedures as well as complex specialized surgeries such as joint replacement (knee/hip), cardiac surgery, dental surgery, and cosmetic surgeries. Many South-East Asian countries like Singapore and Thailand are already well known for their medical tourism business. Costa Rica and South Africa are also preferred destination of choice for many North Americans and Europeans. India, with its rich history, potential of tourism and quality healthcare is also developing into a destination of choice for medical travels. In developed economies, the cost of therapy is typically very high. Also, for lesser urgent surgical requirements (cosmetic surgeries, knee/hip replacement), a patient typically has to undergo a long waiting period before being treated in the home country under insurance. Medical tourism offers such patients an option to seek low cost alternatives on an immediate basis in scenic environments.

Apollo Hospitals and Fortis Healthcare have emerged as some of the better known names in the medical tourism business in India. Apart from them, there are many small stand-alone hospitals that have been accredited (by JCI, NABH etc) and attract foreign patients for treatment. Also under development throughout the country are small townships which intend to offer a full rejuvenation option to the tourists. One of such projects includes Dr. Trehan’s MediCity project (MEDANTA MEDICITY, Gurgaon). The project has seen a lot of investor interest, signifying the importance of medical tourism as well as interest of investors in the space.

F. Pharmacy Retail

Retail chain pharmacy outlets are a new trend that has emerged in India from past few years. This concept of chain drug stores was born in 1980 in USA. After FMCGs and food, pharmacy retailing appears to be the next big hope in the retail with an increasing number of corporate foraying in to the segment. Pharmacy retailing will follow the trend of becoming more organized and shall corporatize as retail chain pharmacy outlets. There are over 900,000 chemists in India, dispensing about $ 7 billion worth of pharmaceuticals every year. Retailing is considered as a sunrise industry today.

The pharmacy sector forms the second largest share in the Indian healthcare sector. The sector sources its products through institutional and non institutional sales. The institutional sales is the sale of pharmaceuticals to hospitals, nursing homes and other such health institutions that purchase bulk drugs at discounted prices that results in partial decline in profit margin of manufacturers. Whereas, non institutional sales takes place through retail stores that happen to be the only form of sales channel that reaches directly to consumers and is a major source of revenue earning for the sector.

The pharmacy retail industry in India operates majorly in the unorganized format and is currently having approximately 12 major players operating in organized format. However, most organized players are operative regionally and are far from having a pan India presence. A variety of value
added services are being incorporated by the organized players to attract a larger market share and initiatives are being taken to engage customers in brand loyalty.

Healthcare Services in India

Healthcare in India is poised for growth. With an increasing population and divergent demographics, healthcare is the need of the day and we expect the public and the private sector to increase the pace of growth.

The Government's share of the healthcare delivery market is approximately 30 percent. Currently, the health expenditure by the government is 1.2 percent of the GDP. The expenditure is divided into a contribution of 0.5 percent of the GDP by the Central Government and 0.7 percent of the GDP by the State Governments. Over the years, there has been a significant increase in public healthcare infrastructure with the number of hospital beds increasing from 3.2 per 10,000 in 1947 to 10 per 10,000 today.

The government of India intends to increase its outflow to healthcare as a whole to contribute to as much as 2.5 percent of the country's GDP by 2017. With the achievement of this level of investment from the government, it is expected that healthcare infrastructure in the country will see a marked improvement.

The Indian healthcare scenario can be broadly classified into services provided by private players (private healthcare) and those by the government (public healthcare). Though, low in comparison to the private sector, there has been a significant increase in public healthcare infrastructure in recent years. Together, the health infrastructure serves a population of over one billion; growing at 1.5 percent per annum. India’s over 300 million strong middle class is driving unprecedented demand for quality healthcare. The combination of high quality services and comparatively low cost facilities is also attracting a regular stream of international patients. Costs of advanced surgeries in India are 10-15 times lower than anywhere in the world. Strategic opportunities for foreign investment and collaboration mark the sector, as leading Indian players outline global expansion plans. Meanwhile, the government is working towards providing basic healthcare to the large rural population of the country through a number of initiatives.

We expect that on the back of government initiatives and reforms and insurance penetration, the healthcare industry in India will be led by the private sector, much like that of the US healthcare market. Though, government involvement in the form of public sector facilities especially in rural areas will continue to play an important role.

The Indian healthcare industry has witnessed phenomenal growth over the past few years and is expected to continue its fast pace. The healthcare market of India is estimated at USD 104 billion as of 2014, and includes retail pharmaceutical, healthcare hospital services, medical and diagnostic equipment and supplies. While India’s overall expenditure on health is comparable to most developing countries, India’s per capita healthcare expenditure is low due its large billion-plus population and low per capita income.
The Healthcare delivery market in India has a public spend contribution of ~ 25% while the rest is basically out-of-pocket expenses. The entire Healthcare delivery space can be further broken into sub-segments of Hospitals, Insurance, diagnostics, Medical devices and Pharmaceutical. The below graph presents the break-up of the delivery space across the various sub-sectors.

The Significant Out-of-Pocket expenditure and low public spends have resulted in limited reach of high quality healthcare delivery in tier II and III cities. Owing to this Affordability and accessibility have become a serious question for the Indian government.

With ~ 4% of GDP expenditure on Healthcare, India ranks among the bottom five countries with the lowest public health spending globally. The global average for GDP spends on healthcare is ~ 9% of GDP.
Public Healthcare in India

Since Independence, India has built up a vast health infrastructure and health personnel across primary, secondary, and tertiary care in public, voluntary, and private sectors.

Considerable achievements have been made over the last six decades in the efforts to improve health standards, such as life expectancy, child mortality, infant mortality, and maternal mortality. Small pox and guinea worm have been eradicated and there is hope that poliomyelitis will be contained in the near future. Nevertheless, problems abound. Malnutrition affects a large proportion of children. An unacceptably high proportion of the population continues to suffer and die from new diseases that are emerging; apart from threats posed by existing ones. Pregnancy and childbirth related complications contribute significantly to the mortality rate.

The government addresses health and family welfare related issues in five year plans known as the National Health Plans. The Twelfth Five Year Plan was initiated in 2012 and will be in force till the year 2017, guiding the actions and budgets of the government at a central and state level towards healthcare. Identifying the strong correlation between poverty and ill health, the present plan was constructed keeping in mind the need for good health for people, especially the poor and underprivileged. Some other focal areas include health of women, infants, older people.

Some of the snapshots and key objectives of the 12th five year plan are as follows:

12th Five Year Plan Goals

- Reduce Maternal Mortality Rate (MMR) from 212 to 100
- Reduce Infant Mortality Rate (IMR) from 44 to 25
- Reduce underweight children below 3 years from 40% to 23%
- Increase child sex ratio from 914 to 950
- Reduce Total Fertility rate from 2.5 to 2.1
- Reduce poor household’s out-of-pocket expenditure on Health
- Prevention and reduction of burden of diseases – Communicable and Non-communicable

The objectives of the five year plans is to establish a Universal Health coverage (UHC) system in the country. The experts envisage that this ambitious destination could be reached by 2022 provided some of the following aspects are addressed:
Government Contribution to Healthcare

Public healthcare expenses are contributed by the government on a central as well as state level. Central government efforts are administered by the Ministry of Health and Family Welfare, which provides both administrative and technical services and manages medical education.

While the central government allocates expenditures based upon the different initiatives planned by the National Health Policy, each state has a different allocation to the healthcare expenditure based on its total budget and healthcare requirements. Goals and strategies are set through central-state government consultations of the Central Council of Health and Family Welfare. States provide public services and health education.

The public health infrastructure of India has grown since independence, but it is yet to match the basic healthcare facilities in many other countries. While in 1947 the number of hospital beds was 3.2 per 10,000, the present number of 9 per 10,000 is far below the WHO benchmark.
Access to Healthcare: Affordable Care

India has by large, all the ingredients to emerge as a leader in “Affordable Innovation”. Though several measures and incentives have been implemented to help the Life Sciences industry in achieving this goal, there are still some large gaps in the financial and regulatory environment, that need to be filled to continue driving growth for the industry. We believe that accessibility to Healthcare can be addressed through some steps like:

Streamlining the Public Health infrastructure

Step-up in Government funding: The initial step is to increase the public spend in Healthcare and take it to the level of 2.5-3% by 2017. In addition to this regional disparities in the provision of health services should be reduced, this means state-wide spends on Healthcare should be consistent. Poor states lagging behind should be given a quantum leap in central funding

Health Infrastructure and Workforce: The government is working towards increasing the public infrastructure, the recent budget has indicated the government’s plan to open more AIIMS-like institutions. In addition, the budget laid down plans to set-up 12 government medical colleges.

With regards to workforce, India holds the potential to become a global source for quality medical and paramedical personnel. Tapping this potential could be the third step in giving a fillip to the Indian healthcare industry. The country has developed high quality standards in terms of manpower as well as clinical outcomes. Kerala has at least one family member involved in healthcare. In the US alone, there are 50,000 physicians and 20,000 medical students and residents represented by the American Association of Physicians of Indian Origin. The British National Health System (NHS) depends significantly on doctors and nurses from India. In addition to this the government should work-towards establishing more medical schools and health-skill development colleges to augment the need of the medical professionals.
Addressing geographical accessibility:

✓ **Semi Urban and Rural Hospital Network:** Efforts can be made to provide access to secondary care services in 30-100 bed hospitals. Better care management can be achieved with referral mechanism from primary care clinics. Basic diagnosis, treatment & surgery facilities and preventive care services can be provided through a network of primary care clinics.

