Grant Thornton

ASSOCIATION OF HEALTHCARE PROVIDERS INDIA

Vitals for growth

Decoding healthcare financing and funding in India





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Building a healthier India: A message from AHPI

"A robust healthcare system is the backbone of any thriving nation. To ensure universal health access, we must reimagine healthcare financing, enabling hospitals to grow, innovate, and deliver world-class services to every citizen."



Dr. Girdhar Gyani

Director General, AHPI

India's healthcare sector has consistently demonstrated resilience and adaptability. Hospitals, as the cornerstone of care delivery, are uniquely positioned to lead this transformation. Investments in technology, regional expansion, and workforce development are equipping hospitals to meet the growing demand for specialised and high-quality care.

The following key indicators highlight the tremendous strides being made in the domain:

- The healthcare industry expanded rapidly, driven by investments in digital health, infrastructure expansion, and affordable care solutions.
- Programs like PMJAY have provided insurance coverage to over 500 million people, creating the demand for hospital services and ensuring financial protection for millions.
- Telemedicine platforms, such as e-Sanjeevini, have facilitated over 300 million consultations, bringing specialised care to remote and underserved areas.

However, achieving universal healthcare access requires addressing persistent challenges like the 2.4 million hospital bed deficit and limited infrastructure in Tier 2 and Tier 3 cities, where 70% of India's population resides. These gaps represent opportunities to innovate, scale, and collaborate.

At the Association of Healthcare Providers India (AHPI), we are committed to empowering hospitals and fostering partnerships that drive sustainable growth. By advocating for public-private collaboration, promoting scalable care models, and enabling access to financing solutions, we aim to create a resilient, inclusive healthcare ecosystem that serves every citizen.

This report, developed in collaboration with Grant Thornton Bharat, provides a roadmap to unlocking these opportunities. It offers actionable strategies for financing hospital growth, embracing innovation, and addressing critical access and care delivery gaps.

Together, we can shape a future where everyone has access to world-class healthcare, ensuring a healthier, more equitable India.

Foreword by Grant Thornton Bharat



Bhanu Prakash Kalmath S J

Partner and Healthcare Industry Leader,
Grant Thornton Bharat

Healing the financial pulse

The demand for healthcare in India is undergoing a seismic shift, driven by a combination of demographic and lifestyle changes. An aging population, rising incidence of chronic diseases, and a growing awareness of preventive care create unprecedented opportunities for healthcare providers. These changes, coupled with increasing insurance penetration and post-pandemic resilience, are reshaping patient expectations and the overall healthcare delivery model.

The sector's socio-economic importance is evident—it has emerged as one of the largest employers in India. Additionally, India's healthcare system benefits from a cost advantage, offering treatments at 20–25% of costs in developed countries, strengthening its position as a global hub for affordable and high-quality care. Medical tourism is projected to reach USD 13.42 billion by 2026, further underlining the sector's strong growth prospects.

The investment landscape mirrors this optimism. As per Grant Thornton Bharat annual deal tracker, between 2022 and 2024, healthcare and pharma recorded 594 mergers and acquisitions (M&A) and private equity (PE) transactions, with over USD 30 billion in deal values[4]. Hospitals accounted for nearly 40% of the total deal value, underscoring the focus on infrastructure expansion and operational efficiency.

In 2024, the hospital segment dominated deal values with a 44% share, totaling approximately USD 6 billion out of the overall healthcare and pharma sector deals—a robust year-on-year growth of nearly 24%. Notably, the year's largest M&A transaction—a USD 5 billion merger between Aster DM Healthcare and Quality Care—highlighted a strong trend of consolidation, supported by several other significant deals.

Key growth areas in healthcare

- Multispecialty hospitals, known for offering a comprehensive range of services under one roof, continue to lead in healthcare delivery. Recent consolidations in this segment have been driven by the pursuit of operational efficiencies and regional expansion, making them a key area of interest for investors.
- Single-specialty hospitals: With USD 1.4 billion in private equity investments over two years, these asset-light facilities demonstrate strong operational efficiency and scalability. Focus areas like IVF, oncology, and nephrology are gaining prominence.
- Technology adoption: Digital health tools, AI diagnostics, and robotic surgeries are reshaping care delivery, enhancing patient outcomes, and improving cost efficiency.
- Underserved markets: Expanding into Tier 2 and Tier 3 cities offers significant growth opportunities, supported by public-private partnerships (PPPs) and favourable government policies like 100% foreign direct investment (FDI) under the automatic route.

As the healthcare sector evolves, clinical excellence must remain its cornerstone. Delivering high-quality patient care, supported by innovation and operational efficiency, is essential to building trust and sustaining value. India's healthcare sector, backed by strong fundamentals and a supportive investment climate, continues attracting domestic and international investors. Achieving clinical excellence alongside operational optimisation—through metrics such as EBITDA margins, patient volumes, and cost management—will be critical for hospitals. Expanding into underserved regions and investing in specialised services will be pivotal in bridging healthcare gaps and driving equitable access.

We, at Grant Thornton Bharat, are pleased to present this report, "Vitals for Growth: Decoding Healthcare Financing and Funding in India", in collaboration with AHPI. Hospitals and healthcare investments are critical pillars of not just the healthcare system but also economic progress in India. As the nation moves forward on its transformation journey, Grant Thornton Bharat expresses gratitude to all stakeholders—hospital leaders, policymakers, investors, and healthcare professionals—whose vision and efforts continue to drive the sector forward.

We hope you find this report insightful and valuable as you navigate the evolving healthcare financing landscape. Together, let us #GoBeyond and work toward shaping a #VibrantBharat, #HealthyIndia.

