

Dubai's Aster brings medical expertise to Kochi

The National, May 09, 2015 - For Azad Moopen, the Dubai-based 62-year-old billionaire who runs Aster DM Healthcare, things came full circle on Wednesday as he returned to his native state of Kerala to launch the company's flagship hospital in India.

Thousands flocked to see the opening of the high-end, 670-bed hospital alongside the picturesque waters and lush greenery in Kochi. Among them were the former president of India, APJ Abdul Kalam; the director general of the Dubai Health Authority, Essa Al Haj Al Madoor; and the health ministers of Sri Lanka and the Maldives. The first phase cost 5.5 billion rupees (Dh314 million) – excluding land costs – and there are plans to increase the number of beds and build a hotel in the next phase as the company aims for the 40-acre project, called Aster Medcity, to become a “full-fledged medical township”.

The business opportunity is huge, although there are significant challenges for companies investing in India's health care industry.

Aster DM is trying to tap the country's rapidly rising spending on health care and fill a gap in a country where facilities are lacking in a multibillion dollar industry. There is a growing demand for treatment amid rising incomes and proliferation of lifestyle diseases, including diabetes and heart conditions. It is also targeting the burgeoning medical tourism industry, in which overseas patients travel to take advantage of competitive health care costs.

India's health care sector is expected to grow by 15 per cent annually to reach US\$90 billion by 2017 compared to \$58.2bn last year, according to KPMG. Its figures show that per capita healthcare spending is expected to rise to \$88.7 this year from \$57.9 in 2011.

“There is a growing need to have a footprint across India,” says Harish Pillai, the chief executive of Aster Medcity. “Our strategic plan is looking at south India and west India – so we are focusing on Kerala, Karnataka, Tamil Nadu, Maharashtra and Gujarat in phase one of our expansion.”

Aster DM has acquired hospitals in Hyderabad, Bangalore, Pune and Kolhapur, and is planning an IPO this year as it continues on its expansion drive.

Experts say that there are opportunities for improvement in the health care industry, creating scope for more small companies and private investment.

“India continues to struggle with critical issues and gaps in its health care system,” analysts at Bain & Co wrote. “Health care is underserved and underconsumed. Health insurance covers less than a quarter of the population, and out-of-pocket spending is high. Hard infrastructure and talent are both in short supply, and there are significant regional variations in health care delivery. Investments in primary care and public health have long been inadequate. A strong bias towards curative care reflects a culture that often neglects prevention and wellness. The quality of care is mixed.”

The burden on the health system is only set to grow over the coming years as heart disease, diabetes and cancer cases rise rapidly and the country's population ages, according to the report.

Narayan Shetkar, the director of Singhi Advisors, a global investment banking firm headquartered in Mumbai, explains that rising property and operating costs and a lack of qualified staff are among the risks for investors in the industry.

“The healthcare sector in India is a compelling mix of challenges and opportunities,” he says. “Though there has been a significant amount of progress in the healthcare sector in the past decade, there are many challenges that still persist. There is a significant gap between demand and supply, or essential and actual, in this sector.”

The doctor-to-patient ratio for rural India stands at 1 to 30,000, far below the World Health Organization's recommended 1 to 1,000, meaning that an additional 700,000 doctors would be required by 2025 to reach these standards, he says.

"Various segments of health care providers are moving towards corporatisation, and it will increase the share of organised market over a period of the next five to 10 years. This would result in an increase in private investments, leading to consolidation among various service providers."

In the case of Aster DM, although Dr Moopen is based in Dubai and the company is headquartered in the emirate, it is legally registered in Kochi. But foreign investment into India's health care sector is rising.

Among high-profile foreign investments into the industry, South Africa's Life Healthcare has invested in New Delhi's Max Healthcare. Global private equity funds including Carlyle and Advent International have also made sizeable investments in the sector in recent years.

"India is proving itself to be the centre of foreign direct investment and foreign institutional investor interest," says Mr Shetkar. "The healthcare sector, which is the second largest recipient of FDI inflows in India, has significant growth potential," he says.

He explains that the regulations for foreign investment into India's health care industry are "relatively liberal".

"Since almost one and a half decades, India has permitted 100 per cent FDI in hospitals. Indian health care companies are also permitted to raise capital abroad, up to 49 per cent, which also gives rise to FDI. In addition, non-resident Indians have been permitted to set up hospitals in India."

India's rise as a destination for foreigners seeking medical treatment is a major opportunity.

Dr Pillai says that he intends for Aster Medcity to be on a par with the best hospitals in Singapore – a popular destination for medical travel.

"I believe that in five years' time India is going to be the global hot spot for medical value travel – not just because of the price advantage, but because of the sheer quality of care. Singapore is a small city-state. I think that Indian doctors, because of the challenges of our population and disease spectrum, have better hand skills. If we can create excellent infrastructure and good services, we can compete with the best."

Growth in India's healthcare industry and attracting more patients from abroad could have a hugely positive impact on India's economy, Dr Pillai says.

"If you invest 12 lakh rupees (1.2 million rupees) in health care, it generates 75 jobs. It creates not only direct employment but indirect employment too."

The Maldives, Sri Lanka, the UAE and other Arabian Gulf countries are among their main target markets for medical tourists, he says. He is aiming for 20 per cent of the hospital's patients to be medical tourists by the end of next year, explaining that Aster DM's network of hospitals in the Arabian Gulf would hopefully divert patients from Thailand, which is a popular option those seeking medical treatment abroad.

Aster Medcity's costs are on par with other major hospitals in Kochi, Dr Pillai says, and its patient base has been growing by 22 per cent month-on-month since it started receiving patients last summer.

Cardiac surgery at the hospital costs about 150,000 rupees, for example. A consultation with a neurologist costs 200 rupees, while the same consultation would cost about Dh300 in Dubai, he says.

Hamdan Rashid, 25, from Al Suwaiq in Oman, was among the patients at the Aster Medcity hospital last week. He travelled from Oman for a check-up, along with his brother and mother, who were seeking treatment for eye and back problems respectively. Mr Rashid decided to travel to Kerala to the hospital on the recommendation of friends and seemed to be pleased with his decision. "It's a nice price and I feel relaxed," he says.