

Pharmaceutical sector in emerging markets is going to grow much faster over the next decade than the markets of developed countries which face slowing economies. And Indian market growing at ~14% CAGR is expected to lead this growth. Indian healthcare industry is expected to grow at a high rate in the coming decade due to many reasons. The major participants being pharma companies we expect them to do better than other industries and recommend investment in this sector.

#### Major growth drivers for pharmaceutical industry would be –

**Rising Incomes:** The affordability of drugs will rise due to sustained growth in incomes. With real GDP growing at nearly 8 per cent over the next decade, income levels will rise steadily. Rising incomes will drive nearly 73 million households into the middle and upper income segments.

**Greater Health Insurance Coverage:** In addition to income growth, health insurance coverage will augment affordability. By 2020, nearly 650 million people will enjoy health insurance coverage. Private insurance coverage will grow by nearly 15 per cent annually till 2020.

**Rising Government Spending:** One of the biggest factors for pharma growth will be government sponsored programs that are largely focused on the 'below poverty line' (BPL) segment, and are expected to provide coverage to nearly 380 million people by 2020. Government spending will increase significantly in coming years. It has been growing at 18% annually and is translating into higher access in smaller cities and rural markets. In addition, this will create a USD 4.5 billion segment of pharmaceutical products within the Government's public health spending.

**Enhanced Medical Infrastructure:** The accessibility to healthcare will expand due to growth in medical infrastructure, new business models for smaller towns and rural areas, launches of patented products, and greater government spending on healthcare. Medical infrastructure will see over USD 200 billion of investments over the next decade, causing a dramatic growth in this sector. Over 160,000 beds are estimated to be added every year across different segments of hospitals.

**Rise in the Prevalence & Treatment of Chronic Diseases:** Population growth at around 1.3 per cent every year and a steady rise in disease prevalence will increase the patient pool by nearly 20 per cent by 2020.

**New Market Creation and Rising Awareness:** Aggressive market creation by players coupled with rising acceptability of modern medicine and newer therapies will increase the market size. Additionally, an increased acceptance of biologics and preventive medicine, and a greater propensity to self-medicate is also expanding the pharma reach.

#### RECOMMENDATION:

Pharma sector is in a long term secular growth and investors should invest in pharma mutual funds for sustained returns. Some of the performing schemes are\*:-

FUND	AUM (Rs Cr)	RETURNS (%)		
		1 YR	3 YRS	5 YRS
1. Reliance Pharma Fund	899	63.8	29.2	27.3
2. SBI Pharma Fund	234	54.2	34.4	27.3
3. UTI Pharma & Health Fund	179	48.7	25.7	24.3

\* Mutual Fund investments are subject to market risk. Please read the offer document carefully before investing

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