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Financialization of Healthcare sector in India: Emerging Trends in Private Investment and Profits in Healthcare services

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Abstract

The healthcare landscape in India has been moving increasingly towards privatization and corporatization. This process also brings in the governance of finance, where the predominant concern is maximising shareholders' return. In this paper, we study the trends and patterns of structural changes in the private investment and profits in the healthcare industry in India with primary focus on the hospital sector during FY2000 to FY2024. We use two databases, CMIE Prowess IQ and Venture Intelligence (private equity and venture capital investments and mergers & acquisitions), using descriptive analysis. Our analysis shows there is increasing monopolisation in healthcare market in terms of both profits and private equity investment

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Introduction

The health sector in India has gone through significant structural transformation over the last four decades with systematic policy interventions promoting growth of private healthcare market. Liberalisation of capital flows leading to increased penetration of private and finance capital in Indian economy in general and different segments of health and care market in particular creates further impetus for private sector growth. Private sector healthcare in India is known to be a heterogeneous mix of informal and formal providers, with the formal providers belonging to either not-for-profit or for-profit categories. Further, formal providers range from individual practitioners to formally registered small-to-medium private hospitals, and the corporate commercial hospital sector. While there is a large unorganised sector comprising own account/individual-run enterprises, and small establishments, the more organised healthcare sector seems, particularly the incorporated enterprises seem to be growing rapidly being actively promoted by the state and fuelled by private investment flows.

Health Sector Reforms (HSR) were introduced as part of the Structural Adjustment Programs (SAPs) in the early 1990s in India. SAPs are sector specific reforms intended to infuse market principles in areas where there is considerable presence of state, through various measures such as user charges, contracting out of services, shifting from direct provisioning to insurance like mechanisms, and bringing in principles of market into the functioning of the public sector (Qadeer et al. 2001). This essentially situates the market as the principal institution for distribution and efficient allocation of resources while health care services being subordinated to the purpose of revenue generation.

Arrow discussed why assumptions of competitive markets are hardly applicable to health care services (Arrow 1963). Markets are absent for bearing suitable risks, existence of imperfect information, non-increasing returns, problems of internalising disutility caused to others within price and so on. More importantly, demand for medical care is completely unpredictable and irregular and the supplier of the medical service, the practitioners, unlike other sellers of commodities should be governed by concern for the patient which helps build a necessary trust among buyers and sellers. Despite these idiosyncrasies of health care services, the ideological insistence came from the World Bank of establishing the market as the governing institution of health care service. This also coincides with the turn of Fordist-Keynesian welfare regimes

of universal provisions to post-Fordist workfare regimes of differentiated markets and customised demands (Jessop 1995).

The creation of the health care market was orchestrated by successive policies of the government that facilitated domestic and foreign investors. Markets in principle work based on exclusion. This implies that prices can only exist in a scenario if there are some people who can pay to buy a good or service while some others are not. If a service becomes accessible to all then no market exists, it simply becomes an entitlement provisioned by a non-market institution. Therefore, the precondition of creating a market is negation of universal provisions. The role of the state therefore was not only to gradually withdraw from providing health care services but also create a market for the same.

Several forms of input subsidies, in the form of land, electricity, subsidised import duties and above all cheap supply of skilled human resources produced in government institutions over the decades have created favourable conditions for formal private sector to grow (Baru 2018). Deteriorating conditions of public provisioning through systematic underinvestment also pushed middle class away from accessing public services (Gangolli et al. 2005). Massive expansion of Government Funded Health Insurance Schemes in recent times helped in augmenting demand for private sector providing health and care services.

The National Health Policy 2017 envisions health care industry as a vehicle of economic growth and sees regulation as an impediment in fostering growth of ‘health care industry’ (MoHFW 2017). Virtual absence of any regulation, opening the health and insurance sector to Foreign Direct Investment (FDI) flows, coupled with active state promotion has helped the health and care market draw private equity and venture capital investments considerably. The liberalisation of FDI norms to allow foreign investment through automatic route in various segments such as hospitals, medical devices, wellness and medical tourism, greenfield projects in pharmaceuticals and biotechnology, insurance and its intermediaries including Third Party Administrators (TPAs) is a major policy shift in integrating the healthcare sector with the global capital. Further, relaxing the statutory limit for Foreign Portfolio Investment (FPI) makes way for volatile finance capital and extending favourable tax treatment to specific investor categories such as Alternative Investment Funds (AIFs), venture capital, and sovereign wealth funds for investments in health care infrastructure incentivise financial engagement in health care.

Fragmentation of health care services facilitates the producers to capture and convert parts of consumer surplus into producer's surplus which otherwise is not possible in situations of uniform price. Also, fragmentation of the vertical structures allow flexibility to address customised demands in the health care market. In case of health care services, it allows creating segmented markets for specialised needs and differentiated services catering to buyers of varying paying ability. Super speciality hospitals, wellness centres, differentiated prices for differing quality of services and so on are the means of catering to customised demand. The flexible structure and the related market have to be complemented by multiple suppliers which is essential for price discovery. Fragmentation of health care services serves the purpose of generating multiple suppliers. However, it is important to appreciate the fact that fragmentation of health care services is not antithetical to centralisation of ownership as a general tendency.

The real change is corporatisation of health care with predominantly big players engaging in tertiary health care. This change in the structure of the health care industry and particularly hospitals and related markets were largely complemented by rising accumulated profits of NRIs who were waiting to invest in India's health care sector together with FDI eyeing for the growing middle-class market (Marathe et al. 2020). While pharmaceutical sector drew greater private capital investment, in last two decade we see greater penetration of finance capital in the health and care markets as well. The Indian Healthcare industry is estimated to have a value of US\$ 372 billion driven by both the private sector and the government (IBEF 2025a). Within the industry, the hospital segment has emerged significant, which is valued at US\$ 98.98 billion in 2023 and projected to grow at a CAGR³ of 8.0 percent from 2024 to 2032, reaching an estimated value of US\$ 193.59 billion by 2032 (IBEF 2025b).

In this paper, we attempt to study the trends and patterns of private equity and venture capital investment in health and care sectors from FY2000 to FY2024. We also study the balance sheet of incorporated entities working in the health sector to understand the drivers of profit for the sector. We study specific cases which typically demonstrates the structural changes within the health sector. We also trace the union government policies and budgetary announcements since 2000 to understand the nature of policy impetus provided to the healthcare and insurance sector.

³ Compound Annual Growth Rate

Materials and Method

To study the trends in private investment and acquisitions in hospital sector in India, the study initially gathered information from newspaper reports using the repository maintained by the Institute for Studies on Industrial Development (ISID). Through this search, we gathered details about 38 investments that took place during 2017-2023. This process gradually led to the identification of the two databases from the private research firm, Venture Intelligence namely Private Equity and Venture Capital (PEVC) and Mergers and Acquisitions (M&A), based on which we have done our current analysis. PE-VC database includes investments by firms structured as PE/VC funds since 2000 and excludes hedge funds / sovereign wealth funds' investments into listed companies and pre-IPO deals. M&A database includes transactions involving acquisition of 50% or higher stake since 2004. The acquisitions are either by a private equity firm or other healthcare companies.