Executive summary



Darshana Kadakia

Partner,
Grant Thornton Bharat



Abhay Anand

Partner and Medical Devices Industry Leader, Grant Thornton Bharat

The heartbeat of change

India's healthcare sector is on the brink of transformative growth, driven by rising demand for quality care, innovative financing mechanisms, and increasing investments from both domestic and international players. At the heart of this transformation, hospitals remain a dominant force in healthcare delivery, attracting significant investments due to their robust operational metrics, scalability, and ability to address critical healthcare needs.

Hospitals continue to command premium valuations, reflecting their strong growth prospects. Valuation multiples, ranging between 20× and 30× EBITDA, underscore their appeal, particularly in high-demand specialties such as oncology, cardiology, and mother-and-child care. While other healthcare sub-segments like diagnostics and healthtech command moderate but growing interest, hospitals remain the primary focus of healthcare investment activity.

Key themes explored in the report

- Investment insights: The report delves into recent trends in M&A, private equity, and initial public offering (IPO) activity, with hospitals leading in deal value. Strategic consolidations among multispecialty chains are driving regional expansion and operational efficiencies.
- Hospital financing and funding models: The hospital sector is witnessing a shift toward consolidation, with private equity and M&A activity pivotal in scaling operations. Innovative funding models, including healthcare bonds, PPPs, and asset-light strategies, are gaining traction to meet evolving financing needs.
- Growth in emerging segments: Single-specialty hospitals and healthtech platforms are emerging as high-growth areas, attracting significant private equity investments due to their scalability, efficiency, and specialised focus.
- Key performance indicators for hospitals to attract investment: Valuation metrics, such as EBITDA margins, bed occupancy rates, and revenue per bed, are critical indicators driving investor confidence in hospitals. For instance, hospitals with higher EBITDA margins and consistent patient volume growth are better positioned to secure premium valuations.

Takeaways for hospitals planning to raise funds

- Focus on operational metrics: Strong EBITDA margins, high patient volumes, and occupancy rates are essential to demonstrating operational efficiency. Highlighting revenue per bed and growth in specialised services further enhances investor appeal.
- Showcase financial health: Transparent financial reporting, clear ROI projections, and operational profitability are crucial when engaging with potential investors.
- Highlight strategic growth plans: Investors value hospitals with a well-defined roadmap for expansion—whether through new specialties, technology adoption, or geographic diversification into underserved Tier 2 and Tier 3 markets.
- Leverage accreditation and innovation: Certifications such as NABH or JCI demonstrate adherence to quality standards, while adopting digital tools like AI diagnostics and telemedicine showcases readiness for the future of healthcare.

This report provides actionable insights for diverse stakeholders. Hospital owners can explore funding strategies to enhance operational efficiency and scale services. Investors and financial institutions gain clarity on high-growth opportunities in scalable hospital models and emerging healthcare technologies. Policymakers and regulators can leverage findings to develop frameworks that attract investments and improve access, while healthcare professionals can better understand the financial dynamics influencing patient care.

As India's healthcare sector reaches a critical inflection point, stakeholders must act decisively. Collaboration and innovation are essential to building a resilient, inclusive healthcare ecosystem. The sector can achieve sustainable growth and equitable access for all by aligning financial strategies with the nation's healthcare priorities.





01

Healthcare investment landscape in India



India's healthcare sector has evolved into a cornerstone of the nation's economy, driven by demographic changes, technological advancements, and increasing demand for quality healthcare. Investments in the sector, particularly in hospitals, have surged over the past few years, reflecting the sector's resilience and growth potential.

Investment trends in hospitals (2022-24)

The healthcare sector experienced a consistent rise in investments across M&A, PE, FDI, and IPO activity. Hospitals led the sector in deal value, reflecting strong investor confidence and the sector's central role in healthcare delivery.

Investment route	Value (2022-24)	Volume (2022-24)
M&A	USD 6.74 bn	40
PE	USD 4.96 bn	38
FDI (healthcare and diagnostics)	USD 3.2 bn	NA
IPO	USD 466 mn	3

Top 3 M&A deals

Aster DM Healthcare Ltd - Quality Care India Ltd
USD 5 billion (2024)

Quality Care – KIMSHEALTH
USD 402.2 million (2023)

Manipal Health - AMRI Hospitals
USD 280 million (2023)

Top 3 PE deals

Temasek Holdings - Manipal Health
USD 2 billion (2023)

BPEA EQT - Indira IVF
USD 656 million (2023)

Blackstone Group- Quality Care
USD 591.1 million (2023)