✓ **Telemedicine & Mobile Healthcare:** Telemedicine can increase access and quality of care by linking appropriate care when it is needed. It can bring immense benefits to people residing in Tier II, Tier III Cities and especially rural areas which lack qualified doctors and are facing delayed diagnosis along with shortage of adequate health care facilities. Mobile Healthcare solutions can deliver accessible healthcare to remote villages in India. The Healthcare Vans, Trains and Boats as Mobile Health Units (MHU) can visit villages on certain days to deliver healthcare services to rural population that will include consultation, basic screening & diagnosis and treatment facilities.

✓ **Home Care:** Home care is a cost-effective alternative to more expensive forms of inpatient care, and should therefore be a critical component of a comprehensive healthcare program. Patients may receive appropriate care in a more timely way through consultation and/or supervision. This may provide greater access to specialty care, integrated care, and disease.

The Accessibility of Healthcare would also mean optimising the Healthcare value chain which would include Pharmaceutical and medical device players. Step undertaken to incentivising and facilitating the related industries would in-turn lower the drug and consumable cost which forms a significant 25-30% of the health-services outlay. This would certainly enhance the accessibility of Healthcare.

The following point detail the steps that could effectively optimise the healthcare value-chain comprising of Pharmaceutical and related industries.
Scaling-up of availability of Risk-funding

These industries are comprised of close to 90% SMEs and 10% big players. However, the availability of funding towards SMEs is at the minimal and financing agencies in India do still not have the appetite for high-risk projects and businesses as an investment option. In this present situation for the SMEs, there have been financing gaps that need to be bridged with innovative financing models designed specifically for high-risk businesses in the life sciences sector.

Limited weighted deductions allowed for R&D and related activities:

To promote R&D in the Pharmaceutical Sector the rate of weighted deduction should be raised from 200% to 300%, particularly for R&D directed towards development of new molecules. At present the weighted deduction is allowed only on in-house research and development. However, most of the expenditure on clinical research is incurred outside the approved facility as it involves use of specialized agencies for conducting toxicity studies and clinical research. Thus weighted deduction should be extended to the expenditure incurred outside the approved R&D facility by Life Sciences companies’ i.e. clinical trials, bioequivalence studies conducted in overseas CROs and regulatory and patent approvals, which are directly related to the R&D.

Also product registration, patent filing, challenging and protecting in India and internationally is an integral part of R&D in the Life Sciences sector. But, expenditure incurred outside India for these activities are not considered eligible for weighted deduction. These activities should also be covered under the ambit of weighted deductions for spurring R&D activities.

Need for simplifying procedures:

The legislation and regulatory requirements for different regions at time have vast variances, which hampers the expansion of companies and adds uncertainty to the whole process. A single window clearance system and a unified code for the entire country, under Central legislation will simplify the regulatory process and facilitate SMEs and entrepreneurs to enter and grow their business in the industry. Further, the export market which offers a huge opportunity for Indian Life Sciences players, especially the SME companies, is faced with a lack of guidance and support from the Government. There are several kinds of loans that are available from the Government and public sector banks, but these are not easily accessible.

Strengthening logistics

The life sciences industry has specific needs for transportation of products (chemicals, toxic medical waste, stem cells, and reagents) majority of which are required to be maintained under cold-chain. These have been taken care of in the western countries and now will need to be addressed in India as well. The supply chain for life sciences products will require financing for refurbishment of carrier vehicles and upgrading of handling & storing technology. In the initial stages, it might be more viable for the Government to facilitate an enabling environment through a corpus specifically for strengthening the supply chain for the industry by building specialized warehouses and carrier
vehicles (refrigerators and insulated vans) and systems. This would help in reducing the timelines and reducing delays.

*Modified guidelines for SME companies catering to Healthcare*

While implementing manufacturing guidelines (Schedule M) and pollution control measures, certain requirements can be modified for SMEs keeping in mind their capabilities and requirements. For instance, the mandated room sizes and stores segments, required to satisfy good manufacturing practices, can be made smaller on the basis of the company’s scale and requirements. Also, Government could consider pollution credits on lines of carbon credits which can be traded between industry players. This will encourage new units that are coming up with pollution control measures and also provide some relief to those unable to implement pollution control measures in the early stages of their operations.

Further, for SME exporters, specific fiscal incentives by government could play a crucial role in releasing resources for these firms to improve their capabilities to meet the global quality standards and reduces their effective costs of internationalization. In the case of exporting, fiscal incentives include concessional import duty on capital goods imported under the Export Promotion Capital Goods (EPCG) Scheme, reimbursing customs and central excise duties suffered on the inputs used in the manufacture of exports under the Duty Drawback Scheme, import of inputs required for export production free of customs duty under the Duty Exemption Scheme, etc., besides the fiscal benefits that these firms may enjoy being located in the Special Economic Zones (SEZ) and being an export oriented units (EOU).

*Life Sciences industry should be brought under Priority Sector Lending (PSL):*

Funding should be available at a special or concessional rate for the industry, especially if its meant for infrastructure development and up-gradation. This is already mandated by the Government for priority social sectors like agriculture, education and infrastructure. With the increased focus on improving healthcare in the country, the time has come to include Life Sciences and Healthcare industries under this policy. Government should ensure availability of adequate amount of low cost finance, through interest subvention on term loan for technical upgradation of R&D infrastructure, manufacturing plants including GMP implementation and getting approvals from overseas regulatory authorities.

**Universal Health Coverage: Vision 2020**

As a concept Universal Health Coverage (UHC) entails providing health services to all through the use of public funds. It would ensure equitable healthcare access for all Indian citizens, with the government being the guarantor and enabler. Globally, Healthcare has been recognized as the primary obligation and duty of the government.
With public spending on health at just 1.2% of the GDP, India ranks at the bottom of the public health spending table. This has resulted in a huge shortfall of healthcare infrastructure with poor health outcomes. A lack of public infrastructure has made India overly dependent on private health services, the lack of insurance penetration adds to the woes of the Indian public. The increased outlay in the 11th and 12th five year plans has led to some positive outcomes especially in maternal and child health. Schemes like the National Rural Health Mission (NRHM) have led to an increased focus on improving the health delivery system in rural areas. The strides of the Indian healthcare industry has although led to significant improvements in Health outcomes but a lot needs to be done to provide the 4A’s of healthcare - accessibility, affordability, availability and awareness.

WHO claims that 39 million Indians are pushed to poverty because of ill health every year, in addition to this 30% of rural India do not avail health treatment owing to financial constraints. As the largest democracy in the world with a strong economic development focus, health should gain utmost importance in the political agenda. As every individual in the country is entitled for comprehensive health security, Universal Health Coverage becomes an ambitious but realistic target. The government should be responsible for ensuring and guaranteeing UHC for its citizens.

Proper planning and focused management has led to great success in the past. Nationwide Polio vaccination campaign was a quintessential example of success owing to strong political will and proper planning. We were able to vaccinate 172 million children through 2.3 million vaccinators in 202 million households in each polio campaign. The campaign was so strong that we were able to deliver door-to-door vaccinations.

Immediate Areas of Concerns

- Due to lack of efficient Healthcare eco-system, heavy Out-of-Pocket (OOP) expenses are incurred
- ~ 60% as compared to India is abysmally low
- Limited scope and reach of state sponsored health insurance schemes
- Weak ‘last mile connectivity’: Inadequate Service delivery from villages to district level and beyond

In order to implement UHC the government should first focus on providing easily accessible and affordable healthcare to all Indians. This would be a combination of adequate healthcare infrastructure, skilled health workforce and access to low-cost drugs and technologies. Although we have experienced some success with Rashtriya Swasthya Bima Yojana (RSBY) and a multitude of state sponsored health insurance schemes, the government should aim at considerably expanding scope of such schemes to create a socially relevant and viable model so that UHC is not only about ‘insurance’ but about ‘assurance’ of Health equity.

Initiatives

- Increased Public Health spend from 1.2% of GDP by the end of 12th plan
- Proper health financing mechanism for long-term sustenance
- increased access to medicines, vaccines and technology
- Human resources for Health – ‘Initiatives to train a larger health worker pool’
- Government funded insurance schemes to be integrated with UHC system
Ensuring UHC would involve proper planning in terms of health financing and financial protection. The UHC system would require a substantial increase in the public outlay on Health. Public expenditures on health should be increased from the present 1.2% of GDP to at least 3% in the next five years. Such a significant expansion in public spending would lead to a sharp decline in the private out-of-pocket (OOP) spending on Health. In addition to this, a tax-based mode of additionally financing health services would also serve as a long-term solution of providing UHC.

The government should also focus on public procurement of medicines. Presently, the public outlay on medicines is a minuscule 0.1% of GDP, the procurement pattern needs to undergo a paradigm shift with level increasing to 0.5% of GDP to gain universal coverage.