We analysed the investments that took place in Indian companies using the data on the Healthcare and Life Sciences (HLS) Industry. Besides, the data on the health insurance sector is drawn from the Banking, Financial Services and Insurance (BFSI) Industry. Within the HLS industry, the numerous sector classifications were recoded without losing any significance for analytical ease to reduce the total number of unique sector names to 19 from over 100. A further level of aggregation was done by creating 3 categories namely, Pharmaceuticals and Biotechnology, Healthcare Services and Others. Pharmaceuticals and Biotechnology include sectors concerned with the creation and production of medicines such as pharmaceuticals, biotechnology, nutraceuticals and alternative medicine. Healthcare services include sectors which directly provide care such as ambulance, home healthcare, hospital, outpatient clinics, teleclinic/medicine, medical tourism and other healthcare services. Others include the rest of the sectors that indirectly contribute to delivering care such as medical devices, health insurance, diagnostics, market research, scientific research, wellness products and services and pharma retail. GDP Deflator has been used to deflate the annual investment values for all sectors. The deflator was calculated using the 2011-12 series taken from the Handbook of Statistics on the Indian Economy, RBI.

We also use Prowess IQ of Centre for Monitoring Indian Economy Database which provides firm level data of Indian listed companies. In this database 274 companies are identified in the hospital sector and 289 companies in the fitness and wellness sector. The current study focuses

on the hospital sector and the period covered is FY 2000-FY2023. Considering the abnormal years of the pandemic we have taken the average of six-year sales for the period 2015-2020 and identified top 100 (T-100) and top 15 (T-15) companies in the hospital sector. We have used descriptive analysis for the study. We have followed the financial year throughout analysis unless mentioned otherwise. Descriptive analyses were done using the statistical software Stata 18 and MS Excel. Besides, a review of union policy measures using union budget announcements during 2000-2024 was also conducted.

Trends and Patterns in PEVC Investments

Globally, healthcare has emerged as a lucrative investment opportunity with the private equity deal value crossing USD 115 billion in 2024, the second highest in recent years, driven by a few large deals with North America being the most active market followed by Europe and Asia-Pacific regions. (Bain & Company 2025). India especially has emerged as a major market accounting for one fourth of the deal volume in Asia Pacific region in 2024 (ibid). In this section we look at the private equity and venture capital investments in the healthcare industry with particular focus on the hospital sector in India during FY2000 to FY2024.

PEVC investment in health care

PEVC investments in the healthcare industry as a percentage of total investments have doubled from 5 percent on an average during 2017-2019 (pre-covid years) to almost 10 percent on an average during 2020-2023 (and more specifically 18 percent in 2023). It is worth noting that even when the total PEVC investment fell in the years 2022 and 2023, the investment in the healthcare industry has shown an increase of 28 percent and 35 percent respectively. IT & IT enabled services and Manufacturing industries have been found to have received a setback in investment during those couple of years.

Table 1: PEVC Investment in Healthcare Industry and across all Industries

Year	PE & VC Investments in Healthcare & Life Sciences			Total PE VC Investment	
	Amount (USD B) *	As % of total PEVC investment	Growth rate**	Amount (USD B) *	Growth rate**
2017	1.27	5%		23.77	
2018	2.13	6.40%	67.72%	33.11	39.29%
2019	1.81	4.90%	-15.02%	36.96	11.63%
2020	2.53	6.50%	39.78%	40	8.01%
2021	3.2	5%	26.48%	62.6	56.81%
2022	4.1	9%	28.13%	46.2	-26.20%
2023	5.52	18.60%	34.63%	29.66	-35.80%

Source: *Annual PEVC reports of Venture Intelligence for various years.

**Authors' calculations

PEVC investments in the healthcare industry including the pharmaceuticals segment have been increasing, although less rapidly since the early 2000s, following the implementation of neoliberal reforms and the associated structural adjustment programs in India. The volume of PEVC investments shot up in the year 2018-19, almost five times than the preceding year. Although investment fell in the subsequent year (2019-20), it has kept rising much more rapidly during the post covid years.

Table 2 shows the change in the composition of PEVC investments with the share of hospitals and healthcare services rising since 2006. This clearly shows that private equity investors and venture capitalists find the hospital sector as an attractive avenue for profit generation out of the sectors delivering care. It is during the 2016 onwards that we see rapid growth of other services. However, post-covid we see that the pharma sector has again attracted considerable investment, occupying 55 percent of the total PEVC investments in the healthcare sector.

Table 2: Share of categories in total PEVC Investment (in %), FY2000 to FY2023

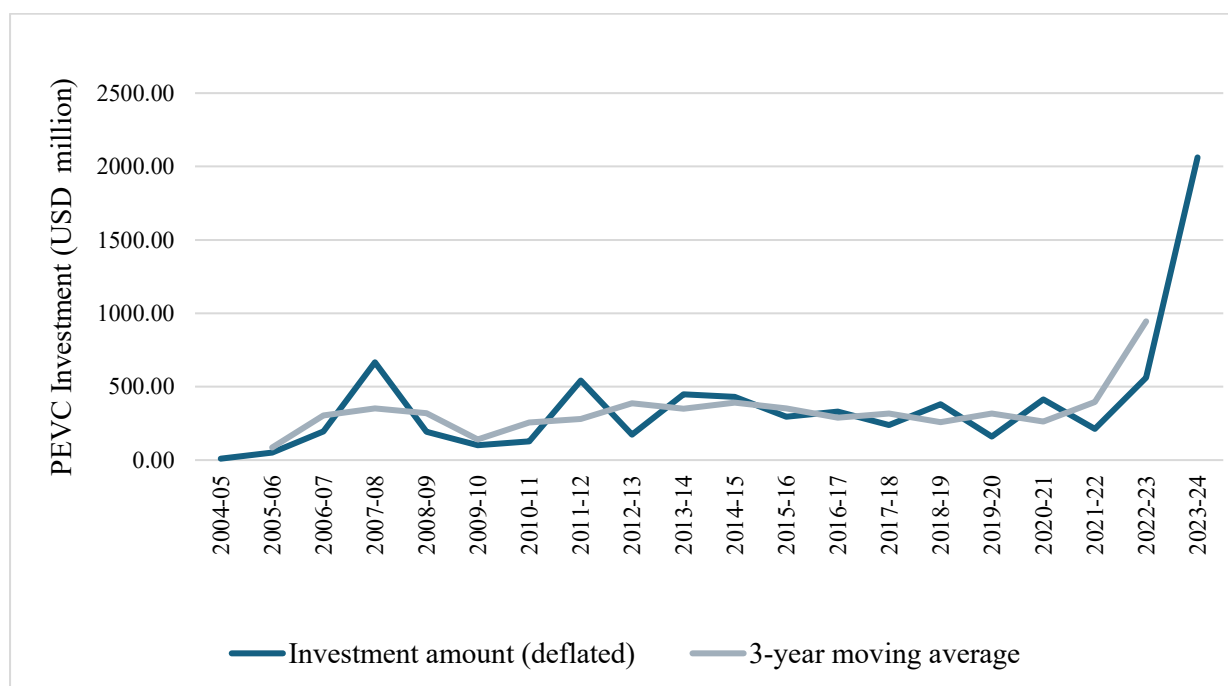
Category	2000-05	2006-10	2011-15	2016-20	2021-23
Pharmaceuticals and Biotechnology	93.83	43.17	29.84	33.46	55.36
Healthcare Services	3.45	40.49	45.11	28.60	22.31
Others	2.72	16.33	25.04	37.94	22.32

