

Indian Healthcare Market projected to reach \$638 billion by 2025: Bajaj Finserv AMC

- Indian Healthcare Market has grown by 17.5% CAGR in past 10 years
- Study shows health insurance is yet underpenetrated in India, leading to high out of pocket expenditure at 54.8%
- Medical tourism market stands at \$7.69 billion in 2024 and is likely to reach \$14.31 billion by 2029

Mumbai, 27 November 2024: The Indian healthcare sector is growing rapidly and is projected to reach \$638 billion by 2025, according to a recent study by Bajaj Finserv AMC. Valued at \$110 billion in 2016, the Indian healthcare market reached \$372 billion in 2023, marking a 22.5% CAGR growth during this period. Overall, the sector has seen a 17.5% CAGR growth over the past 10 years¹, primarily driven by large-scale innovation in hospitals, pharmaceuticals, diagnostics and other industries.

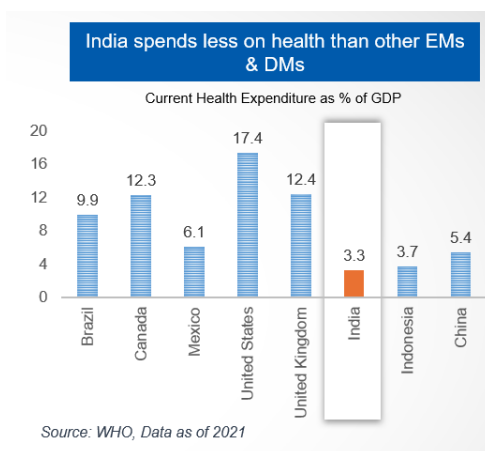
Speaking about this boom, **Sorbh Gupta, Senior Fund Manager - Equities, Bajaj Finserv AMC**, says: “The sector has experienced a massive surge in private healthcare spending during and post-COVID-19, with the hospital market size growing from \$62 billion in 2020 to \$132 billion in 2023². In pharmaceuticals, India emerged as a global vaccine hub, led by organizations like the Serum Institute and Bharat Biotech. In diagnostics, a core shift occurred towards digital diagnostics, while demand for home testing kits accelerated post pandemic. Additionally, the functional foods and personalized nutrition market is growing at a 16% CAGR and is expected to reach \$12 billion by 2027. Meanwhile, the fitness and wellness industry are projected to grow at a 27% CAGR, reaching \$12 billion by 2025³.”

Growth Drivers of the Indian Healthcare sector

Due to the evolving demographics in India, the healthcare sector is on an uphill trajectory. Life expectancy in India is projected to reach 84 years by 2045, up from 67 years in 2021. Meanwhile, the country’s median age is expected to increase by 1.3 times, from 28.8 in 2025 to 38.3 in 2050⁴. This increase in life expectancy and an aging population is expected to fuel growth in the healthcare sector, boosting demand for age-related healthcare services.

There has also been a marked improvement in healthcare infrastructure in India, driven by rising investments in Tier 2-6 cities. Medical education has significantly expanded and the number of medical colleges has increased by 1.8 times, reaching 758 in FY24 (over 8 years). The number of doctors has increased by 1.1 times over the past 4 years⁵ and the number of hospital beds is expected to increase by 12 times by 2045⁶.

However, the sector still has a long runway for growth. Three million beds are needed to meet the 3 per 1,000 targets by 2025, and 1.54 million doctors and 2.4 million nurses are required to meet the rising demand⁷.



Significant room for growth

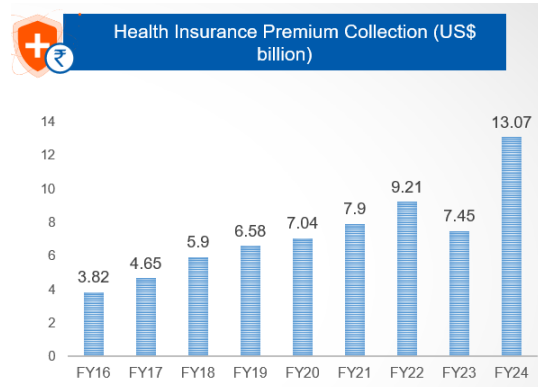
There is also potential for a significant growth in healthcare expenditure in India compared to other major economies, shows the study by Bajaj Finserv AMC. India spends less on healthcare than other emerging markets (EMs) and developed markets (DMs).