Another major challenge is last-mile connectivity with the health system and the lack of trained manpower. Service delivery from villages to district level and beyond needs to be strengthened, and adequate equipment, staff, and infrastructure needs to be established. UHC should also involve an efficient usage of the private health providers. For instance, the essential health package that would be financed by the government should be supplemented whenever required by contracted-in private providers.

Today there is a greater need to realign our focus towards attaining Universal Health Coverage. The political system should aim at adopting sustainable financing mechanisms that permit efficient delivery of equitable health services. Considering India’s regional diversity and huge coverage related-challenges, Universal Health Coverage should be adopted as a direction leading to a destination.

**Growth Drivers: Indian Healthcare Industry**

As India progresses on its growth path, healthcare constitutes an important aspect of the country’s development. With increased attention from the Government as well as international organizations like the WHO and other non-profit organizations, we see healthcare in India poised for growth.

As detailed in the chapters above, there are various aspects of healthcare services, including hospitals (both public and private), medical diagnostic services, medical equipment, private health insurance...
etc. Many organizations consider retail pharmacy as inclusive of total healthcare. As explained later in this section, we have not considered retail pharmacy as a direct contributor to healthcare services because of its unique nature.

Based on our observations of the industry nature and initiatives, we expect healthcare services in India to improve and thereby the industry to continue on its growth path over the next few years. We see a lot of potential in the sector, and avenues of growth by both public and private organizations. Overall, we expect the healthcare industry (including retail pharmacy) to reach USD 158 billion by 2017 from USD 78.6 billion in 2012.

The medical equipments and supplies industry is in direct correlation with the rise of healthcare. As hospitals increase their scope of activities, the need for quality and cost competitive equipment and supplies in the country will increase. This is expected to encourage private players to service domestic demand. However, till regulatory guidance for the segment is not finalized and implemented, growth of the industry is expected to be moderate, though beating some prior industry estimates. The Indian Medical Device industry is currently valued at around USD 3.5 billion and is expected to grow at a CAGR of 15% and touch the USD 5 billion mark by 2016.

Medical Tourism has seen enhanced interest from both the government and private sector. With increasing number of medical tourists all around the world, and a significant portion coming to India for treatments, the medical tourism industry is poised for growth. However, medical tourism is highly dependent upon the regulations at the home country of the tourist as well as the economic conditions. Considering the above, we feel medical tourism will still make an impact on the healthcare services market of India.

The hospitals business would continue to contribute to more than 70 per cent of this sector, with the private and public sector combined contributing about USD 54.5 billion. While the government will step up its investment in the sector as planned in the NRHM 5-year plans, the private sector will foray into the hitherto largely ignored sector. With increasing confidence and understanding of the industry, investor interest will spur many private players to increase their scope of operations.

The diagnostic and pathology industry boosted by catering to rising medical needs of the country and gaining momentum through growing acceptance of preventive cures will inch towards a more mature market setup over the years. The diagnostic and pathology services industry is expected to continue its consolidation. With increasing investor interest, this sector is expected to touch USD 2.5 bn by the year 2012.

GROWTH DRIVERS

The healthcare industry is largely spurred by demand. This is especially true for India where healthcare is not available to a large percentage of the population. These factors can be broadly classified into primary and secondary on the basis of the impact they have on the industry. The sections below highlight some of these factors which are expected to drive growth of the healthcare services sector.
Primary Factors Influencing Growth in Healthcare

Economy of India: on a growth path

India is one of the fastest growing economies in the world. The GDP of the country has been registering growth of over six per cent over the past six years and the government expects the GDP to continue on its growth path, notwithstanding external factors. With a growing economy, higher disposable income and central budgets, the country is expected to dedicate a higher amount of capital to healthcare. We expect the economic growth of the country to boost the healthcare services in India, both in terms of hospitals as well as associated healthcare services industries.

Regulatory Support: driving healthcare growth

More than sixty years post independence, India still suffers from myriad communicable and non-communicable diseases. The government has thus recognized healthcare as one of the primary thrust areas for the country. In community health centre around India, there are only seven estimated physicians per population of ten thousand, while the number of professional nurses is only 7.85. The government has planned an increase in this number so that the basic healthcare needs of the population of India are met. To drive the same, there is intention of adequate budgetary allowance. The government has also identified strategies like the NRHM and schemes like RBMY to facilitate healthcare growth.

Apart from reforms on the public healthcare front, there are initiatives by the central government which promote private participation in the sector. With healthcare being given infrastructure status and tax rebates, private participation in the industry is expected to increase, as are the investments. Apart from the central government initiatives, the state governments have spurred private participation in the healthcare services sector by state-wide rebates.
Another emerging model which will spur growth in the healthcare segment is Public Private Partnerships. PPPs are a fairly new concept to be implemented in the healthcare services segment. Though there are a few PPPs for smaller initiatives, there have been very few incidences of hospital partnerships. With successful implementation of the PPP model, the healthcare services industry in India will see a boost.

**Changing Population Demographics**

**Healthcare for all age groups** - Need of Geriatric Care: India today is one of the most populated countries in the world. The eradication of a number of life threatening diseases has led to a decline in infant mortality and an increase in life expectancy. This factor coupled with the overall explosive population growth has led to a rise in the elderly population. As a result, India has the second largest geriatric population in the world. This population (of people aged over 65 years) is expected to rise over the next few decades. This growing elderly population will create an enormous requirement for greater healthcare infrastructure catering to the disease profile of this age group.

**Need of Infant Care** - Apart from the booming geriatric population, India has a very high population growth rate. The present infant mortality rate (IMR) of India is 32.31 per 1000 live births, a significant reduction from an IMR of 64.9 in the year 2000. However, it is still much higher that of many other developing countries like Mexico and China which have IMRs of 25 and 27 respectively. Countries like the United States of America have an IMR of 6.9 per 1000 live births. To reach the government intent of controllable figures like those of comparable countries, India needs healthcare reach in all parts of the country.

**Need for Quality Healthcare** - the rising middle class: India has one of the largest middle class populations in the world. With a growing economy and rising income levels, this large group has increased demands for better quality healthcare. The many private hospital chains aim to cater to the requirements of this populace. However, the present numbers of beds available are still not adequate for the requirements of this demographic group. Apart from availability, accessibility of this infrastructure is also important, along with rising income levels; this population group will also demand customized care. This need for quality healthcare is expected to drive growth in the private hospital space.

**Need for Adequate Healthcare** - for all strata of the population: The healthcare industry in India has a clear divide. On one hand there are state of the art facilities that cater to the middle and upper class and medical tourists with high – quality medical care. On other end of the spectrum, a majority of the population has limited or no access to quality care. Currently, only 25 per cent of the population has access to Western medicine. The government has begun taking steps to improve rural healthcare with initiatives such as the National Rural Health Mission and others. Hence, the lack of healthcare infrastructure in rural areas and the increasing demand for it will lead to the emergence of multiple initiatives by both the government and the private sector. Though the rural poor are underserved, the urban poor are unable to afford the expensive private facilities in cities. This leaves a huge gap in between the two extremes of corporate and government hospitals.
There is a large requirement for mid tier hospitals that will assure quality as well as affordability catering to the needs of the local population. In addition, there has been an increasing awareness of quality associated with essential health services driving a demand for affordable private hospitals.

Changing Disease Profile: infectious & lifestyle

Communicable Diseases: India traditionally has had a high incidence of infectious and chronic degenerative diseases. While majority of ailments such as leprosy, polio, tetanus are soon to be eliminated due to aggressive public healthcare initiatives, some communicable diseases such as dengue fever, malaria, tuberculosis, and pneumonia have developed resistance to drugs or diagnostic tools and have been spreading with increased vigour. In addition to infectious diseases, India is battling the emergence of diseases such AIDS as well as food and water borne diseases. The rural population is most affected by the spread of these types of disease. These diseases are mostly treated by out-patient departments; however the testing of these diseases alone requires significant investment in healthcare. As the incidences of resistant strains of many communicable diseases increase worldwide, the need to invest in basic infrastructure to fight them has been identified by the government.

Non Communicable & Lifestyle Diseases: As affluence amongst the Indian population increases along with the adoption of western diets and increase in sedentary jobs, a higher incidence of lifestyle related diseases such as hypertension, diabetes and cancer reaching epidemic proportions has been observed. Over the next few years, the incidence of these lifestyle diseases is expected to grow at a faster rate than infectious diseases. India has been identified as a hub for diabetes, and is expected to have one of the largest populations of diabetics worldwide. These diseases demand a higher cost in treatment as well as specialized care and will significantly contribute to increased demand for novel therapies and better quality healthcare

Available Skilled Manpower: precursor to hospitals

Apart from a lack of adequate number of beds and other healthcare services, India faces a huge shortage of trained medical personnel including doctors, nurses and paramedics especially in rural areas. Many times, the growth of the sector, and development of high quality hospitals and diagnostic centre is hindered by the absence of suitable skilled personnel to cater to the business. This has provided additional opportunities for private sector players to integrate medical education into their business models. The government too has recognized the need for medical as well as paramedical staff and has allocated a separate budgetary allowance of INR 1447.92 Cr for institutions providing superior medical healthcare as well as medical education, in tier II cities like Patna, Raipur, Bhopal, etc. As educational infrastructure in the country develops, a reduction in the skilled manpower deficit is expected to boost the healthcare sector.

