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M&A, Buyout Activity In Healthcare To Remain Strong, Capex May Recover: El Toro Finserve

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M&A, Buyout Activity In Healthcare To Remain

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India's healthcare sector is likely to record buoyant activity related to mergers and acquisitions, private equity buyouts and initial public offerings in 2025 even as overall outlook has shifted significantly due to geopolitical tensions and an uncertain economic environment, according to a report.

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global pressures and the healthcare sector experienced a roughly 50% decline in capital expenditure and investments in 2024, the report said.

The uncertainties following India's general elections, coupled with the global economic slowdown, further dampened the investment and capex cycles in the sector, said the report, adding that 2025 is also likely to be sluggish.

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However, despite these challenges, there is renewed optimism for India's healthcare sector, driven by a mix of government support and emerging investment trends. The Union Budget for 2025-26 allocated Rs 95,957.87 crore to the Ministry of Health and Family Welfare, reflecting a 10.8% increase from the previous fiscal year's revised budget. This increase is crucial as India's healthcare system grapples with post-pandemic



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healthcare sector include the rise of cross-domain business models, which could contribute an additional \$50 billion to India's GDP over the next five years. Additionally, healthcare startups from India's pre-Covid "India Stack" are increasingly pivoting towards integrating AI technologies, with around 450 such startups expected to undergo AI upgrades in the coming years. This technological transformation is anticipated to bring about new-age medical and wellness tourism models, positioning India as a leader in medical tourism, the report said.

The report noted that the BSE Healthcare Index was a standout performer in 2024 with a 40% year-to-date return. The index is expected to continue its positive trajectory in 2025. Valuations are now returning to realistic levels, it added.

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Presenting a segment-wise outlook, the report highlighted several areas of focus. It said that private hospitals are aggressively expanding bed



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improving as internal accruals strengthen. El Toro expects a few IPOs, buyouts and exits via secondary sale in this segment.

The med-tech and life sciences discovery segment is set to benefit from global partnerships, particularly in biologics, as India seeks to establish itself as a global player in this space, the report noted, adding that it expected a major IPO in this domain this year.

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In pharmaceuticals, growth in domestic markets is expected, although price erosion in the US generics industry and the decoupling of the supply chain with China will create only marginal improvements in profit margin. In this segment, companies with strong cash positions will increase capex as well as buyouts and M&A activity, the report projected. However, it doesn't expect any major company to float an IPO in this segment this year.

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