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Parkway deal to give winner a booster dose

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New Delhi When Khazanah, an investment arm of the Malaysian government, spelt out its goal on May 28 to become Asia's premium regional healthcare company by consolidating its existing stakes in Singapore-based Parkway Holdings, it felt like an echo of a statement that India Inc had heard two months back.

The words sounded uncannily similar to Fortis Healthcare promoter Malvinder Singh's vision statement in March, when India's second-largest and fastest growing healthcare firm acquired 23.86% of Parkway for \$685 million. The Delhi healthcare firm owned by billionaire siblings Malvinder and Shivinder Singh, holds 25.3% in Parkway, while Khazanah holds 23.3%.

Fortis dreams of creating a unique global healthcare model through its Parkway acquisition, for which it said it would first focus on building a strong foothold in Asia. The catch is that in the highly fragmented Asian healthcare, if two large players, like Fortis and Khazanah with the prowess of the largest Indian hospital chain — Apollo Hospitals by its side aspire for a leadership position, the shortest route to the numero uno position passes via Parkway, Asia's largest upscale private medical services group.

The Singapore headquartered healthcare firm operates 16 hospitals with more than 3,400 beds in Asia and patient assistance centres across globe and arguably has the most formidable footprint in emerging markets, with presence across the Indian subcontinent, West Asia, South East Asia and China.

To an established market leader like Fortis or Apollo, the Parkway pie offers four critical advantages — a lion's share of flourishing medical tourism market, efficiencies and bargaining power through economies of scale, capacity to cross-leverage strength of healthcare services and ageing demographic profile of the Asian tiger economies, where the share of elderly population is set to double by 2025 compared to 2000 levels.

Asia's burgeoning medical tourism industry is expected to cross \$4 billion by 2012, from the current \$0.6 billion. The lure of low-cost, good quality healthcare in Asia is estimated to be attracting over 1.5 million tourists annually to key destinations — Thailand, Singapore, India, South Korea and Malaysia and Parkway already has presence in three of these.

India's medical tourism business is growing at 30% annually projected to earn around \$2.2 billion per year by 2012. Singapore targets to attract over 1 million foreign patients annually and a GDP contribution from this sector above \$1.6 billion, while Malaysia, the \$7-billion healthcare market and also the third largest medical tourism destination, globally, expects medical tourism receipts to touch \$590 million by 2011.

Parkway already earns 35-40% of revenue from medical tourists in many of its facilities, while the comparable figure for the best hospitals in India do not cross 15%.

Partnership with Parkway would not only bring important learning on medical tourism, but a brand association of great value that leading Indian hospital chains could leverage for consolidating their medical tourism division. With stronger immigration norms in US, the geographic axis for medical tourism is strongly tilting south east.

Ratan Jalan, founder, Medium Healthcare Consulting and former CEO, Apollo Health and Lifestyle, said, “Such a sizeable expansion brings with it many advantages. Any negotiation that the duo (top Indian hospital chain with Parkway) would have for a deal with medical technology giants like GE Healthcare, Phillips or Siemens and insurance companies would give them an upper hand by the sheer size and scale. A wider bouquet of therapeutic segments, stronger marketing muscle in destination choices, flexible price points would help such a combined entity capture medical tourists of varied economic groups. Even talented doctors would like to be associated with such an entity which promises them exposure of this international range.”

Muralidharan Nair, partner, Ernst and Young, partially agrees, “Considering that Fortis already has interest in diagnostic chains, and the fact that this industry is moving rapidly towards centralised testing, there could be significant gains if new markets can be catered from a single centre”. Nair feels that even Fortis’s original offer of close to \$1 million per bed was on the higher side.