Increasing Availability of Insurance

Healthcare expenses in India are primarily borne out-of-pocket by the patient. With most of the healthcare requirements being met by private organizations, usually the quantum is quite high resulting in foregoing of hospital care in some cases. With private insurance players entering the
market, it is expected that the monetary burden of treatment for the common man will reduce substantially. This in turn will drive more people to seek healthcare services, thus aiding in growth of the private sector.

**Secondary Factors**

**Medical tourism**

India is emerging as an important medical tourism hub due to its low cost healthcare and high quality of services provided. With the medical tourism industry set to boom, the healthcare industry in India is seeing investments to cater to this expected demand. Many private players are in the process of upgrading their facilities and also setting up new facilities with allied services like Ayurveda and Yoga to provide a complete healthcare package to medical tourists.

Apart from driving revenues to the country, medical tourism is expected to significantly boost the healthcare industry as a whole.

**Availability of Finances**

Healthcare budget is an important driver of the sector for Public enterprises. While the central government identifies and dedicates resources to select projects, the state government funds ensure smooth operation of existing healthcare facilities as well as development of new ones.

Private growth in healthcare too is dependent on funding received. Healthcare business has a high gestation period and therefore cash flows remain negative for the initial few years, making it imperative for the facility to receive adequate funding for this initial period. With increased investor interest, it is easier to receive funding for new ventures.

**Growth of Private Participation**

There has been a surge of large corporations showing interest in the healthcare sector.

Companies like Max India, Escorts and Birla have established Specialty Hospitals in various parts of India. The attractiveness of the sector has led to an infusion of funds from private investors. There is increased interest is diagnostic service as well, with companies such as SRL-Ranbaxy, Piramal, and Metropolis Health Services venturing into this field and many such ventures being funded by PE players. With rising interest from investors, it is expected that more private players will enter the fray, driving up the private healthcare market of India.

**Pharma industry growth**

The pharmaceutical industry has a direct relation to healthcare. Most of the prescriptions filled at the retail level are provided by hospitals over the country. With a study of the disease profiles and manufacturers and reach of medical care, it has been estimated that the pharmaceutical industry in India is poised for growth. The YES BANK report on Pharmaceutical Industry in India estimates the domestic pharmaceutical industry to be worth USD 13.4 billion by 2012. This is expected to be
composed of myriad therapeutic class of treatments, including lifestyle diseases which in many cases require not just hospital visits but also hospitalisation. A growing pharma industry denotes the expected growth of the healthcare industry

**Innovative Technologies in Healthcare Delivery**

**A. Telemedicine**

Telemedicine is an evolving field in healthcare science wherein Information and Communications Technology (ICT) is used to deliver clinical care. According to World Health Organisation (WHO), telemedicine is defined as “The delivery of healthcare services, where distance is a critical factor, by all healthcare professionals using ICT for the exchange of valid information for diagnosis, treatment and prevention of diseases and injuries, research and evaluation, and for the continuing education of healthcare providers, all in the interest of advancing the health of individuals and their communities.” This evolving field has especially helped address the challenges of timely healthcare delivery to rural and remote areas.

Various technologies such as Stored and Forward Method, Integrated Services Digital Network (ISDN), T-1 and Video Conferencing are used in telemedicine

Telemedicine has found application in Tele-Healthcare, Tele-Education, Disaster Management, Tele-Home Health Care, Tele-Proctoring, Tele-Consultation, Tele-Pathology, Tele-Ophthalmology, Tele-Radiology etc.

**Telemedicine in India: Current Scenario and the Future**

The Indian Telemedicine market is estimated to be US$ 7.5 million and is expected to grow at a CAGR of around 20% over the next five years. It is estimated that around 1.5 lakh people are benefitted of telemedicine every year. Of the total Indian population of 1210.57 million (2011 Census-Ministry of Health & Family Welfare), 833.46 million i.e. 68.85% reside in rural India lacking basic healthcare facilities. According to a report of Rural Health Statistics 2011, there is a shortage of 43,776 sub-centres, 7,954 primary health centres and 3,044 community health centres in India. Telemedicine can help overcome these challenges and provide quality medical services to the rural population.

Indian Space Research Organisation (ISRO) has played a pivotal role in reforming Indian Telemedicine and reaching the grass-root population. ISRO has successfully linked hospital and healthcare centre to rural India through INSAT satellites. ISRO ventured into telemedicine in 2001 through the Telemedicine Pilot Project linking Apollo Hospital at Chennai with Apollo Rural hospital at Aragonda village in the Chittor district of Andhra Pradesh. Later in March 2002, the Karnataka Telemedicine project linked the Narayana Hrudalaya, a super specialty hospital for cardiac care at Bangalore with the district hospital, Chamarajanagar and the Vivekananda Memorial Trust Hospital at Saragar in South interior Karnataka. Since 2001, the Telemedicine Network of India has successfully treated more than 250,000 patients. ISRO’s telemedicine network has enabled 306 remote/rural/district hospital/health centres and 16 mobile telemedicine units with 60 super specialty hospitals located in
the major cities. With the steady growth of Telemedicine application, ISRO has envisioned the development of “HEALTHSAT” for meeting the health care needs of the country at large.

Success Stories in Telemedicine

Some of the key players in the telemedicine market are Aerotel Medical Systems, Apollo Hospitals, IBM Healthcare and Lifesciences, Wipro, Manipal Hospital, AIIMS, Aravind Eye Care, Fortis and others.

Apollo Group has introduced Apollo Telemedicine Networking foundation (ATNF), a non-profit organization. Today ATNF has 160 peripheral centres including multiple overseas. ATNF provides telemedicine facilities in the distance ranging 200-75000km through their 84000 tele-consultation in 25 different disciplines. The Ministry of External Affairs has selected ATNF for providing tele-consultation and tele-education to 53 countries of African union. ATNF was the first to promote clinical telemedicine in South Asia.

Aravind Eye Care System is the largest and the most productive eye care facility in the world. With a stated mission to eradicate needless (preventable) blindness, caused by refractive errors and cataracts, they ventured out by conducting periodic “eye camps” in rural areas. Aravind has deployed a rural wireless telemedicine system in Southern India through their five hospitals in Madurai, Theni, Tirunelveli, Coimbatore and Pondicherry.

At Narayana Hrudalaya (NH), tele-consultation is done side-by-side with the routine Out-Patient-Department (OPD) work for specialists at their main hospital in Bengaluru. They are connected to 800 centres; these centres are however not set-up by NH.

B. Remote Patient Monitoring

With the advent of new age technologies and health monitoring systems at home, Remote Patient Monitoring has evolved. With increase in mobility, connectivity and portability of patient monitoring devices, medical OEMs and providers are looking at cost-effective and sophisticated monitoring solutions. Companies like Philips, Motorola Solutions and Wipro enable the delivery of customized patient monitoring systems and remote health care services.

Various services like heart failure and diabetes monitoring, elderly care, wellness management, fetal monitoring and emergency services are covered under remote patient monitoring.

Remote Patient Monitoring helps lower costs and improves patient care.

C. mHealth

mHealth or mobile health care can be defined as the delivery of healthcare services or information through mobile communication devices. It comprises mHealth as a concept for the delivery, facilitation and communication of health-related information by means of mobile technologies including mobile phones, smart phones, tablet computers as well as devices with integrated communication abilities. It offers remote diagnostics and consultation services, health
monitoring via portables, patient record keeping and access for care givers at the point of care, logistical support for the provision of care and education and information services using SMS.

PWC predicts that the growth of the mHealth market will lead to a revenue opportunity of US$ 0.6 billion for India and US$ 23 billion for the world by 2017. Mobile Health market opportunity for India is expected to constitute 8% of the total Asia-Pacific opportunity in 2017.

One of the major factors contributing to the growth of mHealth in India is the proliferation of mobile phones in India and access to internet via a mobile device (3% households have a computer with internet access whereas 69% of Indian households have mobile phones). Smartphone adoption has increase manifold with shipments growing by 167% in 2013. As of 2013, there were 31,000 health relates apps, with 44 million downloads expected by 2014 and 142 million by 2016. The advent of wearable devices is another dynamic to the growth of mHealth in India.

Like any new disruptive technology, mHealth growth too is constrained due to current lack of support from the government and the need for standardisation and certification of mHealth services by a regulator. Support from the government and medical professionals will make a significant impact in growing mHealth in India.
Wellness is defined as an active process of becoming aware of and making choices toward a healthy and fulfilling life. "A state of complete physical, mental, and social well-being and not merely the absence of disease or infirmity.

The dictionary meaning of wellness is, “the quality or state of being healthy in body and mind, especially as the result of deliberate effort”. It also means, “an approach to healthcare that emphasizes preventing illness and prolonging life, as opposed to emphasizing treating diseases.”

The American Heritage Medical Dictionary terms ‘wellness’ as a 'condition of good physical, mental and emotional health, especially when maintained by an appropriate diet, exercise and other lifestyle modifications.'

In India, traditional medicine and preventive practices have always stressed on 'a healthy mind in a healthy body'. Accordingly, Indian traditional practices of ayurveda, yoga and meditation were aligned to deliver physical and internal well-being, mental peace and happiness.