Source: Authors' calculation using PEVC database, Venture Intelligence

PEVC investment in hospital sector

Investment started flowing into the hospital sector since 2004-05 (Fig 1), following the government allowing 100 percent foreign direct investment through an automatic route in 2000 (Hooda 2015). Between 2004 and 2022, the investments have crossed US\$ 500 million only in two periods. The first time in 2007-08 which witnessed the onset of the global financial crisis and the next time being in 2011-12. Although investment fell to US\$ 160 million in the year 2019-20, it rose two and half times to US\$ 413 million in the following year which experienced a public health emergency and fell back to US\$ 200 million in the subsequent year. The post covid years have seen a huge jump in investment. Roughly one-third of the total investment has been in single specialty hospital, mostly in eye care and renal care. Of which close to 48 percent of investment is venture capital. The remaining two-third of investments were in multi-specialty, of which around 75 percent is private equity investment.

Figure 1: PEVC investment in the hospital sector



Source: Authors' calculation using PEVC database, Venture Intelligence

Regional distribution of PEVC investment

We find a skewed regional distribution of investments. The hospitals based out in central and eastern regions have received minimal investment throughout the years. States such as Madhya Pradesh, Jharkhand and Bihar have not received any investments. The southern region,

covering all five states, seems to be the most attractive investment avenue for the private equity firms/investors and venture capitalists. Northern region has remained the second preferred destination. We also find that the western region which includes the states of Gujarat, Maharashtra and Rajasthan being more attractive to the investors in the recent years as compared to earlier. In short, the private investment seems to be concentrated only in highly developed places. A closer examination reveals further concentration of investment in a few states such as Karnataka, Telangana, Delhi and Maharashtra. And more importantly, only the Tier 1 cities in these states have received investment. In other states as well, Tier 1 and Tier 2 cities⁴ have been found to have received investment during the period FY2000 to FY2023.

Pre COVID and post COVID investment deals

During the covid and post covid period (Apr'20-Mar'24), 38 investment deals took place in the hospital sector together amounting to US\$5378.65 million. Top 8 deals constitute 80 percent of the investments and 17 (nearly half) constitute 90 percent of the total investment. Manipal, CARE, Sahyadri, ASG Eye Hospitals, Asia Healthcare Holdings, Maxi vision Eye Hospitals are the investees of the top 80 percent deals. Whereas during the pre-covid period which we have considered from April 2014 to March 2020, there were a total of 63 deals in the pre covid period and top 15 deals constituted 80 percent of the total investment. The average value of investments in the post covid period is four times higher than in the pre-covid period (Table 3). The higher standard deviation and interquartile range (IQR) in the post covid period shows the increased volatility in the flow of investment into the hospital sector as compared to pre-covid period. The median of investment is twice in the post covid period as that of pre-covid.

Table 3 : PEVC investment during pre and post COVID period (in USD million)

Period	N	Mean	S. D	p25	p50	p75	IQR
COVID & post COVID (Apr'20 - Mar'24)	35	153.68	412.83	10	24.46	135.88	125.88
Pre COVID (Apr'14-Mar'20)	61	38.13	65.34	3.04	10	43.37	40.33

Source: Authors' calculation using PEVC database, Venture Intelligence

⁴ Cities are classified into four categories in India based on population size, infrastructure development, economic growth, and quality of life. There is eight Tier I cities, which are thriving metropolitan centres. Tier II cities are eighteen emerging urban centres, most of which are state capitals and some emerging centres of trade and investment.

Major Investors post COVID

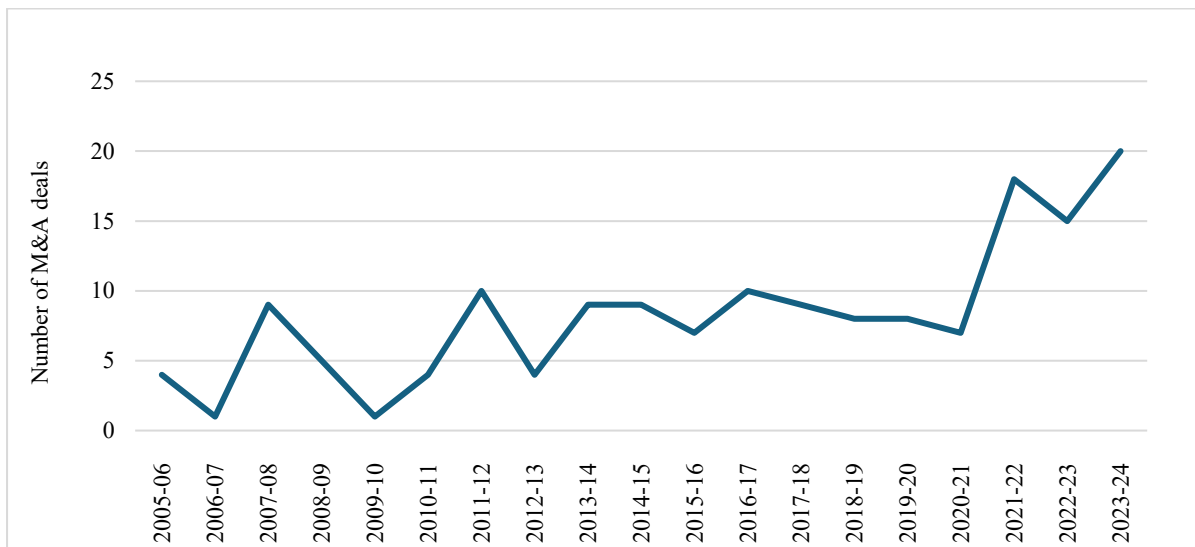
One of the main characteristics of the major investors in the hospital sector is that most of them are foreign private equity firms/investors with billions of dollars of assets under management (AUM) and with presence across the globe. India based investors although active are much smaller in terms of AUM as compared to foreign based. Most of these investors have acquired stake in numerous Indian companies operating in a wide range of industries such as Agri-business, BFSI, Energy, Engineering. & Construction, FMCG, Food & Beverages, Hotels & Resorts, IT & IT enabled services, Manufacturing, Media & Entertainment, Retail, Shipping & Logistics, Telecom, Textiles & Garments, Travel & Transport and Other Services besides healthcare.