Top 3 cities attracting investment

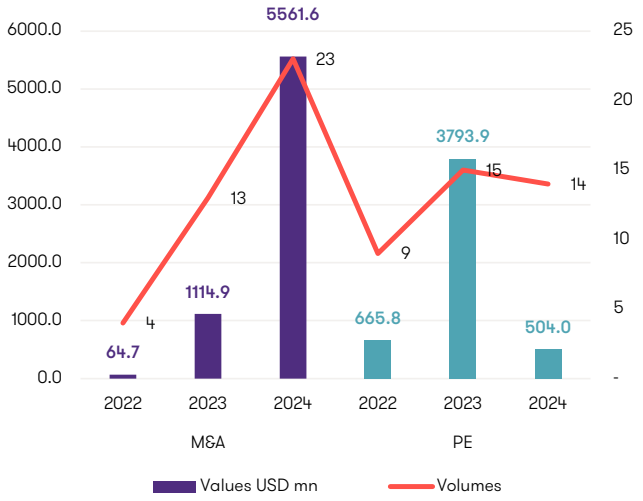
Bangalore | 134 deals

Mumbai | 111 deals

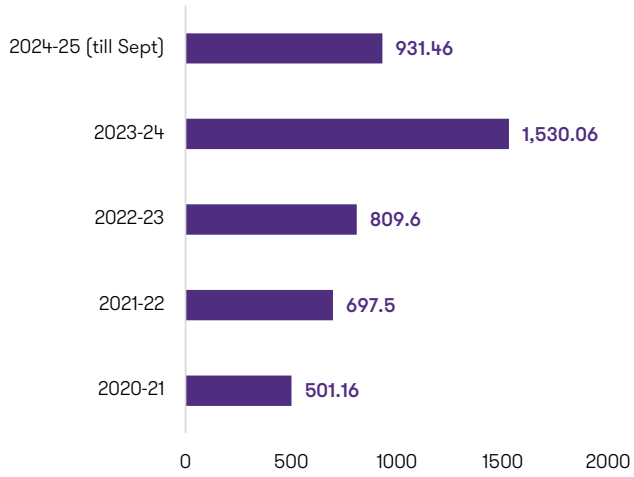
Delhi-NCR | 123 deals

*Includes healthcare and pharma deals

M&A and PE investment in hospitals



FDI inflow in healthcare and diagnostics (USD million)



Key drivers of investment

Urban dominance with emerging rural potential	While 60% of hospital beds are concentrated in metro cities, 70% of India's population resides in rural areas, creating immense potential for Tier 2 and Tier 3 city expansions.
Consolidation in multi-specialty hospitals	M&As among multi-specialty chains, such as the Aster-Quality Care merger, highlight efforts to scale operations and strengthen market presence.
Focus on single-specialty hospitals	Segments like nephrology, IVF, and oncology have attracted USD 1.4 billion in PE investments over two years due to their asset-light, scalable models.
Technology integration	Investments in healthtech, including AI diagnostics and telemedicine platforms, reflect a shift toward digital healthcare solutions.

Healthcare investment potential and considerations

India's healthcare sector is at a pivotal moment, offering immense potential for growth alongside critical considerations that require strategic focus. Investments are increasingly being directed toward addressing unmet healthcare demands in underserved regions, adopting digital innovations, and leveraging scalability. These efforts aim to strengthen infrastructure, improve accessibility, and create a more resilient healthcare ecosystem. However, alongside this progress, some areas call for careful attention and collaboration to unlock the sector's full potential.

Growth potential

01 Bridging care gaps: Tier 2 and Tier 3 cities remain underserved, contributing less than 30% of India's hospital infrastructure despite representing a significant share of the rising demand for quality healthcare.

02 Adoption of digital health solutions: The AI in the healthcare market is expected to grow from USD 14.6 billion in 2023 to USD 102.7 billion by 2028, revolutionising patient care and operations.

03 Rising insurance penetration: Gross direct premium income underwritten by health insurance companies grew to INR 90,600 crores (USD 10.86 billion) in FY23.

04 Focus on preventive and specialised care: Increasing income levels, an aging population, greater health awareness, and a growing focus on preventive care are expected to drive the future demand for healthcare services.

05 Public-private partnerships (PPPs): PPPs have been instrumental in enhancing healthcare infrastructure, particularly in rural and semi-urban areas.

Key considerations

01 Infrastructure and workforce deficits: India has a shortfall of 3 million hospital beds, 1.54 million doctors, and 2.4 million as per WHO guidelines, with rural areas facing acute shortages.

02 High out-of-pocket expenditures: Nearly 40% OOPE on health as percentage of total health expenditure (THE), creating financial strain, especially among the uninsured "missing middle."

03 Urban-rural disparities: 60% of hospital beds are concentrated in urban areas, leaving rural and semi-urban populations underserved and reliant on limited public infrastructure.

04 Regulatory and policy barriers: Complex regulations and lengthy approval processes slow down the establishment of new projects and the integration of advanced healthcare technologies.

05 Evolving investor expectations: Investors increasingly focus on scalable, asset-light models and high operational efficiency, necessitating operational restructuring for many hospitals.

India's healthcare sector is at a pivotal moment, with hospitals leading the charge in infrastructure development, technological adoption, and investment activity. Strategic partnerships, innovative financing models, and a focus on underserved regions will be critical in shaping a resilient and inclusive healthcare system. With robust investment momentum and a supportive policy framework, the sector is well-positioned for sustained growth and transformative impact.

"India's healthcare sector continues to attract strong investor interest, driven by its resilience, scalability, and growing demand for specialised care. Single-specialty platforms, in particular, have emerged as a key focus for investors due to their ability to deliver consistent growth, scalable operations, high ROCEs and targeted clinical outcomes. Investors prioritise models that efficiently deploy capital, generate robust returns on investment, and address unmet patient needs, especially in underserved markets. Platforms that combine clinical expertise, operational efficiency, and the ability to replicate success across multiple locations create an optimal balance of impact and profitability."