Globalization with the advancement in time has added a multi dimensional definition to the concept of wellness, encompassing the individual’s desire for social acceptance, exclusivity and collective welfare. This change has been primarily influenced by changes in society, increased awareness amongst individuals of the need for wellness and change in the lifestyles of individuals.
Evolution of the wellness industry in India: (From 1990 till date.)

From its nascent unstructured beginning in the early 90s, wellness industry in India has rapidly evolved to meet changing lifestyle trends of consumers.

- Customers are developing a holistic perspective on wellness.
- Wellness is becoming an integral part of the shift from remedial to preventive care.

- Entry of organised players (both Indian and foreign) led to increased options for consumers.
- There was greater awareness on the correlation between looking good and feeling good.
- Increasing brand consciousness and willingness to spend on non-essentials and luxuries made consumers willing to experiment with new products and services.
- Sectors like hospitals, media, retail, etc converged on the wellness boom.

- Globalisation, increased disposable incomes and exposure to western culture led to high awareness levels in consumers, especially among youth.
- External appearance or ‘looking good’ became more important and the rapid penetration of satellite television fuelled this trend.
- Spurt in indulgence spends in the form of increased leisure travel and demand for personal care and grooming was observed.

- ‘Wellness’ as a concept did not enjoy mainstream popularity.
- Corporate play was limited, with most participants being small and individual. Sectors like fitness and nutrition were in their infancy.
- Low consciousness about body image; Spending on pampering was limited to the affluent.
The Indian Wellness Market Segmentation

The wellness market offerings are developed along the hygiene, curative and enhancement needs of the consumer. Key features are as follows:

- **Hygiene** needs stem from the basic necessity to maintain personal cleanliness.
- **Curative** needs are aligned to prevent diseases, cure ailments and maintain a healthy lifestyle.
- **Enhancement** needs focus on improving personal appearance and self-confidence.

### SEGMENTS

- **Beauty Care**
- **Alternate Therapy**
- **Spa & Wellness Centre**
- **Nutraceautical**
- **Fitness products and Centers**

### PRODUCTS

- Cosmetic products (Skincare, Haircare, colour cosmetics and fragrances)
- Ayurveda, Homeopathy, Unani, etc.
- X
- Health & Wellness Food and Beverages, Dietary supplements
- Fitness equipment, Slimming products

### SERVICES

- Salons and beauty centres, Cosmetic treatments
- Treatment centers for Ayurveda, Homeopathy, Unani, Naturopathy etc.
- Spas & Rejuvenation Resorts
- X
- Fitness centre’s, Slimming centres
The Indian Wellness Consumer:

The Indian wellness consumer is mapped into four distinct categories (‘passives’, ‘beginners’, 'actives' and ‘believers’), based on the relative importance of health and wellness in their overall consumption basket. Each consumer category represents distinct opportunities for wellness market offerings to the providers.

The classification of consumers along the wellness pyramid depends on the following:

1. How much is the consumer likely to spend on wellness services, both in terms of ability to spend and willingness to spend?
2. What is the extent of consumption of wellness products and services, in terms of frequency of usage and extent of usage?
3. What is the degree of exposure to health and wellness concepts? What are their information sources on health and wellness?
4. How receptive is the consumer towards wellness messages and concepts? Is there a willingness to change consumption patterns for health benefits?

As one moves up the hierarchy in the pyramid, there is an increasing order of importance given to wellness by consumer.

Companies in the Health and wellness space target each of the consumer categories distinctly with their wellness market offerings. The profile of the wellness consumer is as follows.

**Believers:**
- Urban adults (25-49) and working professionals constitute the core of this segment
- Play the role of early adopters and opinion leaders
- High awareness regarding wellness and global trends in health and wellness
- Seek solutions beyond general wellbeing, and are receptive to products and services with distinct functional benefits
Actives:

✓ Greater proportion of urban consumers and adult (25+) population
✓ Closely follow health and wellness related information, and typically show more brand loyalty
✓ Inclined towards natural and organic solutions; affinity towards traditional products connected with modern sensibilities
✓ Willing to pay a premium for high quality products and credible claims of benefits

Beginners:

✓ Differing behaviour across age segments; younger beginners more willing to experiment
✓ Influenced by celebrity endorsements, mass-media campaigns and peers; beginners expect quick results, instant gratification over long-term beneficial solutions
✓ First steps towards preventive care by focusing on 'what to avoid'; improvement of personal appearance is key motivator

Passives:

✓ Purchase decisions led by taste, ingrained habits, convenience and affordability; unwilling to make significant lifestyle changes or compromise on taste and convenience
✓ Do not actively follow information on health and wellness, unless required to due an existing ailment or medical condition
✓ Large section of passives characterised by lower levels of affordability
The Wellness Network in India.

The wellness industry in India has evolved rapidly from its nascent unorganised beginning in the early 90s to a comprehensive network today including consumers, providers, adjacent industries, facilitators and Government.

Characteristics of the stakeholders and key growth drivers of the wellness market/network are as follows.

**Consumers** mainly comprise of young population with rising income levels. Increasing need to look good and feel good has led these young consumers to seek wellness solutions to meet lifestyle challenges.

- Indian youth (in the age group 15 to 34 years) is the core target group, comprising over 34% of the total population.
  - This is expected to cross over 400mn by 2016 and forms the core target group for wellness products and services.
- India’s growing middle-class is fuelling demand for wellness products.
- Increase in discretionary spends is positive for the industry.
  - Rising incomes are resulting in increasing discretionary expenditures.
  - Aspirational products and services are finding many takers.
- Growing urbanisation is resulting in higher awareness levels.
  - The urban population constituted 28% of total population in 2001, this is estimated to increase to 37% in 2025.
b. Increasing urbanisation has the dual impact of higher availability and awareness of wellness products as well as higher incidence of stress-related disorders and lifestyle diseases.

c. This is driving growth in products and services in the enhancement and curative segments.

✓ Peer pressure is driving growth in the wellness space.

a. Improved health awareness, exposure to global beauty and fashion trends and increasing media penetration are driving growth in the wellness space. The need to look and feel good is gaining momentum, especially among the middle-class.

b. Society’s obsession with celebrities and celebrity culture is resulting in the added pressure to look good

✓ Growing number of lifestyle diseases makes wellness relevant today.

a. Growing incomes and a faster pace of life, increased sedentary living, high work stress, rising pollution levels and consumption of unhealthy fast food are factors leading to a rise in lifestyle disorders.

b. Consumers are increasingly looking at various wellness options in their pursuit of a healthy life.

Providers offer wellness services and products to meet the hygiene, curative and enhancement needs of the consumer.

✓ Wellness services bouquet accounts for 40% of the total wellness market in India.

✓ Segments such as beauty care and fitness products and centers are witnessing the highest growth.

✓ The beauty care market comprises of cosmetic products, salons and cosmetic treatment centres.

o In the cosmetic products space, hair and skincare products dominate the market. Key players include Hindustan Unilever Ltd, Procter & Gamble, Dabur and L’Oreal. There has been a discernible shift of demand from regular skincare products to specialised products like dark circle removing creams, anti-ageing creams, etc. Semi-urban and rural markets are expected to drive future growth.

o In the salons space, explosive growth has been driven by the organised salon segment. Key players include Lakme, VLCC, Shahnaz Hussain, Jawed Habib and Naturals, among others. While there is an increasing shift from basic salon services to advanced services, basic salon services continue to remain a steady footfall generator. Beauty services no longer continue to be a female bastion. Players are increasingly focusing on setting up unisex salons.
In the cosmetic treatment space, enhancement through cosmetic surgery is gaining acceptance. It is a highly fragmented industry. Large players in the non-invasive segment include Kaya and VLCC. Hospitals and standalone clinics largely cater to the invasive segment. The segment continues to be driven largely by urban markets, though inroads have been made into Tier 2 and Tier 3 cities.

- The fitness products and centers market comprises of Fitness equipment, Slimming products, Fitness centre's and Slimming centres.

- The slimming products space includes meal-replacement slimming products and weight-loss supplements. The former being more popular. The key players include Himalaya, Dabur and Herbalife. The Increasing availability via the organised retail channel is a key growth driver for the segment.

- The slimming services market is a fast-growing segment and is dominated with only few pan-India players, such as VLCC and Vibes. Most players are regional, catering only to select local markets. VLCC is the largest player in slimming services in India.

- In the fitness equipment market, the institutional segment contributes to the bulk of current demand. However, future demand is expected to be driven by the home segment. The high-priced segment is dominated by international brands sold through Indian distributors. Leading distributors include Cardio Fitness, Cardiomed and Proline Fitness. Indian manufacturers cater primarily to the low-priced segment.

- The fitness services market is largely under-penetrated market with less than five per cent penetration of the urban population. Organised players focus on below-the-line marketing (events, seminars, workshops, etc.) to increase awareness about fitness among consumers. Key players include Talwalkars, Gold's Gym, Fitness One and Snap Fitness.

- The nutraceutical segment comprises of Health & Wellness Food and Beverages, Dietary supplements.