Some of the big players actively investing in hospital sector in the recent years are Temasek, a Singapore based investment holding company wholly owned by the Singapore Minister for Finance, to own and manage Singapore's assets and investments on a commercial basis, GIC which is one of the three investment entities in Singapore that manage Singapore's reserves, alongside the Monetary Authority of Singapore and Temasek, US based PE firms such as Blackstone, TPG Capital, TPG Growth, General Atlantic, KKR, Canada based Ontario Teachers' Pension Plan and India based PE firms such as Kedaara Capital, Anicut Capital, Samaara Capital, Peak XV Partners. Development Finance Institutions such as IFC of World Bank Group and British International Investment have also invested as also documented by other studies (Chakravarti et.al 2017; Taneja and Sarkar 2023). National Investment and Infrastructure Fund (NIIF), a sovereign wealth fund established by the Government of India, entered the healthcare industry by investing US\$282 million in Manipal Hospital in 2021.

Mergers & Acquisitions in hospital sector

Mergers & Acquisition (M&A) activities among the hospitals show an upward trend with increased activity during the post COVID period (Fig 2). The hospitals with higher acquisition activities are also the ones in the top 15 in terms of generating revenue from sales such as Fortis Healthcare, Apollo Hospitals, Max Healthcare, CARE hospitals, Dr. Agarwal's Eye Hospital, Manipal and Narayana Health. M&A has been a key strategy to enter new markets as observed in other industries as well. Among the hospitals, Manipal has been the front-runner in rapid market expansion through a series of strategic acquisitions in the recent years (see Box Item 1).

Figure 2: Mergers and Acquisitions (M&A) among hospitals



Source: Authors' calculation using M&A database, Venture Intelligence

In short, we see two notable channels through which healthcare sector is evolving into increasingly corporate and financialized entities. Firstly, through investments from financial actors, both global and domestic, who have financial interests in sectors beyond healthcare and across globe. There has been an influx of investments through funds structured as private equity by private equity firms, sovereign wealth funds, development financial institutions etc. Such investments have typically flown into sectors promising attractive returns to capital. Healthcare sector has become over the years, through industry advocacy and state facilitation, an attractive investment opportunity. Much of these investments have been in multi-specialty hospitals and in hospitals based out in southern part of India. Secondly, we see the relatively bigger hospitals expanding into newer markets inorganically by acquiring smaller hospitals. Although a few greenfield projects were announced during this period, we find acquisition as the preferred route to quick market expansion, enabling rapid market consolidation. There are significant implications of adverse M&A, takeovers and penetration of financial investments in healthcare. Increasing cost of care (Jose 2025), huge inroad of large corporations are accompanied by closure of numerous smaller private nursing homes (Medical Buyer 2026).

It is also worth noting that both these developments are not parallel. As corporate hospitals grow in market size through acquisition, they also attract more investments. The more the investments, the more the resources to finance future market expansion plans. We see this in

Box Item 1: Case of Manipal Hospital

South-based Manipal hospital entered markets in north and east through acquisition of Columbia Asia in 2020, then owned by Seattle based investment firm, Columbia Pacific Management. Through this deal, Manipal acquired 11 hospitals operated by Columbia Asia across Bengaluru, Mysuru, Kolkata, Gurugram, Ghaziabad, Patiala and Pune. In 2021, Manipal acquired Bangalore based Vikram Hospital and Heart Care, from the private equity firm Multiples. Manipal also acquired AMRI (Advanced Medical Research Institute) hospital in Kolkata in 2023, the same year TPG Capital and Temasek invested US\$ 2.4 billion in Manipal. Further, Manipal acquired 87 percent in the Kolkata-based hospital chain Medica Synergie in April 2024 which strengthened their presence in Eastern India. Later in 2024, Manipal also acquired Mumbai based Khubchandani Hospital for US\$ 49.4 million, the first hospital being acquired by Manipal in Mumbai. Further by buying out Sahyadri hospital in 2025, Manipal strengthened its position in western India. Manipal received its initial private equity investment from Kotak Investment Advisors of US\$ 24 million for 11.7 percent stake in 2010 and the first foreign private equity investment for US\$ 150 million from US based private equity firm TPG Capital for 25 percent stake in 2015 followed by Singapore based Temasek in 2017 for US\$ 168.29 million for 18 percent stake. Currently, Temasek holds 59 percent in Manipal. Clearly, the foreign private equity investments have enabled the hospital group to expand inorganically through acquisitions contributing to further market consolidation in

the case of Manipal and Care hospitals. South-based CARE hospital acquired Aurangabad based United Cigma Hospital, Indore based CHL Hospitals, Hyderabad based Thumbay Hospital New Life in 2022 and Kerala Institute of Medical Sciences in 2023. And in 2023, US based PE firm Blackstone invested US\$ 700 million in CARE. US based PE firms TPG Growth and Advent International have previously invested US\$ 221 million and US\$ 115.85 million respectively in CARE hospitals. Such investments also necessitate the hospitals to adopt certain measures, which could also be unethical or unnecessary relative to the clinically required medical care, to maximize their profit and thereby maximize value

for investment by the shareholders. Acquisitions made by some of the major corporate hospitals are given in Appendix A.

Balance Sheet of Incorporated enterprises working in hospital sector

In this section we analyse the balance sheet of incorporated enterprises working in the hospital sector. The entry of big investors, both domestic and foreign, has gradually changed the landscape of health service in India. It seems two contradictory processes are contributing to this change. One is the proliferation of private and public health care providers at different levels catering to different segments of the market and to specialised needs. The process of fragmentation of the health care infrastructure and governance enables such flexibility and customisation. The second and related process is the increased centralisation of ownership, and this is facilitated by the process of corporatisation. The predominantly small private health care providers of the type of owner-practitioner-nursing homes are gradually displaced by big corporate hospitals with huge investments and capable of providing multiple services within a single vertical structure. In the following table (Table 4) we report average figures of top 15 corporate hospitals (T15), top 100 corporate hospitals (T100) and information of the entire segment of 274 (TH 274) private corporate hospitals. In this table, we see the share of top 15 and top 100 corporate hospitals in total sales, investment and profits and indicators related to these variables.

Table 4: Some Select Indicators on Sales, Investment and Profit

Share in Sales					
	2000-05	2006-10	2011-15	2016-20	2021-23
T 100	88.42	80.82	92.14	94.51	92.88
T 15	55.80	42.07	51.55	49.81	43.68
Share in Gross Addition to Fixed Assets					
T 100	81.79	84.25	90.54	93.80	89.72
T 15	43.11	38.28	30.74	44.74	33.34
Share in PAT					
T 100	112.84	89.62	115.48	136.94	106.71
T 15	97.85	71.90	88.31	82.09	56.35
PAT as % of Sales					
TH 274	3.92	3.34	3.92	1.49	7.03
T 100	5.01	3.70	4.88	2.16	8.07
T 15	7.07	5.79	6.74	2.44	9.08
PBDITA as % of Total Capital Employed					
TH 274	2.12	0.14	-5.08	-3.47	-14.52
T 100	3.75	2.39	-0.85	3.92	0.51
T 15	5.74	3.95	-14.93	6.76	12.24

Source: Authors' calculation from Prowess IQ

It is seen that out of 274 corporate hospitals during the period 2021-23, the top 100 that is less than half the total number of hospitals account for 92.8 percent of sales and average investment and 106.7 percent of total profit generated in the sector. The share of profit of these hundred hospitals exceeds hundred percent because there are several smaller private hospitals that might be making losses during this period. So, the top ten accumulates a profit which is more than the total profit of the segment that includes loss making hospitals. The table also shows rising concentration of sales proceeds, investment and profits within this top hundred over the years. Only top 15 hospitals account for 43.7 percent of total sales, 33.3 percent of investment and 56.3 percent of total profit earned by corporate hospitals indicating that only fifteen big corporate hospitals account for close to half of total sales and more than half of profits of the corporate health care services.