Vishal Bali

Executive Chairman,
Asia Healthcare Holdings (AHH)



02

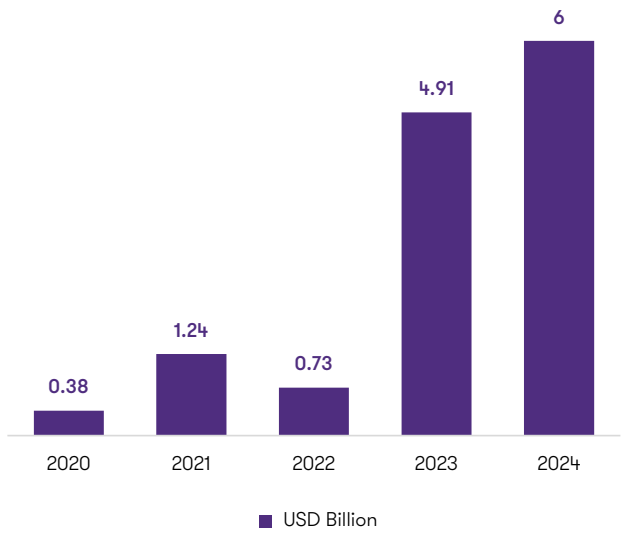
Capital cure: Unlocking funding avenues for hospitals

India's healthcare sector has witnessed unprecedented growth over the past decade, driven by increasing population demands, rising disposable incomes, and the growing need for quality medical care. However, this growth brings unique challenges, including the need for modern infrastructure, advanced technology, and rural healthcare expansion. Hospitals require robust funding solutions to meet these demands effectively.

Investments in the Indian hospital segment have shown consistent growth, reaching USD 6 billion in 2024, showing nearly 24% year-on-year growth. This growth is supported by strong investor confidence and favourable policies, including 100% FDI under the automatic route. FDI inflows alone have contributed over USD 11.19 billion to the healthcare and diagnostic sector from April 2000 to September 2024, primarily targeting hospital chains, diagnostics, and specialised care facilities.

Despite these advances, regional investment distribution remains uneven, with southern and western India dominating due to their established hospital networks and medical tourism hubs, while northern and eastern regions are catching up.

M&A and PE investments in Indian hospitals



Funding solutions for hospitals

Expanding a hospital or upgrading its services requires a clear understanding of funding options tailored to operational and strategic goals. Hospitals in India have a variety of funding solutions, each catering to specific needs, from building new facilities to upgrading technology or expanding into underserved markets. These funding solutions fall into four main categories: Equity financing, debt financing, FDI, and public-private partnerships (PPP). Each option offers unique advantages and challenges that hospital owners must evaluate carefully.

Financing options for hospitals

Equity financing

Private Equity (PE)/ Venture capital (VC): Ideal for rapid expansion and technology adoption

Debt financing

Loans and bonds: Suitable for infrastructure upgrades, retains ownership

FDI

Global expertise and funding: Supports large-scale projects and advance technology

Public-private partnership (PPP)

Government support: Focused on rural healthcare expansion



Financing options for hospitals

Option	Description
Equity financing	What is equity financing: Raising capital by offering ownership stakes to private equity (PE) or venture capital (VC) investors.
	Best suited for: Established hospitals or healthcare chains seeking growth capital and strategic expertise. Ideal for multi-specialty hospitals, hospital chains with 500+ beds.
	Features: • No repayment obligations. • Dilution of ownership. • High investor return expectations (20–30% IRR).
	Key deals: • Temasek Holdings: Invested USD 1 billion in Manipal Hospitals for tier-2 and tier-3 city expansion. • Medanta: Leveraged an initial public offering (IPO) to fund operational growth • General Atlantic bought a controlling stake in Ujala Cygnus • Paras Healthcare raised by tapping the public market to fund its greenfield projects • Blackstone bought a controlling stake in Care Hospitals and Kerala Institute of Medical Sciences. Further, Care & Aster DM will be merged • KKR bought a controlling stake in Baby Memorial Hospital • Norwest took a significant minority in Regency Hospital
Debt financing	What is debt financing: Borrowing funds through bank loans, corporate bonds, or external commercial borrowings (ECBs).
	Best suited for: Financing infrastructure projects like building facilities or upgrading equipment. Ideal for small to mid-sized hospitals, 50 to 150 beds.
	Key features: • Retains full ownership. • Requires repayment of principal and interest. • Can strain cash flows if not well-planned.
	Deals: • Aster DM Healthcare: Raised funds via corporate bonds for infrastructure expansion in India and the Middle East. • Artemis Medicare raised debt in the form of convertible debenture from IFC • Hospitals: Often use long-term loans from banks to modernise operations.

Option	Description
FDI route	What is FDI: India permits 100% FDI in the healthcare sector under the automatic route.
	Best suited for: Hospitals seeking large-scale funding, technology adoption, or global expertise. Ideal for large hospital chains or multi-specialty hospitals with 1,000+ bed chains.
	Key features: • Long-term funding with access to international expertise. • Often involves equity stakes or greenfield project funding. • Requires compliance with regulatory frameworks.
	Deals: • IHH Healthcare: Invested in Fortis Healthcare for advanced technology adoption and operational upgrades. • Columbia Asia and Manipal Health: Acquisition expanded Manipal's network and improved service standards.
PPP	What is PPP: It is a collaboration between private hospitals and government agencies to develop and manage healthcare infrastructure.
	Best suited for: Expanding healthcare access in rural and underserved areas from 50 to 1000.
	Key features: • The government provides land, subsidies, or viability gap funding. • Private players contribute expertise and operational management. • Challenges include bureaucratic delays and financial viability concerns.
	Example: • Medanta Hospital in Patna, Bihar • Development of AIIMS-like hospitals in tier-2 and tier-3 cities through PPP models to bridge rural/ underserved healthcare gaps.

"Any acquisition opportunity must be evaluated through two fundamental lenses: the potential for value creation and the nature of funding."

Key insights:

- **Value creation:** The success of any hospital acquisition depends on key factors such as the state of the infrastructure, micro-market characteristics, human capital, cultural fit, clinical programs, and asset valuation. While preserving and enhancing value is critical, most acquisitions succeed due to effective people integration rather than financial synergies. Post-acquisition, a sensitive change management programme focusing on cultural alignment, process amalgamation, and operational efficiencies is essential to realising the envisioned value.
- **Funding strategy:** A well-balanced funding plan, incorporating an appropriate mix of debt and equity, is crucial to ensuring the financial stability of the integrated organisation. Decision-makers should assess opportunities based on affordability, alignment with strategic goals, and the risk-reward matrix of the organisation.