- Health and wellness food and beverages includes three sub-segments:
  - Fortified foods and beverages (FFB)
  - Naturally healthy (NH) products
  - Better for you (BFY) products

- FFB constitutes the largest slice of the market while BFY is the fastest growing sub-segment.

- Increasing penetration of organised retail, growth of packaged foods and improving availability of products that are palatable to Indian taste are driving growth.
Players are positioning themselves on the combined platform of health and taste. For instance, the entire portfolio of Britannia is trans-fat free, and over 55% is fortified. PepsiCo aims to reduce sugar content by 25% and saturated fat content by 15% in its products by 2020.

The spa and wellness centers segment is in the nascent stage but growing rapidly.

- The industry is highly fragmented with no clear industry leader and there is an opportunity for new players to create value in this segment

The alternate therapy segment is larger and more established market in India.

- Consumer preferences for alternative therapies in India are driven by its deep penetration, affordability and traditional mindset.
- The services space is highly fragmented with few established organized players.
- The products space is relatively more organised. Key players include Kottakal Arya Vaidyashala, Arya Vaidya Pharmacy, Dr Batra’s, Dabur and Himalaya, among others.
- Monitoring quality, safety and efficacy of herbal products is a challenge. While there is ample opportunity in both domestic and export markets, gaps exist in ensuring the quality of raw material, substantiating the efficacy of products and having a sustainable process for the procurement of herbs

Adjacent industries such as healthcare, hospitality, education, media, retail and gaming are capitalizing on the growth of the wellness sector to generate additional revenue streams, leverage existing competencies and offer a wider array of services/products to customers

Healthcare: There is transition of hospitals from pure play healthcare provider to a holistic wellness care provider. Emergence of hospitals providing the entire spectrum of services including preventive check-ups, curative care, surgeries and wellness services. Apollo Life, an initiative by Apollo Group, addresses issues of health promotion, disease prevention and health maintenance through corporate and school wellness programmes, health magazines and wellness centres. Manipal Cure and Care, a wellness chain set up by the Manipal Group of Hospitals, offers preventive care (health check-ups and diagnostic services), beauty services (cosmetic dentistry and dermatology) and wellness services (stress management, weight management, etc.).

Hospitality: Many five-star hotel chains have branded spas across their properties. For e.g., Taj Jiva, Leela Four Spas, The Park Aura. For city-based hotels, spas contribute around four to six per cent to the topline while at resorts the figure can go up to eight to 10%. Several players are also setting up salons and fitness clubs within their premises to target in-house guests as well as outside consumers.
Education and training: Recognising the demand for trained professionals in the booming wellness industry, players are using their in-house capabilities to provide training to outside participants as well. VLCC has set up a chain of the VLCC Institutes of Beauty and Nutrition which offers specialised courses in beauty, hair, make-up, spa therapies and nutrition. Gold’s Gym has launched a fitness management institute, Gold’s Gym University (GGU) that offers certified courses in fitness management.

Media: Increased consumer demand for health and wellness related information is driving specialised media content. NDTV Goodtimes is a dedicated channel for wellness and lifestyle. TLC India (Discovery Networks) focusses on lifestyle programmes, covering topics such as fitness and health. The Times of India has launched an online portal, Times Wellness. B Positive is a health and lifestyle magazine published by Apollo Life.

Retail: Increasing number of corporate retail players and hospitals are setting up wellness retail chains. Major wellness retail chains include Reliance Wellness, Dabur’s New U, Health and Glow, Yash Birla’s Rebirth and Religare Wellness, among others.

Gaming & Technology: Through gaming consoles (such as Nintendo Wii, PlayStation Move and Xbox Kinect) that use motion control and user movements as inputs, video games are transitioning from a device that encourages passivity to a platform to boost physical activity. Technology innovations have contributed to a growing number of applications (‘apps’) and devices that can be used for monitoring physical activity, diet, health indicators and even sleep patterns.

Facilitators include employers, insurance companies and schools, who are likely to play a key role in encouraging and inculcating pro-wellness habits among consumers going forward. Employers, too, have started providing a supportive environment to promote wellness as a part of their employee’s lifestyle.

Insurance companies plays a significant role in influencing wellness. In the USA, for instance, the benefits of being healthy are transferred to policyholders in terms of discounts on premiums. E.g., Phoenix Cos. Inc. offers discounts up to 20% on life insurance policies to customers with a Body Mass Index (BMI) between 19 and 25. Health insurance in India is taking the first step towards moving away from a traditional indemnity-based product to a benefit-driven plan that incentivises people to lead a healthier lifestyle. The challenge to launching such products in India is that the healthcare and wellness sectors need to have appropriate standards and regulations in place before insurance can significantly influence the wellness industry.

Schools in India is facing a ‘double jeopardy’, with obesity emerging as a serious health concern on the one hand and undernutrition, on the other. A 2009 N-DOC study covered 20,000 schoolchildren in six cities across India and found 25.3% overweight and 8.6% obese. School wellness programmes can effectively raise students’ awareness of their lifestyle choices. Developed countries like the USA and UK have several school wellness programmes to fight the...
problem of obesity amongst children. A similar movement is bearing shape in India, though at a nascent stage. Apollo Life National School Wellness Programme. SHARP (School Health Annual Report Programme) nutritional counselling programme. Sports and fitness programmes by Leapstart.

- Companies are affected by reduced productivity due to absenteeism caused by chronic diseases amongst staff. This can be prevented through a combination of healthy eating, physical activity and measures to improve personal wellbeing. The workplace is an important location for prevention strategies because employees today spend an increasing amount of time at work and employers can influence behaviour by providing a supportive environment. A regular employee health assessment, paid for by employers, can greatly inform individuals and the employer about health risks.

- Wellness programmes benefit both employees and employers. Employee benefits include Cuts in healthcare costs, Improves motivation and morale. A World Heart Federation survey shows that nine out of ten Indian employees believe that employers are responsible for creating a healthy work environment. Employer benefits through Improved performance and productivity and reduction in loss due to illness and absenteeism. It also improves image when seen as more socially responsible

- The Government wears multiple hats in its roles as a provider, facilitator, enabler and regulator in the industry. Recognizing the importance of this industry, the Government has already initiated some measures to stimulate growth.

The Wellness industry in India:

The overall wellness market in India has grown with a compounded average growth rate of ~18.0% over the last 3 years and is estimated to surpass INR 1.0 trillion by 2016. India with its rich history in the field of ayurveda, yoga and meditation, wellness simply is a natural extension of the preventive approach. The wellness industry in India has evolved continuously, from being an unorganized market in the nascent stage during the early 90s to a more organized industry today, catering to the holistic wellness experience for the consumer. Some of the significant industry and consumer trends in the dynamic landscape of the wellness industry include:

Industry trends:

- The growing wellness industry has attracted a large number of domestic entrants and international players.

- Established players are pursuing revenue maximisation through product and service diversification and are exploring new global and domestic markets. Franchising is emerging as a popular option for scaling up.

- There exists an opportunity for micro-segmentation to develop more targeted value propositions for consumers and commercialization of traditional Indian home remedies.
Companies have implemented multi-brand strategy in order to target distinct customer segments, penetrate deeper into existing markets, and simultaneously diversify into newer markets.

- Wellness players are increasingly focusing on Tier 2 and 3 markets. However, these markets require significant investment and a long-term focus.

- Companies are actively seeking public and private equity investments to fuel their growth.

- Wellness brands in India have invested significant amounts in advertising and promotion expenditure over the years. Many wellness segments are extending beyond traditional gender boundaries. Society’s fascination with celebrities is increasing the involvement of celebrities in the wellness industry.

- While there is strong optimism about future growth prospects, recovery of investments may spread over a longer horizon than anticipated.

- Today, domestic and international tourists flock to the southwestern region of Kerala for specialized Ayurvedic treatments. Interestingly, yoga remains relatively uncommercialized in India, as compared to other popular yoga destinations such as Hong Kong, Shanghai, Tokyo, and Singapore, which have seen new studios open in abundance.

- The Indian government has assumed a supportive role in the health and wellness movement by promoting the domestic sale of health and wellness food and approving the Participatory Guarantee System (PGS) for Organic Farming, which has resulted in a flood of organic products now available in the country.

**Consumer Trends:**

- Increasingly larger number of Indian consumers taking into account health considerations as a part of their purchasing decisions. While health and wellness has transitioned from being a platform targeting a select few to a mainstream concept today, price considerations still continue to determine the choice of products and services for most consumers.

- Preventive care gaining more prominence over curative approach to disease management due factors like Increasing cost of medical care, Rising incidence of lifestyle diseases such as diabetes and cardiovascular diseases at a young age.

- Consumers are increasingly placing a high premium on their time; hence, wellness players have started bundling convenience along with health and beauty benefits.

- Traditional products and services continue to appeal to the Indian consumer, but these now need to meet modern sensibilities.
Brands are becoming increasingly relevant for Indian consumers and players will have to invest in communicating their proposition, to stay active in the minds of the users.

Online channels are becoming increasingly relevant as a channel of interaction with consumers.

**Challenges & Recommendations:**

Wellness as an industry is flourishing a big way in the country, but with success come challenges and this industry is no exception to it. Today wellness industry is facing few of the key challenges in regards to the skilled and talented manpower. Also low entry barriers have made this sector largely unorganized, with dilution in the quality of services offered to the customers. Few of the key challenges along with the recommendations for the government as well as private players are discussed below.