It is also evident from the table that ratio of profit after tax to sales has been highest for the top 15 companies compared to that recorded by the top 100 group or with respect to the entire sector for all the reference periods. In the most recent period that is 2021-23 this ratio for all corporate hospitals have been highest compared to all previous reference periods. It is important to note that during the period 2016-20 which includes the period of pandemic the growth of profit for the entire hospital sector had been negative but if we focus on top hundred and top fifteen big players, we see that they made huge profits during this period. It might be because COVID patients rushed to these hospitals assuming to be more reliable and equipped with capable personnel and care infrastructure. Also, because vaccination was mostly administered through relatively bigger centres.

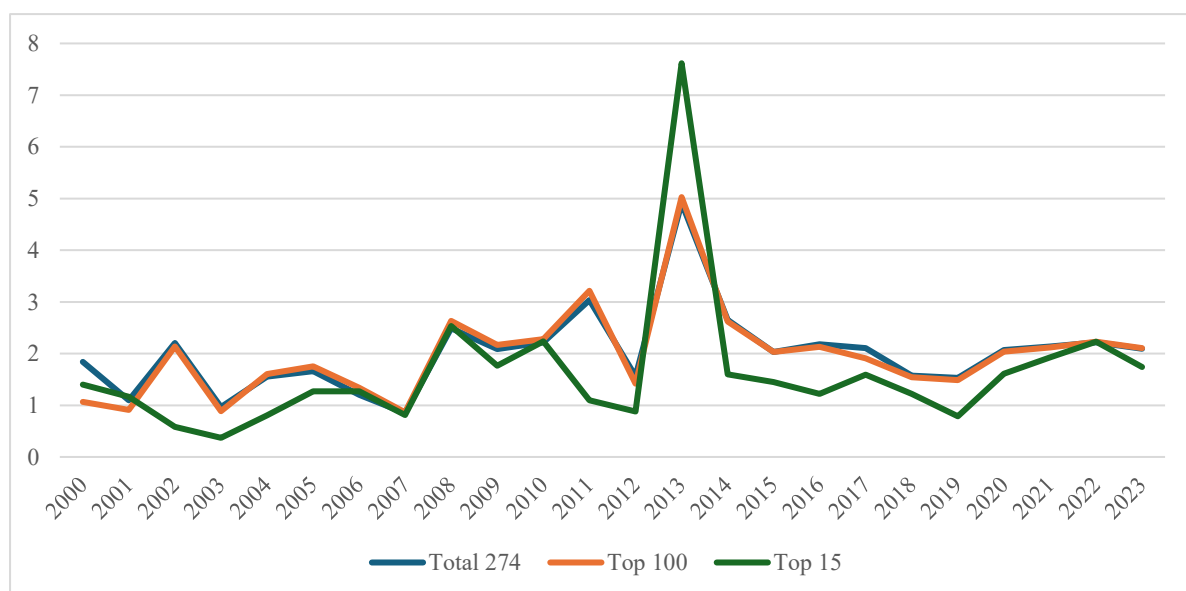
On the other hand, due to lockdowns and nonavailability of adequate medical personnel non-COVID patients were not being treated resulting in a dip in revenue particularly in the case of smaller hospitals. We measure profitability by gross profits (Profits before Depreciation Interest Taxes and Amortization) as percentage to total capital employed. It is found that profitability was negative for the entire hospital sector since 2011 and continues till 2023. The top 100 and top 15 big hospitals could recover their profitability during the period 2016-20 which includes the pandemic period and profitability of the top 15 hospitals actually skyrocketed during the recent period of 2021-23.

Early Symptoms of Financialization

Corporatisation of health care precedes financial returns derived from marketable assets. Digitisation increasingly allows converting products and services into tradeable assets. More importantly conversion of services into codifiable divisible standardised assets allow financial penetration. Hospitals as companies may derive returns from assets bought and sold in financial markets. If activities are increasingly mediated and governed through financial transactions, we might see increasing separation between profits and sales and between profits and investment in physical assets. In other words, companies may increasingly derive higher returns through financial transactions rather than through selling produced goods and services and if the rate of return is higher in such transactions, then investment on physical assets is likely to suffer. This essentially links to a delinking between profit and investment.

This has larger implications because a delinking of profit and investment and shifting of resources away from productive activities ultimately leads to a delinking between growth and employment. Although this being the larger trend in overall corporate sector in India, we see some early signals of similar type in the hospital segment. For the entire corporate hospital sector, the ratio of income from financial assets to sales shows a sharp rise that continued till 2013-14 and collapsed thereafter while showing rising trends once again after 2020 (Fig 3).

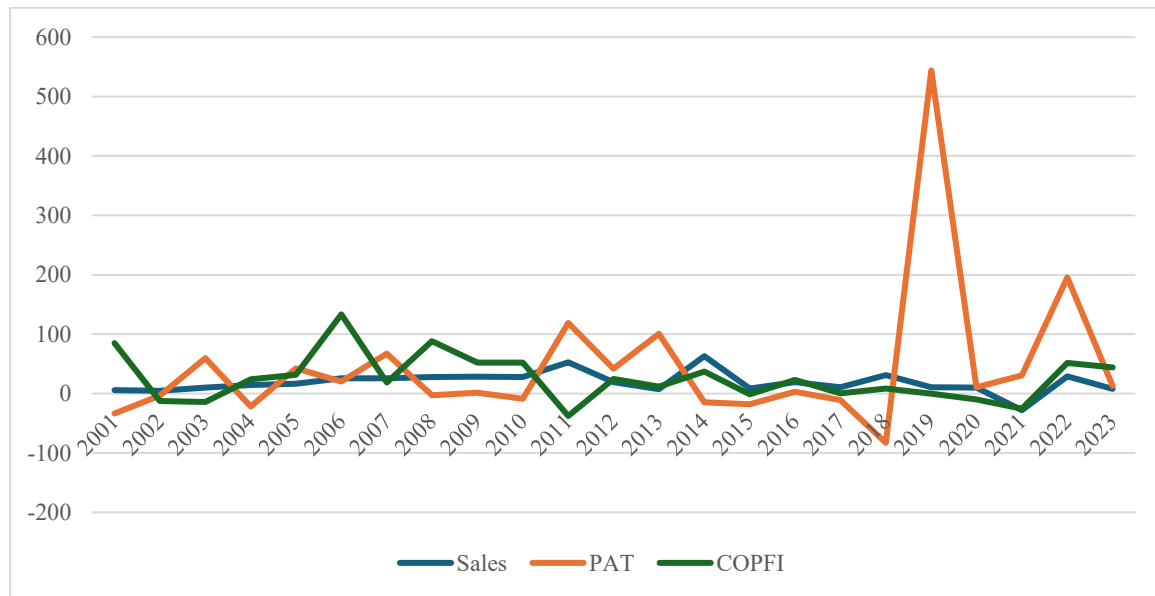
Figure 3: Ratio of Income from Financial Assets to Sales in Private Corporate Hospitals