Dilip Jose

MD & CEO,
Manipal Health Enterprises Pvt. Ltd.

Investor perspective: Understanding what drives healthcare investments

Investors play a pivotal role in the growth of the healthcare sector, providing not just capital but also strategic guidance, operational expertise, and access to global networks. For hospitals seeking funding, understanding what investors prioritise and expect, is critical to securing successful partnerships.

What investors look for

Scalability and growth potential

Investors prefer hospitals with clear and ambitious plans for expansion, particularly in high-demand areas like tier-2 and tier-3 cities. They look for potential to scale operations geographically or diversify into high-margin specialties such as oncology, cardiology, or advanced diagnostics.

Operational efficiency and profitability

Metrics such as EBITDA margins, patient volume growth, and cost per patient are crucial indicators of operational excellence. Investors assess whether a hospital can operate efficiently while maintaining quality care standards. Also, a factor in the real estate model followed as owner vs. rented is that investors prefer long-term leases as the same is asset-light and gives stability.

Market demand and strategic positioning

Hospitals located in regions with underserved healthcare demand or those addressing specific needs like rural healthcare or medical tourism attract higher interest. Investors value hospitals that differentiate themselves through unique service offerings, including clinical excellence in certain therapies.

Technology adoption and innovation

Integrating advanced technologies and adopting state-of-the-art medical equipment, including telemedicine, AI-driven diagnostics, and electronic health records (EHR), enhances a hospital's appeal. Investors seek hospitals committed to digital transformation, which can improve efficiency and patient outcomes.

"Healthcare investments require a longer horizon due to high capital costs and gestation periods. It is important for both investors and founders to align expectations to avoid disappointments or conflicts."

Key characteristics of successful healthcare companies:

- Strong governance and ethical business practices.
- The ability to attract and retain top talent, including doctors, nurses, paramedics, and management teams.
- Strong focus on only core operational practices that drive profitability and enhance return metrics.



Satish Chander

Partner,
True North

Investors' expectations

- Return on investment (ROI): Private equity and venture capital firms typically expect an internal rate of return (IRR) of 20–30%. FDI investors may seek a balance between profitability and long-term impact, prioritising sustainable growth.
- Exit strategies: Investors focus on viable exit options within a specified timeframe, usually 5–7 years for PE/VC firms. Common exit strategies include:
  - Initial public offerings (IPOs)
  - Mergers and acquisitions (M&A)
  - Strategic sales to larger hospital chains or healthcare networks.
- Robust financial models: Investors require detailed financial projections and business plans that showcase revenue growth, profitability, and break-even timelines. Transparency in financial reporting is a key expectation.
- Quality accreditation and compliance: Hospitals with accreditations like NABH (National Accreditation Board for Hospitals) or JCI (Joint Commission International) signal adherence to high standards of patient care and safety, boosting investor confidence.

Key metrics valued by investors

Metric	Why it matters
Bed occupancy rate	Indicates demand and efficient use of hospital capacity.
Revenue per bed	Reflects financial performance per unit of infrastructure.
Operating margins	Demonstrates profitability and cost management efficiency.
Patient volume growth	Highlights market demand and hospital reputation.
Technology utilisation	Shows readiness for innovation and operational efficiency.
Customer segment	Revenue from various customer segments, such as cash payments, private insurance, and government insurance; also reflects the hospital's market positioning.

"When evaluating a hospital investment opportunity, we focus on key factors that determine the hospital's market position, growth potential, and operational efficiency."

Key considerations:

- **ARPOB levels:** To assess the complexity of services provided and the hospital's pricing power within the region.
- **Revenue mix:** Evaluating cash and private insurance revenue as a percentage of total revenues to gauge market attractiveness and the hospital's ability to attract paying patients.
- **Occupancy levels:** Analysing current occupancy and the potential for debottlenecking or brownfield expansion to determine growth opportunities.
- **Reliance on key doctors:** To evaluate the depth of clinical talent and mitigate risks associated with dependence on a few individuals.
- Patient satisfaction **and clinical outcomes:** To assess care quality and the hospital's reputation in the market.



Abhishek Kabra

Managing Director,
Samara Advisors

Recommendations for hospital owners

Securing the right funding solution is pivotal for a hospital's long-term success. Here are some tailored recommendations to help hospital owners align their funding strategies with operational and strategic goals:

Define clear objectives	• Short-term needs: Identify immediate priorities such as upgrading equipment, increasing bed capacity, or improving facilities and covering gaps in clinical offerings. • Long-term goals: Develop a vision for geographic expansion, diversification into specialised care, or adoption of advanced technology. • Match these objectives with the appropriate funding option, such as debt for short-term needs and equity or FDI for long-term projects.
Focus on financial health	• Optimise key metrics: – Improve bed occupancy rates to enhance revenue potential. – Monitor operating margins to showcase profitability. – Track patient volume growth as an indicator of market demand. • Transparent reporting: Maintain clear and accurate financial records to instill confidence in investors.
Prepare for investor engagement	• Develop a compelling business plan: – Include detailed financial projections, growth strategies, and break-even analyses. – Highlight unique selling propositions (USPs) such as specialisation, market demand, or technological innovation. • Showcase accreditation and compliance: – Obtain NABH, JCI, or equivalent certifications to signal adherence to global quality standards.

"Successfully securing funding demands a strategic, comprehensive, and forward-looking approach."