**Key Challenges**

- **Skilled Manpower:**

  With technology advancement, comes requirement for skilled and talented manpower. In the service industry especially in the field of healthcare & wellness, there is no replacement of human touch. When we talk about beauty salons, spas’ and alternative therapies the requirement of a skilled manpower has always being a scarcity.

  The rate at which this industry is growing, very soon it will be touching the magical figure of INR 1 trillion & with that comes the requirement of approximately one million additional skilled personnel over the next ten years. However, their availability is a concern. Effective monitoring of the industry is a challenge and initial attempts at quality accreditation have not been effective.

  Recruitment & retention of the skilled & talented manpower is posing a big challenge to the industry, lack of a universally accepted accreditation or standard of education affects the quality of training imparted in local academies. Few players offer reliable education with adequate practical training. While consumers grapple with unreliable quality of service and even risk injury due to untrained personnel, this talent crunch impacts scalability plans of organised players and presents a huge challenge in employee retention.

  Absence of an accreditation body for recognising wellness courses restricts the development of good quality training institutes. This also deters prospective students from considering such courses as a viable career alternative. Most freshers are given inhouse training, wherein the starting salaries are very low and with “experience” they are pulled by competitors offering a better pay package. Since they are young and fragile they get attracted towards the money without looking at the credibility of the salon that they are joining. There is a clear need to motivate private players to participate in wellness education and training. Lack of sufficient incentives has limited the number of participants in this space.
As the industry is projected to generate various opportunities for the economy, so as to maintain a healthy growth rate, there is a need to make the industry more stable. This can be sustained by adequate infrastructure for certified courses, training programs & skill development along with consistency in quality of products and services.

✓ **Largely Un-organized sector:**

Due to the low-entry barriers, this industry had largely remained unorganized, creating a pricing pressure on the prevalent organized players in the domain. Also due to the misconduct of some of the unscrupulous players, a negative impact on the overall image of the industry is perceptible.

It is becoming difficult for a customer to differentiate between a good service provider and a mediocre player. The expensive trials mixed up with wrong selling and experimentation behavior of these unscrupulous players leads to a head lessons for the customers. Also, lack of substantiated evidence and overstated claims lead customers to doubt the veracity of wellness products and services, contributing to consumer skepticism.

At the first place there are very few licensed personnel available in the industry and above that the checks enforcing usage of licensed staff is negligible. The humungous size of the largely unorganized player in the industry, coupled with a range of product segmentation and customary services have made monitoring of the industry a complex and costly exercise.

India has always been considered a dynamic entrepreneurial pool with the traditional business acumen that is inherited across the Indian pedigree. There is clearly conspicuous attractiveness in the Indian market conditions at present. Prevailing franchising wave bring with itself a lot of excitement as well as innovation in terms of the way business is done in the country.

However, One of the biggest challenges for healthcare & wellness franchisors is the nascent level of franchising activity in the sector and hence inexperience with the franchised behavior of the business. Wellness is a sensitive category as consumers invest their trust into the brand to protect and preserve their lives. Dilution in terms of quality of service causes incorrigible loss to the image of the healthcare brand. There is strong need to standardize and benchmark best practices to be ensured by quality audits. This is robust task as benchmarking must be done across the franchise units as well as industry.

Disparity in ambience, differing service levels and experience across outlets confuses the consumer. While industry players are rapidly scaling up operations, this is often unstructured. Hence players are unable to operationalise their brand promise effectively.

✓ **Accreditations & Ever Increasing Costs**

National Accreditation Board for Hospitals & Healthcare Providers (NABH) which is a constituent board of Quality Council of India (QCI) has been providing Accreditation to Ayurveda Hospitals & Wellness centre which includes Spas, Ayurveda Centres, Yoga & Naturopathy Centres, Fitness Centres, Skin Care Centres etc.
Under the Scheme, "Mark of Excellence" would be provided to the accredited wellness centres distinguishing them from other non accredited entities, aimed at providing confidence to the international tourists and local tourists that the centres are providing services as per global standards and by credentialed staff (qualified and trained) and rights of customers are protected where the emphasis is on infection control practices and environment safety aspects.

Currently the acceptance and penetration of QCI-NABH guidelines in wellness space is low as the industry participants seem to be unaware of quality guidelines. Even among those who are aware, an oft-cited reason for not getting accredited is that the guidelines are not customised to meet requirements of the specific industry category. Customers are yet to appreciate the distinction between accredited and non-accredited centre. This hampers the motivation of players to invest in getting them accredited.

✓ Managing increasing costs

The main component in a service industry is the input costs such as property rentals, manpower, consumables, equipments etc. In the overall variable cost structure rent, salary & consumable constitute about 50 to 60% of revenues for wellness service providers.

Wide fluctuations and increase in raw material prices has resulted in increased consumable cost. Also inflation has resulted in increase in rental costs, especially in metros and Tier 1 cities. Other input costs have also risen considerably over the last few years impacting profitability and delivery standards of industry players.

Cost Structure for service players % of revenue
To meet up with these challenges, few players in the market have adopted the approach lower cost structures, doing some kind of backward integration, wherein bigger players, who are running on franchise model, can reduce cost on account of economies of scale for the consumables and rentals. Still, in a bid to manage costs, some players have started using sub-standard products and poor quality equipment endangering the health and safety of consumers.

**Key Recommendations**

To address these challenges, there are individual initiatives outlined for the government as well as private participants. They share a common agenda in developing education infrastructure and improving quality standards in the industry.

**Recommendations for the Private Participants**

- **Manpower**
  - Thorough PPP model, to build education infrastructure, wherein private players can provide expertise in terms of pedagogy, faculty & practical trainings
  - To fix minimum salaries for different levels of training with standard pay scale for skilled manpower
  - To work with govt to formulate guidelines on education & training institutes

- **Increasing Costs**
  - To adopt revenue sharing models in lieu of fixed rentals
  - Outsourcing non-critical operations, loyalty, reward & consumer referral schemes etc

- **Malpractices (Unorganized sector)**
  - To create strong industry lobby to liaison with govt for better monitoring & compliance within the industry
  - To develop & introduce rating mechanism as an assurance of quality to consumers as used in the hospitality & electrical manufacturer industry.

- **Quality Accreditation**
  - To conduct dialogues with govt agencies for amendments and modifications of accreditation guidelines that can conform with industry requirements
  - Create awareness among customers regarding accreditation and its advantages by way of campaigns & events.

- **Ensuring consistent experience across touch points**
  - To implement procedures for regular internal audits & centralized training system for quality & standardization in staff & broades
  - To create positive buzz among customers by using low-cost ways like social media etc.

**Recommendations for the Government**

- **Manpower**
  - Govt & Pvt to work closely to develop suitable infrastructure for education & training
  - Public Private Partnership wherein wellness industry could be brought under ambit of National Skills Development Corp (NSDC)
  - Autonomous institutions to be set up under UGC

- **Increasing Costs**
  - To reduce custom duty on import of capital equipment by the wellness industry
  - Reduce service tax on select services, in line with healthcare services

- **Malpractices (Unorganized sector)**
  - Only certified & licensed personnel to be employed for specific services areas
  - Proper quality norms to be defined to bring standardization and uniformity within the industry

- **Quality Accreditation**
  - To modify QCI-NABH guidelines in line with each segment of the wellness industry
  - Regular awareness campaigns & events to be organized regarding accreditation norms
  - Consumers awareness programs in the form of road shows & media channels to advertise benefits of accredited & non-accredited centres.
**India Opportunity**

AYUSH – A common Hindu given name, derived from Sanskrit, meaning "Long-life"

AYUSH is an acronym that refers to a system of Hindu traditional medicine & practices of Vedic tradition. This includes various alternative medicine systems & practices like Ayurveda, Yoga and Naturopathy, Unani, Siddha and Homoeopathy. AYUSH systems of medicine and its practices are well accepted by the community, particularly, in rural areas. The medicines are easily available and prepared from locally available resources, economical and comparatively safe.

The Department of Ayurveda, Yoga and Naturopathy, Unani, Siddha and Homoeopathy, abbreviated as AYUSH, is a governmental body in India purposed with developing education and research in ayurveda (Indian traditional medicine), yoga, naturopathy, unani, siddha, and homoeopathy, and other alternative medicine systems.

Created in March 1995 as the Department of Indian Systems of Medicine and Homoeopathy (ISM&H), later renamed as AYUSH received its current name in March 2003. It operates under the Ministry of Health and Family Welfare. It aims to provide healthcare, research and education in the fields of Yoga & Naturopathy, Ayurveda, Unani, Homoeopathy and Siddha systems. The AYUSH systems are traditional yet time-tested methods evolved to undertake disorders arising from modern day lifestyle regimes, which are posing as a major health threat.