Source: Authors' calculation from Prowess IQ

It seems that flow of funds globally dried up in the aftermath of financial crisis of 2008-09 and its delayed impact followed in India. Also, notable that the ratio increased much faster for the top 15 companies compared to the rest and suffered a sharper decline. The ratio of financial income to sales is low as the financial penetration in India is much less compared to advanced economies for obvious reasons and major source of revenue is still from sales of services. However, the long-term impact relates to the governance structure that financial profits impose.

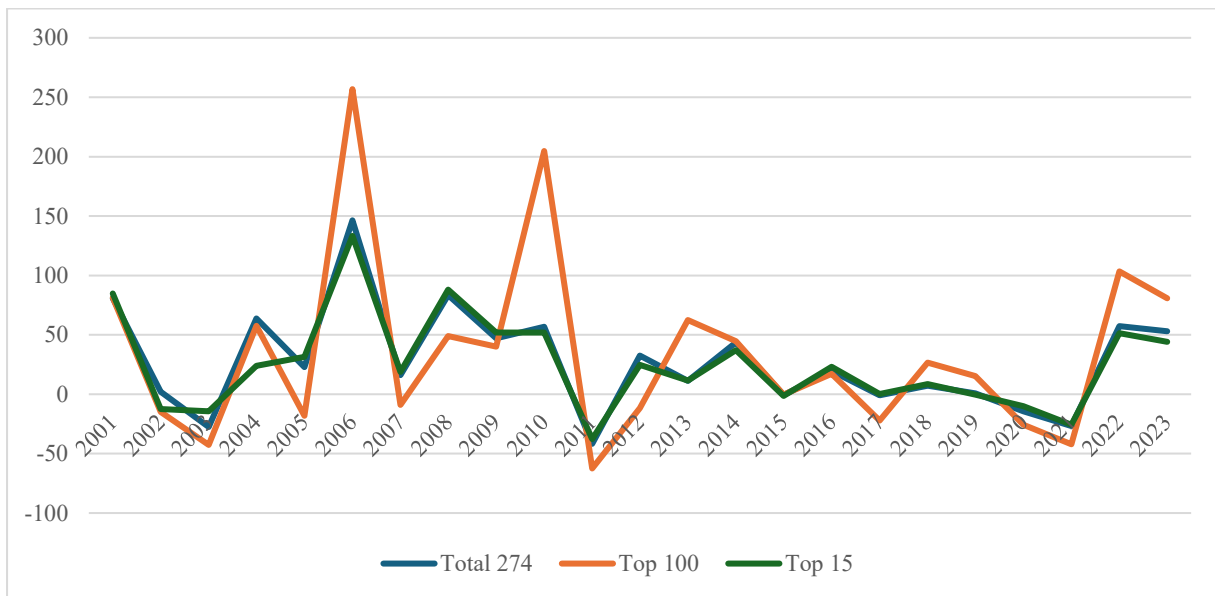
Figure 4: Growth of Sales, Profit and Cash Outflow to Purchase Fixed Asset for Top 15 Hospitals



Source: Authors' calculation from Prowess IQ

Figure 4 shows some interesting trends of growth of sales, profit after tax and cash outflow to purchase fixed assets. It shows that during the period 2013-18 that is before the pandemic the top 15 hospitals suffered a decline in their growth of sales, profit and investment with a sharp recovery in profit growth in 2019 and show impressive growth till 2022. We also see that for the entire period the average growth of profit was much higher than the average growth of sales for these companies since 2011. This might be because of any of the two reasons or a mix of both. Growth of profit can be higher than the growth of sales if the companies are able to increase their mark-ups due to monopoly power in the market or being more focussed to high valued services that fetch higher returns. The second reason could be deriving higher profits from sources that are delinked from sales of services. Since 2019 we see increased separation between growth of cash outflow to purchasing fixed assets and growth of sales. It shows some early symptoms of financialization as although profits recovered sharply during the pandemic it couldn't generate a commensurate growth in investment in the top 15 hospitals as shown in Figure 4.

Figure 5: Growth of Cash Outflow to Purchase Fixed Assets



Source: Same as Figure 4

Figure 5 shows that in fact the corporate hospital sector suffers a long-term declining trend in the growth of cash outflow to purchase fixed assets since 2010 which is in sync with the general trend of investment slowdown for India's private corporate sector experienced over a decade and a half. Although there are some signs of rising growth in investment in 2022 and the top 15 shows sharper increase compared to the rest but again followed by a decline. The growth of investment shows sharper rise in 2022 because of the base effect as the rate went to negative territory in the previous year. It is important hence to see the responsiveness of investment growth to growth of profit because that shows the structural nature of the possibilities of recovery in investment growth. If the recovery of investment growth falls short of the growth of profits for the top 15 hospitals, as has been the case, it is difficult to expect a sustained recovery of investment growth for the whole corporate hospital sector soon because these top fifteen corporate hospitals account for 39 per cent of the total investment in this sector. The delinking of profit and investment and the long-term declining trend of growth of cash flow to purchase fixed assets are early symptoms of financialization. In fact, financialization imposes a governance structure where primacy of maximising shareholders' return takes a toll on long term growth imperatives and it seems that India's private corporate hospitals are increasingly conditioned by the norms of finance.

Budgets and Policies

The previous two decades have seen numerous policy measures by the union government to incentivise and promote private sector in the provisioning and financing of healthcare in India. The chronic underfunding of public healthcare system and consequent inability of the system to cater to the rising health needs of the growing population is often used to legitimise such measures. In this section we track budgetary announcements of the Union government on hospital sector and health sector in general.

The liberalisation of Foreign Direct Investment norms for hospitals in the early 2000s- 100 percent FDI in hospitals through automatic route – was a major policy shift towards integrating Indian healthcare services sector with the global capital. Currently, up to 100 percent FDI is allowed through automatic route in various other segments such as medical devices, wellness and medical tourism, greenfield projects in pharmaceuticals and biotechnology (Sarwal R et al. 2021). And up to 74 percent through automatic route in brownfield projects in pharma and biotech (ibid). FDI up to 49 percent was allowed in insurance sector and up to 100 percent in insurance intermediaries including TPAs through automatic route in 2020. In the subsequent year, the limit was further raised to 74 percent in the insurance sector allowing foreign ownership. These liberalised FDI norms are complemented by expanding the statutory limit for Foreign Portfolio Investment from 24 percent to sectoral foreign investment limit with option given to the concerned corporates to limit it to a lower threshold. Hence, allowing foreign institutional investors to acquire substantial holdings in listed hospital and other healthcare services companies where FDI is allowed making way for volatile finance capital into India's healthcare sector and treating healthcare as lucrative financial assets. Concurrently, favourable tax treatment was also extended to specific investor categories such as Alternative Investment Funds (AIFs), venture capital, and sovereign wealth funds for investments in health care infrastructure. The above measures suggest a policy stance which deems private finance as a necessary counterpart to public finance in health care sector. This enables powerful financial actors to make much headway into the Indian healthcare sector, leading to increased financialization and corporatisation.