Key recommendations for hospitals raising funds:

- **Compelling narrative:** Present a growth vision supported by data-driven insights and a robust project pipeline.
- **Financial transparency:** Provide detailed financial reports and ROI projections to build investor confidence.
- **Strategic funding alignment:** Match funding structures with long-term objectives, balancing equity and debt effectively.
- **KPIs:** Highlight metrics like EBITDA margins, occupancy rates, ARPOB, and patient volumes to demonstrate operational efficiency.
- **Leverage trends:** Showcase adoption of digital health tools and ESG commitments to position the hospital as future-ready.



Yogesh Kumar Gupta

Group CFO,
Medanta



Ravi Gothwal

Head of Investor Relations,
Medanta

Choose the right funding partner	• Private equity/Venture capital: – Ideal for scaling operations, but be prepared to share ownership and strategic control. Build relationships with PE/VC firms aligned with healthcare investments. • Debt financing: – Suitable for hospitals with consistent cash flows. – Compare loan terms and interest rates across institutions to minimise financial burden and maintain acceptable leverage levels. • FDI partnerships: – Focus on finding investors offering both capital and global expertise. – Collaborate on technology adoption and service enhancement. • Public-private partnerships (PPP): – Explore government initiatives for rural expansion or large-scale infrastructure projects. – Build efficient models to manage potential bureaucratic delays.
Embrace innovation	• Adopt digital solutions like electronic health records (EHR), AI-based diagnostics, and telemedicine. • Leverage these technologies to attract investors focused on future-ready healthcare models.
Prioritise strategic growth areas	• Expand into underserved markets (tier-2 and tier-3 cities) with high growth potential and synergy with existing geographic presence. • Invest in high-margin specialties, such as oncology, cardiology, or critical care.
Build a strong leadership team	• Investors often value capable and experienced management teams. • Focus on hiring or retaining leaders with proven expertise in healthcare and operations.
Engage with stakeholders	• Build relationships with industry experts, financial advisors, and healthcare networks. • Participate in healthcare summits or investment forums to connect with potential investors.

Hospital owners must align their funding strategies with their long-term vision and operational strengths. By focusing on financial health, investor engagement, and innovation, hospitals can secure sustainable growth while meeting the evolving needs of their communities.

"When evaluating investment opportunities in hospitals, the most critical factors include the demographic and disease burden of the target area, alignment with long-term healthcare trends, operational scalability, and the potential for social impact. Ensuring the sustainability of financial models and prioritising affordable yet high-quality care are equally paramount."



Dr. Shuchin Bajaj

Founder & Director,
Ujala Cygnus Healthcare Services

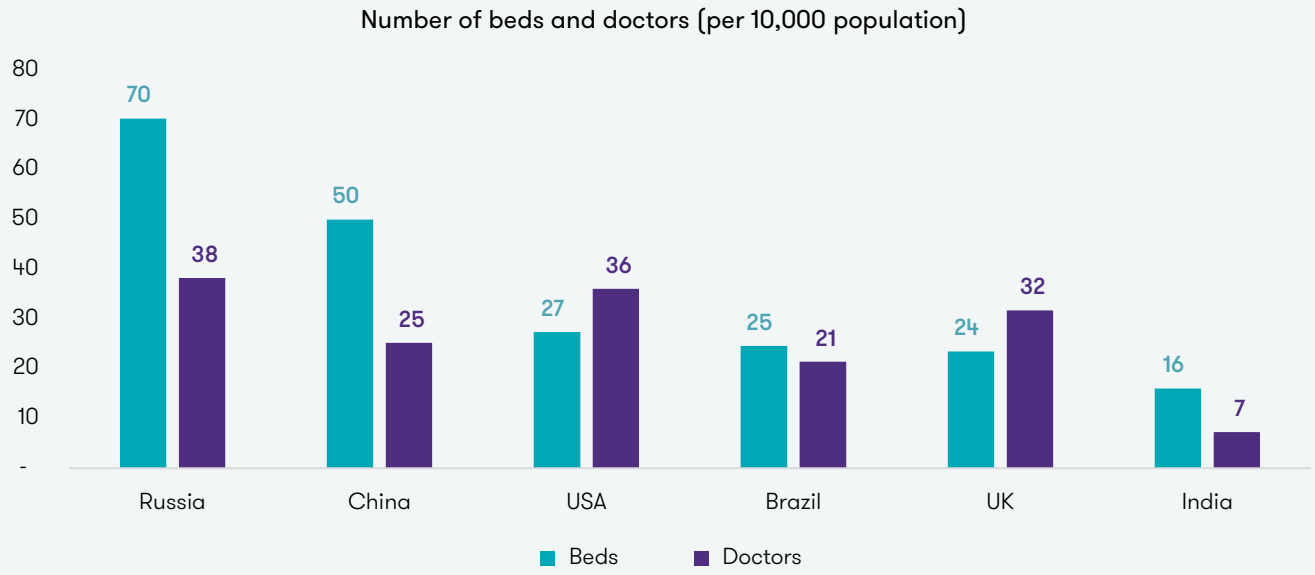


03

Valuing care: Metrics and trends in hospital investments

The Indian healthcare sector is at a critical juncture, grappling with valuation complexities. The Indian hospital sector is a domestic growth story with favourable demographics, such as a growing and aging population with improving affordability and increased insurance penetration.

The paucity of healthcare professionals and infrastructure in India highlights the country's structural shortages and uneven access to healthcare services. This offers white space opportunities for the hospital industry.



The hospital segment within the healthcare sector stands at the crossroads of growth and valuation multiplicity. Our report aims to explore the market dynamics, multi and single-specialty hospitals' growth in recent times, notable deals in hospitals, and the valuation levers.