**Key objectives:**

- Co-locate and upgrade AYUSH facilities at the district and sub-district levels
- To improve the quality of Education
- Research in AYUSH
- Quality assurance of AYUSH drugs
- Conservation and cultivation of medicinal plants
- Promotion and propagation of AYUSH systems
- To protect traditional knowledge from biopiracy and misappropriation

**Current Industry Size**

Herbal medicines have recently being a more preferred treatment procedure and this has led to an increase in such manufacturing units. The current requirement for herbal raw material is enormous. AYUSH as an industry is estimated to have a turnover of over INR 90-100 billion. The domestic market of Indian systems of medicine & Homoeopathy (ISM&H) is of the order of INR 40 billion with a total consumption of all botanicals to a figure of 177000 MT, which is expanding day by day. The total
annual turnover of the Ayurvedic drug manufacturing industry is estimated to be around INR 35-40 billion. Besides this, there is also a growing demand for natural products including items of medicinal value/pharmaceuticals, food supplements and cosmetics in both domestic and international markets. India with its diversified biodiversity has a tremendous potential and advantage in this emerging area.

**Manufacturing units**

There is a complex of large number of manufacturing units using herbal material for various purposes. Whereas the largest number of such manufacturing units are registered as ‘pharmaceuticals’, there are others that are engaged in making plant based cosmetics and food supplements. Even within the pharmaceutical units, there are manufacturers of Ayurveda, Siddha, Unani and Homeopathic formulations (Figure 1) with a few even making western medicines. Another group of manufacturing units is engaged in making extracts and distilling oils for use by other industries and for exports. Raw materials for all these diverse industries are largely derived from wild sources.

**Proportion of manufacturing units of different systems**

![Pie chart showing proportion of manufacturing units]

- Ayurveda: 87%
- Homeopathy: 4%
- Siddha: 4%
- Unani: 5%

Source: Dept of Ayush (data as on 01/04/10)

Majority of them are small scale units having an annual turnover of less than a crore. Some of the well known industrial houses with annual turnover of more than 50 Crores are Dabur, Zandu, Himalaya, Shree Baidyanath, Arya Vaidya Shala etc. Though the number of manufacturing units with higher turnover is less, still they are the ones which consume about 35 % of the total raw material used.

**Indian Nutraceuticals Industry**

Nutraceuticals are dietary supplements which are generally used to fill nutritional deficiencies in food and to prevent diseases. Nutraceuticals market is divided into two segments: functional foods & beverages (Diabetic Management Foods, Cholesterol Management Foods, Cognitive Health Foods, and Digestive Health Foods) and Dietary supplements. Out of these functional food has the maximum share while functional beverage has the lowest.
Further, there are about 19 categories in the Nutraceuticals, comprising mineral supplements, multivitamins, protein supplements, antioxidants, tonics, anti-osteoporosis preparations, liver numbers represent % share.

**Current Market overview**

The global nutraceuticals market is around USD 124 Bn and is expected to reach USD 225Bn by the end of 2020. The global market is made of aggregate sales of food, beverage and supplements fortified with bioactive ingredients, including fibre, protein and peptides, omega, vitamins and minerals among others.

India’s market share is less than 1% global market (approx USD 1 Bn) including the un-organized sector and is expected to touch $8 billion by 2020, growing at a CAGR of 18% per annum.

<table>
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<tr>
<th>Sr. No.</th>
<th>Type of Products</th>
<th>Leading Brands(Companies)</th>
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<tbody>
<tr>
<td>1</td>
<td>Food Products &amp; Supplements (Vitamins, minerals, Antioxidants etc)</td>
<td>Becosule (Pfizer), A to Z (Alkem), Beplex (Anglo French), Reconia (Ranbaxy), Sugar Free (Zydus Cadila), Revital (Ranbaxy)</td>
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<tr>
<td>2</td>
<td>Malted Beverages</td>
<td>Complan (Heinz), Bournvita (Cadbury), Boost &amp; Horlicks (GSK)</td>
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<tr>
<td>3</td>
<td>Sports Products</td>
<td>Glucon-D (Heinz), Glucose D (Dabur)</td>
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<td>4</td>
<td>Protein Powder</td>
<td>Protinex (Dumex), GRD (Zydus), B.Protein (British Biologicals)</td>
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<tr>
<td>5</td>
<td>Pediatric Nutrition</td>
<td>(Nestle), Lactodex (Reptakos), Dexaloc (Wockhardt), Pediasure (Abbott) Lactogen</td>
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<tr>
<td>6</td>
<td>Fruit Based Products</td>
<td>Real (Dabur), Tropicana(Pepsi Foods Ltd.)</td>
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<td>7</td>
<td>Clinical Products(ORS)</td>
<td>Revital (Ranbaxy), Electral (FDC)</td>
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Presently, there are ~150 players in India such as Abbott India Ltd, Pfizer Ltd, Ranbaxy Laboratories Ltd, Wockhardt Ltd, Nicholas Piramal India Ltd, GSK Consumer Healthcare Ltd etc; however there are few pure-play Indian nutraceuticals manufacturers.

Some of the major domestic nutraceutical brands include Pediasure, Chyawanprash, Shelcal, Horlicks, Boost, Maltova, Viva, Complan, Himalaya range of products, Revital, Sugar Free Natura, Sugar Free Gold and Nutrilite etc.

Domestic market is largely fragmented and is dominated primarily by pharmaceuticals and FMCG companies, with very few pure nutraceutical companies. However, the FMCG dominated segments are relatively less fragmented as compared to the pharma-dominated segments. FMCG dominated segments include sports drinks, nutrition fortified foods, energy drinks, fortified juices and probiotic foods. The leading players include FMCG majors such as Dabur, Nestle, Amul, Pepsico and pure nutraceutical players such as Amway.

Pharma-dominated segments include macronutrients, extracts, tonics and supplements, mineral supplements, vitamin supplements and antioxidants. The leading players include pharmaceutical companies such as GlaxoSmithKline Consumer Healthcare (GSKCH), Emami, Ranbaxy and Elder Pharmaceuticals etc.

**Drivers and Challenges**

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<th>Drivers</th>
<th>Challenges</th>
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<tr>
<td>Increasing shift towards preventive therapies, immunity-developing</td>
<td>Lack of standardization: Companies are unable to avail of any subsidies</td>
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<tr>
<td>supplements and wellness-related products offers growth opportunity</td>
<td>in the manufacture of such products.</td>
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<td>to industry players.</td>
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<tr>
<td>Increase in disposable income and increasing lifestyles diseases due to</td>
<td>High pricing: In the absence of clear regulatory guidelines, nutraceuticals</td>
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<td>irregular eating patterns and long work hours etc.</td>
<td>are either categorized as foods or drugs. Thus quality and price control of</td>
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<td>such products become a major issue.</td>
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<td>Increasing health consciousness and increase in healthcare spending</td>
<td>Lack of awareness about the health benefits of nutraceuticals especially</td>
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<td>in rural and semi-urban population</td>
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<td>Ageing population with increase in life expectancy</td>
<td>Marketing and distribution challenges due to unorganized and fragmented</td>
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<td>Pharma retail growth: Thus offers potential for increase product</td>
<td>Low availability and high cost on account of high duty and taxes. Thus a</td>
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<td>offerings and market penetration</td>
<td>nutraceutical capsule currently costs around Rs.80-120, but prices can</td>
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<td>be reduced by 30-40 percent with economics of scale and if the taxes and</td>
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<td>duties are reasonable.</td>
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Indian nutraceutical industry is currently at a very nascent stage and has great potential for growth; expected to be more than double in the next 4-5 years at over USD 5Bn fuelled mainly because of the favourable demographics and increasing awareness about nutritional supplements.

Further, growth is also likely in the herbal extracts segment, wherein, products like green tea as well as garlic and soy proteins show immense potential. Besides, the demand for functional beverages and additives like pre and pro-biotics, dietary fibers, protein hydrolysates, COQ10, Omega 3 fatty acids and anti-oxidants among others, may also increase. Further opportunities exist in sportaceuticals, oleoceuticals and cosmeceuticals, which are branches of nutraceuticals that comprise of beauty, vitality, and personal care segments that are based on natural products.
Bibliography

We would like to thank some of the illustrious bodies with the help of whose publications we have been able to compile this report:

- The Planning Commission, Government of India
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- The World Health Organization
- Centre for Enquiry into Health and Allied Themes
- Centre for Studies in Ethics and Rights, India
- CRISIL Research
- Department of AYUSH
- NABH, NSDA, ASCI websites
- International Institute for Population Sciences
- Yes Bank’s report on “Healthcare Services in India”
- Euromonitor
- Datamonitor
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- PWC Reports

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- The Economic Times
- The Medical Travel Journal
- eHealth
- The Wall Street Journal
- The Economist
- Outlook Business Magazine
- Pitch Magazine
- Hindustan Times
About YES BANK LIMITED

YES BANK, India’s fourth largest private sector Bank, is the outcome of the professional & entrepreneurial commitment, vision & strategy of its Founder Rana Kapoor and his top management team, to establish a high quality, customer centric, service driven, private Indian Bank catering to the Future Businesses of India.

YES BANK has adopted international best practices, the highest standards of service quality and operational excellence, and offers comprehensive banking and financial solutions to all its valued customers. YES BANK has a knowledge driven approach to banking, and a superior customer experience for its retail, corporate and emerging corporate banking clients. YES BANK is steadily evolving its organizational character as the Professionals’ Bank of India with the uncompromising Vision of “Building the Best Quality Bank of the World in India by 2020!”