Encouraging financial engagement in healthcare is complemented by incentivising private sector in the provisioning of healthcare through tax concessions, public-private partnerships and expansion of publicly funded health insurance schemes. The revamped Viability Gap Funding announced in 2020 provides higher public fund towards setting up hospitals in PPP

mode. Many district hospitals and crores worth of public land have already been handed over to the private players to set up medical colleges in PPP mode (Nagarajan, 2025).

Tax concessions on import of high-end medical equipment during the 1980s and 1990s have enabled private sector growth in health care (Baru 1998: 40). Such concessions were continued in early 2000s as well. The general rate of import duty on medical equipment was further reduced to 7.5 percent in 2007, which was earlier 12.5 percent except for a few specified medical equipment which attracted a 5 percent import duty. However, we find policy measures in favour of promoting domestic manufacturing of medical devices since 2010. Several raw materials and parts used for the manufacturing of specified medical devices have been either exempted from customs duty or concessional duty is charged. In 2020, a health cess at 5 percent was imposed on the import of medical devices except those already exempt from basic customs duty and parts used for manufacturing devices.

Tax measures in the sectors such as pharma, biotech & scientific research have been mainly focussed on developing domestic manufacturing capabilities especially within the private sector. Some of the key measures are allowing weighted deduction of 150 percent to 200 percent on expenditure on in-house R&D, extending concessional customs duty of 5 percent on specified machinery/equipment used in these sectors, exemption of drugs/materials imported or domestically produced for clinical trials from customs and excise duty, exempting clinical trials from service tax etc. Some of the key union policy measures are given in Appendix B and C.

Discussion and Conclusions

Health system in India is among the most privatized in the world wherein the share of private spending on health is among the highest. Of the total spending on health, 58.7 percent comes from people's pocket, while government share is 32.4 percent (NHSRC 2019). Such regressive form of financing leads to indebtedness; pushes people towards poverty, untreated ailments and preventable deaths.

The neoliberal ideological reforms have facilitated the free movement of finance capital across national boundaries and into social sectors within the developing countries. A paradigm shift in policy focus from universal healthcare to universal health coverage was the inevitable consequence of these reforms. Finance capital now dictates the national health policies in the Global South severely undermining state sovereignty and in delivering its obligations to the

people it is meant to serve. From conceptualising health policies rooted on comprehensive primary healthcare to subsequently reducing the policy priorities to selective primary health care and further to essential primary services and eventually to the current dominant narrative of universal health coverage, the role of state in health care delivery has evolved from being the sole provider of health care services to purchaser of health services provisioned by the private sector (Bisht, 2013).

Rather than addressing gaps in supply of healthcare in underserved areas, the process of financialization, is further accentuating inequalities between urban metropolises and smaller towns and backward regions of the country. As depicted in the paper, regional patterns of investment flows clearly favour the south and western part of the country and largely ignore the central part, which otherwise also remains deprived. Clearly purchasing power and profitability considerations determine investments on different segments of care and prioritise according to market conditions, which creates further exclusion.

More worrying is the trend that large part of the stake in corporate hospitals is being owned by entities which have roots outside the national territory. This essentially means that very little regulatory control is possible. Governance of finance imposes the dominance of shareholders concerns and hence interests with excessive focus on maximising shareholders' returns and priorities of patients are likely to be compromised. The purpose of hospitals, their pricing of services and payments to doctors and staffs are increasingly driven by revenue considerations and profit making.

Consequences of financialization and corporatisation on physician autonomy in clinical decision making is also a major concern. In a system where patients depend on and trust the physicians to take decisions on their behalf and physicians are supposed to be guided by the Hippocratic Oath, continuous subjugation of the medical fraternity and particularly younger doctors to market considerations are likely to bring in distortions in the way healthcare is being delivered. It is also important to note how class divisions are operationalised in hospital settings where the senior consultants are part of senior management, paid a part of the profit as they bring in the patients and generate revenue. The rest of the health workers, including junior doctors, nurses and paramedical staff are paid low wages and subjugated to exploitation and alienated from clinical decision-making process. It would be crucial that we organise private healthcare workers and bring in greater solidarity with the movement of junior doctors, nurses and other health workers.

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Appendix A: Acquisitions by major corporate hospitals (FY2006-FY2023)

Target Company*	Amount (US\$M)	Stake (%)	Year of Deal	Region
Apollo Hospital				
(Future Oncology Hospital)	12.26		2023	East
AyurVAID Hospitals	3.23	60	2022	South
(Nayati Healthcare)	56.5		2022	North
Excelcare Hospital	13.44	64.42	2021	South
Apollo Gleneagles Hospital	55	50	2020	East
Medics Super Specialty Hospital	0.5	1	2020	North
Medics Super Specialty Hospital	13.29	50	2018	North
Assam Hospitals	9	51	2015	East
(Nova Medical Centers)	23	100	2015	South
(Hetero Med Solutions) (Pharma retail)	23.85		2014	South
Imperial Hospital and Research Centre	16	34.76	2012	South
Imperial Hospital and Research Centre	6.74	51	2005	South
Dr. Agarwal Eye Hospital				
Global Eye Care Clinic			2022	West
Om Eye Care			2022	West
Prabhudesai Eye Clinic			2022	West
Aditya Jyot Eye Hospital	3.45	51	2021	West
Mirlay Eye Care			2019	South
Fortis Hospital				
(Rockland Hospitals)	27.5		2023	North
Religare Health Trust	715	100	2017	North
Fortis Hospotel		51	2016	North
({Fortis Malar Hospitals})	6.5		2016	South
(Fortis Hospital)	6.67	100	2014	North
RadLink-Asia (Diagnostics)	50	85	2012	Overseas
Dental Corporation Holdings	102	25.6	2011	Overseas
Super Religare Laboratories (Diagnostics)	184.84	74.59	2011	North
(Pacific Cancer Centre)	26	100	2011	Overseas
Fortis Healthcare International	665	100	2011	Overseas
Hoan My Medical Corporation	64	65	2011	Overseas
(Quality HealthCare Asia)	202		2010	Overseas
Apollo RM Hospital	2	56	2009	South