Valuation of companies in this sector would involve several unique challenges. The key aspects that would have a valuation impact on the healthcare provider segment are being analysed. Some of these aspects may also be similar for diagnostic chains and pharmaceutical companies. While analysing/valuing companies in this space, the following key performance indicators are generally relied upon to ascertain the effectiveness of the business operations and growth drivers for the business:

Revenue growth rate	Better than the industry growth rate for a company would indicate the company's/hospital's capability to attract patients. Valuation analysis can be extended to the composition of customers like walk-in customers basis the specialised treatment offered by the hospital, corporate tie-ups, government business fuelled by various policies/schemes promoted by the government, insurance-linked revenue streams, and the like. These aspects would help assess the market positioning and reputation of the hospital, which could drive the overall demand.
Service mix	It is crucial to understand whether the hospital is equipped to offer multi-specialty or super-specialty services. The range of services provided can significantly impact the company's revenue quality and consequentially impact its margins.
EBITDA margins	Companies with better EBITDA margins would reflect a strong brand and market positioning, enabling the hospital chain to command premium pricing. Margin premiumisation could be based on the specialty treatments offered by the hospital.

Patient volume and occupancy	This analysis can assist in estimating the revenue potential for the hospital without investment. Higher occupancy levels may reflect stagnancy in revenue, as there is limited growth avenue available with the hospital unless an increase in specialised treatment/service offering complements the lack of capacity. It could also provide visibility on the need for additional investment to achieve desirable growth.
Operational efficiency	Metrics like the average length of stay, bed turnover rate, and staff-to-patient ratio can help assess the impact on costs and profitability.
Investments as a growth driver	It is pertinent to check which business aspects the management focuses on to drive future growth. • Investment for adding more offerings/specialities. • Investment for network/facilities expansion to increase overall reach. • Investment for improvising the operational efficiency by upgrading facilities. • Investment for inorganic or acquisition-led growth. • Investment in digital platforms that would augment the patient base. • Investment in pharmacy and distribution business

"The focus for hospitals should be both inward—strengthening internal capabilities—and outward—choosing the right financial partners."

Internally, it helps to have a leadership team that is growth-oriented and brings complementary skills to the table. A solid operational foundation with well-structured processes can go a long way in ensuring scalability. Being able to attract and retain top clinical talent is just as crucial, given that the quality of care directly impacts reputation and patient trust. Additionally, investing in strong technology platforms can make a big difference in streamlining patient acquisition, communication, service delivery, operational efficiency, and financial workflows—factors that collectively support long-term sustainability.

Externally, choosing the right financial partners can be just as important. Hospitals may benefit from working with private equity firms or similar investors who have experience in healthcare, especially those who understand the nuances of doctor-led organisations. The right investors don't just bring capital; they also offer strategic insights and industry connections that can help accelerate growth and expansion in a meaningful way.



Kiran Gadela

Co-Founder and Managing Director,
Oasis Fertility

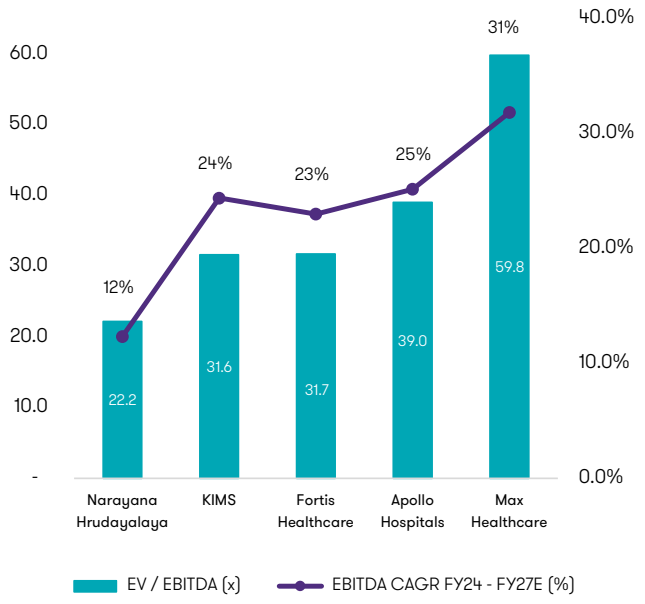
Key valuation insights for listed companies

Revenue multiple – The listed companies in healthcare and hospital services are currently valued in the range of 3.5× to 5.0× revenue multiple. However, it would be essential to give due consideration to forward multiples, as the market participants would consider growth plans/operational efficiencies proposed by the companies because it has a consequential impact on the trading multiples. The average revenue per occupied bed (ARPOB) could also be a good benchmark for analysing operating multiples, but it cannot be the sole value driver.

EBITDA multiple and margins – It is observed that the companies with better margins may command higher multiple. However, consistent growth in EBITDA is well rewarded. Generally, the companies in the listed space are valued in the range of 20× to 30× EBITDA multiple, though based on the outlook provided by the management of these companies, there would be outliers.

Robust growth plan – The industry, at large, has witnessed improved margins on account of higher ARPOB and sustained level of occupancies and further expects catalysed profitability in the coming years.

There is great growth potential for the organised sector in the hospital industry, which is evident from the expansion plans laid out by some of the large players. The planned ramp-up of existing bed capacities should also help the companies maintain high margins in the medium term, considering most of the new bed additions are back-ended. Besides other factors, companies with higher expected EBITDA CAGR over FY24 – FY27E have a higher valuation multiple.