An increase in healthcare expenditure is expected, driven by private and government spending, as well as a rise in average household income.

Health insurance still underpenetrated in India

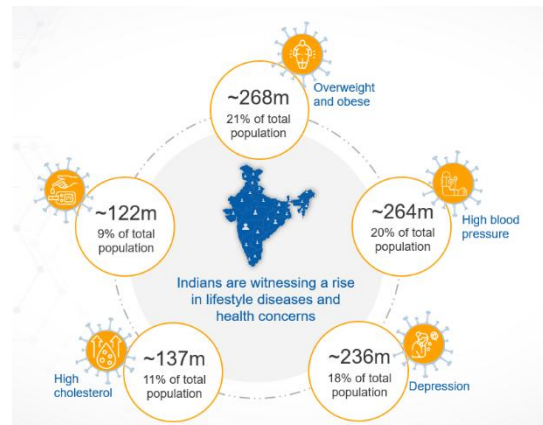
According to the study, health insurance is also underpenetrated in India. The out-of-pocket expenditure (as a percentage of current healthcare expenditure) in India stands at 54.8%, as compared to 17.1% in the UK, 11.3% in the US, 35.2% in China, and 12.9% in Japan⁸. However, health insurance coverage is increasing among Indians. The market is expected to expand from INR 0.91 trillion in 2024 to INR 1.5 trillion in 2029⁹.

Additionally, health insurance premium collection has increased from US\$ 3.82 billion in FY16 to US\$ 13.07 billion in FY24⁹. However, the sector still remains underpenetrated, with substantial scope for expansion.



The Wellness Wave: Indians Embrace Preventive Health Products

According to the study, there is a rise in lifestyle diseases and health concerns in the country. India is expected to have 134 million diabetics by 2045, with non-communicable diseases (NCDs) accounting for approximately 63% of all deaths in the country. Obesity is likely to affect more than 5% of the adult population by 2025, while 1.7 million deaths in India (18% of the total) are linked to air pollution. Additionally, contaminated water sources are causing gastrointestinal diseases, hepatitis, and other health issues¹⁰.



This has resulted in a growing consciousness about wellness. Indian consumers lead in fitness and wellness spending among emerging markets, and are 2-3 times more likely to increase wellness spending than consumers in Canada or the U.S¹¹. This growth is driven by rising income, urbanization, and increased awareness of preventive healthcare. The Indian OTC market is also seeing steady growth.

Medical Tourism Growth to Exceed Pre-Pandemic Levels

Medical tourism is expected to grow by 1.5 times, from 4.8 lakh in 2022 to 7.3 lakh in 2024¹². India attracts medical tourists due to its top-tier healthcare, skilled experts, and cost-effective treatments. Additionally, major surgeries in India cost about 20% of what they do in developed countries.

Medical tourism contributes approximately 10-12% of overall healthcare revenue and is expected to grow at around 2 times the current rate in the near to medium term. Currently, the Indian medical tourism market stands at \$7.69 billion in 2024 and is likely to reach \$14.31 billion by 2029¹³.

Sources:

- 1- IBEF
- 2- *ResearchAndMarkets, RedSeer, Invest India, Frost & Sullivan, Deloitte, Statista, Mordor Intelligence, KPMG India*
- 3- *ResearchAndMarkets, RedSeer, Invest India, Frost & Sullivan, Deloitte, Statista, Mordor Intelligence, KPMG India*
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- 7- *HFS Research, Data as on 2024*
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For media queries, contact:

Venkat Raman, venkat.raman@bajajamc.com

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