Clinique Darne	5.18	55	2009	Overseas
(Wockhardt Hospitals)	189	100	2009	West
NU Hospitals	11		2008	South
Malar Hospitals	10	53	2007	South
Hiranandani Hospital	6		2007	West
Escorts Heart Institute and Research Centre	134	90	2005	North
Kerala Institute of Medical Sciences				
Sunshine Hospitals	48	51.07	2021	South
Al Shifa			2014	South
Bellerose Institute of Medical Sciences	14.24	92.9	2013	South
Kollam Multispeciality Hospital India	2.39	51.13	2013	South
Manipal Hospital				
AMRI Hospital	290	100	2023	East
{iGenetic Diagnostics}	6	42.17	2022	West
Vikram Hospital & Heart Care	51.15	100	2021	South
Columbia Asia Group	240	100	2020	South
S K Soni Hospital			2014	West
Ankur Healthcare (<i>Clinics</i>)	7.3	72.73	2013	South
Arunamari Specialist Medical Centre	14	100	2013	Overseas
Max Healthcare				
Alexis Hospital	44.82	99.9	2024	West
Sahara Hospital	112.74	100	2023	North
Eqova Healthcare	6.26	26	2022	North
Saket City Hospitals	64.25	42.8	2021	North
Saket City Hospitals	44.5	49	2016	North
Saket City Hospitals	53.5	51	2015	North
Pushpanjali Crosslay Hospital	45	76	2015	North
Narayana Health				
(SPARSH Hospital)	35		2022	South
Health City Cayman Islands	32	71.4	2018	Overseas
NewRise Healthcare	27.87	100	2017	North
Westbank Hospital	14	98.62	2014	East
(Jubilant First Trust Healthcare)	7.37		2014	East
Quality Care India Ltd				

Kerala Institute of Medical Sciences	340		2023	South
Galaxy Care			2023	West
Thumbay Hospital New Life	3	100	2022	South
CHL Hospitals	52.6	100	2022	Central
United Ciigma Hospital	51	70	2022	West
Hitec City Hospital	32		2015	South
*Target company in () indicate sale of asset rather than company & Target in {} indicates a minority stake acquisition				

Source: Mergers & Acquisition deals database, Venture Intelligence

Appendix B: Some key union policy measures for the healthcare sector (FY2000-FY2024)

	Hospital	Health
FDI	<ul style="list-style-type: none"> • 2000: 100% allowed through automatic route (Hooda 2015). 	<ul style="list-style-type: none"> • 100% FDI is allowed through automatic route in medical devices, wellness and medical tourism, greenfield projects in pharmaceuticals and biotechnology. And up to 74% through automatic route in brownfield projects in pharma and biotech. • FDI up to 49% was allowed in insurance sector and up to 100% in insurance intermediaries including TPAs through automatic routes in 2020. In the subsequent year, the limit was further raised to 74% in the insurance sector allowing foreign ownership.
Private participation	<ul style="list-style-type: none"> • 2004-05: 100 % deduction of profits/ gains were allowed to new hospitals set up with at least 100 beds for a period of 5 years in rural and non-metro urban areas. • 2010: Full deduction of capital expenditure (other than expenditure on land, financial assets) was allowed. This deduction was increased to 150% by 2014 and cut back to 100% by 2017. • 2020: Viability Gap Funding Scheme for setting up hospitals in PPP mode. Under the scheme, the government invests up to 60% of the total project cost and up to 80% in the case of pilot/demonstration projects in health. Additionally, for the pilot/demonstration projects government would also provide financial support up to 50% of the operations and maintenance cost during the first 5 years of operations. It was also proposed to 	<ul style="list-style-type: none"> • 2014: PPPs were announced to strengthen public research centers in bio medical device technology as Technical Research Centers.

	<p>attach a medical college to an existing district hospital in PPP mode to meet the staff shortage.</p> <ul style="list-style-type: none"> • 2021-22: The limit on annual receipts of small charitable trusts running hospitals was increased from Rs.1 crore to Rs. 5 crores for non-applicability of various compliances like direct tax approval. 	
Financial engagement	<ul style="list-style-type: none"> • 2003-04: Tax concession was extended to the financial institutions providing long-term capital towards construction of hospitals with at least 100 beds. • 2020: Tax exemption was given on interest, dividend and capital gains income of Sovereign Wealth Fund and wholly owned subsidiary of the Abu Dhabi Investment Authority (ADIA), subject to fulfilment of certain conditions, in respect of investment made in the infrastructure sector which also includes hospitals (also including medical colleges, para medical colleges and diagnostic chains). 	<ul style="list-style-type: none"> • 2000: Venture capital funds were exempted from prior tax authority approval to promote investments in knowledge-based industries such as biotechnology and R&D in pharmaceuticals. • 2018: Exemption from the applicability of the provisions of section 56(2) (viib)⁵ of the Income-tax Act (commonly known as Angel Tax) was extended to Category-II Alternate Investment Funds (which includes Private Equity funds) as well. • 2022: Proposed to promote thematic funds for blended finance in pharmaceutical sector. The government would contribute 20% of this fund which would be managed by private fund managers. • 2023: Angel tax was exempted for certain non-resident investors as notified by Central Board for Direct Taxes which includes Category I Foreign Portfolio investors (sovereign wealth funds, pension funds, international and multilateral organizations). This measure can boost capital flow into eligible health startups registered with Department for Promotion of Industry and Internal Trade (DPIIT).
Import Duty Exemption		<ul style="list-style-type: none"> • 2007: The general rate of import duty on medical equipment was further

⁵ Section 56(2) (viib): If a closely held company (typically an unlisted startup or private company) issues shares at a price higher than their fair market value (FMV), the excess amount received is taxed as income in the hands of the company.

		<p>reduced to 7.5%, which was 12.5% except for a few specified medical equipment which attracted a 5% import duty.</p> <ul style="list-style-type: none"> • Since 2010, several raw materials and parts used for the manufacturing of specified medical devices have been either exempted from customs duty or concessional duty is charged. • Some of the key measures for the sectors such as pharma, biotech & scientific research are allowing weighted deduction of 150% to 200% on expenditure on in-house R&D, extending concessional customs duty of 5% on specified machinery/equipment used in these sectors, exemption of drugs/materials imported or domestically produced for clinical trials from customs and excise duty, exempting clinical trials from service tax etc.
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Source: Government of India (various years), Union Budget Speeches, Ministry of Finance.

Appendix C: Some financial sector reforms, which can also influence the financial engagement in the health sector

Year	Policy announcement
2000	Foreign Institutional Investors (FIIs) permitted to invest in a company, up to an aggregate of 24% of equity shares, which can be increased to 40% (earlier this limit was 30%) subject to approval by the Board of Directors and a Special Resolution of the General Body of the Company.
2016	Investment limit for foreign entities in Indian stock exchanges increased from 5 to 15% on par with domestic institutions.
2018	Statutory limit for Foreign Portfolio Investment in a company increased from 24% to sectoral foreign investment limit with option given to the concerned corporates to limit it to a lower threshold (this is applicable to all sectors where FDI is currently allowed)
2022	An expert committee was set up to examine the regulatory issues for PEVC investments and suggest appropriate measures to facilitate the investment flow. A six-member committee headed by SEBI Chairman was constituted in 2022 and report is yet to be released (ET Online, 2022)

Source: Government of India (various years), *Union Budget Speeches*, Ministry of Finance.