Private market dynamics

Various transactions in the private market space reflect the valuations commanded by publicly listed companies. PE firms, sovereign funds, and impact investors' interest in Indian hospitals and strategic partnerships drive growth for the companies operating in the sector –

India has many regional hospital chains with strong brand names in their micro-markets. Such regional players have seen private equity investments recently to help expand their territory footprint. These investments help hospitals scale up their businesses through organic and inorganic opportunities. PE-backed chains and existing large players can participate in strategic acquisition deals at aggressive valuations.

"A successful hospital investment strengthens the iron triangle of healthcare—accessibility, affordability, and quality—at a commercial scale."

Key ingredients for hospital investments:

- **Accessibility:** Ensuring the right access points (strategic locations) with high patient flow to maximise care throughput, benefiting the largest number of people while driving commercial returns.
- **Affordability:** Achieving optimal cost structures, effective clinical engagement, and scalable delivery to create affordable pricing models.
- **Quality:** Building clinical expertise supported by fit-for-purpose technology and a patient-centric approach to deliver superior care.

When these elements are scaled and replicated across multiple locations, they result in high-quality growth that delivers both meaningful investment returns and impactful healthcare outcomes.



Sunil Thakur

Partner and Head of South Asia, Quadria Capital

Some notable PE deals

Period	Target	Buyer	Amount (INR Mn)	Stake acquired	EV / EBITDA (x)
Jul-24	Baby Memorial hospital	KKR	21,331	60%	18.0
Jul-23	Indira IVF	Baring Asia	60,000	60%	23.3
May-23	Care Hospitals	Blackstone	55,750	70%	24.2
Aug-23	Dr.Agarwal's Eye Hospital	TPG & Temasek	6,400	11%	18.5
Apr-23	Manipal Hospitals	Temasek	164,380	41%	30.8

Some recent strategic acquisitions

Period	Target	Buyer	Amount (INR Mn)	Stake acquired	EV / EBITDA (x)
Nov-24	Quality Care India Limited	Aster DM Healthcare	170,000	Merger	25.2
Sep-24	Jaypee Healthcare	Max Healthcare	16,600	64%	23.7
Apr-24	Medica Hospitals	Manipal Hospitals	14,000	87%	13.6
Feb-24	Alexis Hospital	Max Healthcare	3,720	100%	21.5
Sep-23	AMRI Hospitals	Manipal Hospitals	24,000	84%	27.7
Aug-23	Global Hospitals	IHH Healthcare Berhad	7,400	23%	31.3

The underpenetrated healthcare technology, coupled with overall healthcare sector growth, increasing per capita spending on healthcare, and the demand for quality private healthcare services, has instilled keen interest amongst investors in the healthcare sector. The strategic geographic location of hospitals, with high potential for growth in a few instances, has also been a value driver. Further, the existing market position of the targets in terms of the number of beds, presence in key sectors/geographies, or prospects for expansion has led to higher valuations.

EV/EBITDA multiple is generally considered a notable indicator when valuing companies by investors. The broad range of multiples in both public and private markets demonstrates a range of 20× to 30× EBITDA multiple. This analysis highlights that there is enough interest in the sector from strategic as well as financial investors.

Value assessment can be challenging, considering consistently evolving macroeconomic factors, coupled with differences in operating efficiency and growth plans being pursued by industry players. A qualitative assessment of key operating metrics may offer insight into critical value drivers and support investor decision-making.



Way forward

India's healthcare sector is poised for unprecedented growth, driven by innovation, investment, and collaboration. To unlock its full potential, stakeholders must focus on bridging infrastructure gaps, enhancing access in underserved regions, and fostering the adoption of cutting-edge technologies. A collective effort by hospital owners, policymakers, and investors will be essential to building a resilient and inclusive healthcare ecosystem. By aligning strategic priorities with the nation's healthcare needs, we can ensure sustainable growth, equitable access, and improved outcomes for all, shaping a healthier and more prosperous India.





About Association of Healthcare Providers (India)

Association of Healthcare Providers (India) represents the vast majority of healthcare providers in India. It is registered under Indian Society Registration ACT- 1860 as "not for profit" organisation.

The Association of Healthcare Providers (India)'s vision is to have a healthy India, encompassing society, community and common man at grass root. The Association of Healthcare Providers (India) envisions a healthy India, with a focus on improving the well-being of society, communities, and individuals at the grassroots level. The AHPI collaborates with all key stakeholders to establish a national healthcare system that ensures universal access to essential health services for every citizen.

AHPI supports its members and partner organisations in driving healthcare improvements that benefit communities effectively and efficiently. It plays an active role in advocating for healthcare reforms, infrastructure development, tax and tariff regulations, health insurance issues, and any other challenges that healthcare organisations or the public face in delivering or accessing equitable healthcare services.

Through its subsidiary wings, the AHPI Academy, the association offers various healthcare programmes that prioritise patient safety and quality of care. Another important entity under the AHPI is the Healthcare Certification Centre, which develops standards for different categories of healthcare establishments. It also certifies healthcare agencies' compliance with these standards and provides customised, certified training programmes, including quality management system (QMS) and healthcare management training for the industry.

In a relatively short span, the AHPI has become a prestigious organisation in the healthcare sector, representing approximately 20,000 hospitals across India. Its goal is to unify healthcare providers to work collaboratively with the government and society to enhance the well-being of the common man and build a healthier India. To streamline this mission, the AHPI has empowered teams at the state level, with active chapters in Maharashtra, Karnataka, Tamil Nadu, Gujarat, Delhi-NCR, Bihar, Haryana, Chhattisgarh, Jharkhand, Andhra Pradesh, Telangana, Rajasthan, Punjab, Kerala, Uttar Pradesh, Madhya Pradesh, Odisha, West Bengal, the North East, and other regions.

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