Hamstrung by red tape, hospital operators buy their way into India

REUTERS/FILE

A man walks on the garbage near the Gleneagles Khubchandani hospital in Mumbai, India.

REUTERS, *New Delhi*

For nearly two years, Parkway Pantai has delayed the opening of its 450-bed India hospital, the Singapore-based medical firm's bid to cash in on one of Asia's fastest growing private healthcare markets, as it waited for the necessary permits.

Parkway, a unit of the world's second largest healthcare group by market value IHH Healthcare Bhd, now intends to use acquisitions to quickly expand in India, where the private hospitals market is estimated to be worth $55 billion a year but where companies must obtain as many as 70 clearances from federal and local authorities to launch a new facility.

"Greenfield is off the agenda," Ramesh Krishnan, Parkway's head of Middle East and South Asia operations, told Reuters by telephone from Singapore. "It's a market you don't want to wait eternally to tap into, so we've basically decided to do it inorganically. It's just a question of a shorter runway."

In Mumbai, garbage festers around Parkway's already built Gleneagles Khubchandani hospital, which had been expected to open in 2012. Krishnan said it will now open next year.

Expanding through acquisitions has increasingly become the tactic of choice for hospital operators seeking to speedily expand in India, where the demand for private healthcare is booming thanks to an overburdened public healthcare system.

Data from BofA-ML Global Research shows the private hospital market is set to grow 16 percent a year to reach $120 billion by 2020, almost double the size of the Chinese market.

This expansion strategy, however, does nothing to address a severe shortage of hospital beds, or bring down the cost of healthcare, issues that Prime Minister Narendra Modi's government has so far failed to fix despite election promises to upgrade the entire healthcare sector.

India has 7 hospital beds per 10,000 people, lower than Southeast Asia's average of 10 beds and China's 38 beds, the World Health Organisation said last year.

"Acquisitions are good for the industry, but can have worrying long-term implications for infrastructure development in the sector," said Rana Mehta, head of healthcare at consultants PwC India.

Expanding through acquisitions is more lucrative for hospital firms than starting from scratch: the BofA-ML data shows companies pay up to $150,000 to set up a new bed in India, or more than double the $60,000 they pay to buy an existing bed.

Acquisitions in India also remain cheaper than in many other countries: in Singapore, it costs $1.5 million to buy a hospital bed, and in South Africa, the cost is $100,000, the data shows.

So far this year, IHH Healthcare has bought majority stakes in India's Global Hospitals Group and Continental Hospitals for about $240 million. The company already holds a 10.85 percent stake in India's largest hospital chain Apollo Hospitals Enterprise.

"In India, strategic acquisitions help increase our speed to market and meet the pent-up demand for quality private healthcare," IHH Chief Executive Tan See Leng said via email.

Privately owned Cygnus Hospitals said it plans to add about 35 hospitals to its network by 2018 solely through acquisitions. Manipal Hospitals has also ruled out building new facilities. "The land permits and other clearances can take years," said Manipal's Chief Operating Officer Gopal Devanahalli.

The cost of suitable real estate, especially in rapidly developing cities, is also deterring hospital operators from building new facilities. Property consultants Jones Lang LaSalle said land prices in Ahmedabad, Pune and Hyderabad, among others, have risen by more than a third since 2011.

In June, Apollo Hospitals acquired a 220-bed hospital in Guwahati after it failed to find suitable land to build a new hospital in the north-eastern city.

"Cost of real estate and construction in some locations has become so prohibitive that it makes sense for us to evaluate acquisitions," said Chief Financial Officer Krishnan Akhileswaran. Apollo was also looking into possibly acquiring hospitals in Assam and Karnataka states, he added.

Forget social media, friends and family drive purchases: study

AFP, *Paris*

Although many companies are pouring money into social media to market their goods, the recommendations of friends and family remain the top driver of purchasing decisions, a study released Thursday found.

"Direct word-of-mouth recommendations from friends and family are by far the most important source of information for customers thinking about buying a product or service," said a study by Boston Consulting Group.

In fact, it found such brand advocacy to be about four or five times more influential than traditional and social media in making purchases.

The study was based on a survey of 227,000 consumers across the world, including the United States, France, Germany and Japan.

It showed half of consumers said they most often consult friends and family before making purchases. Company websites followed at 39 percent, and blogs at 35 percent. Television came in alongside newspapers and magazines at 13 percent, and social media 10 percent.

With recommendations from family and friends also a considerable motor for sales growth, it found customer loyalty programmes and customer experience were important.

The report also found that satisfied customers spent more.

Boston Consulting Group is a global management consulting firm that advises companies in a range of areas, including marketing and sales.

AFP

Consumers often consult friends and family before making purchases with company websites.

TRANSCOM DIGITAL

Arshad Huq, chief operating officer of Transcom Digital; Yeamin Sharif Chowdhury, head of business; Shakil Chowdhury, general manager for finance and accounts, and Yoshiyuki Ue and Parkash Issardas from Hitachi pose at the launch of Hitachi's new range of refrigerators made in Japan in partnership with Transcom Digital, at Transcom Digital's outlet in Gulshan-1, Dhaka. Buyers will enjoy free delivery, installation and up to six equal monthly instalments at zero percent interest on use of credit cards of 14 selected banks.

Apple presses deeper with new iPhones and more

AFP, *San Francisco*

Apple is bolstering its money-pumping iPhone line while looking to dive deep into businesses with iPads and dominate living rooms with Apple TV hardware tuned to app-loving lifestyles.

Tricked-out new iPhone 6 models, along with overhauled Apple TV hardware and iPad Pro tablets with enlarged screens, were major announcements at the technology titan's media event Wednesday in San Francisco.

"Apple did the typical good job at the event," Gartner analyst Brian Blau told AFP.

"Overall, I don't think it is going to push the needle for Apple in a good or a bad direction. These are great devices and cool features."

Apple shares ended the official trading day down slightly less than two percent at $110.15, and danced around that price in after-market trades.

"If you are an investor, you are probably not that excited about today because you didn't hear numbers and these features won't impact sales this quarter," Blau said.

Apple introduced two updated iPhones to build on the success of large-screen handsets introduced last year that have dominated the high-end smartphone market.

The iPhone 6S and 6S Plus have the same overall dimensions as the previous versions, but with new technologies under the hood.

One of the key new features is called "3D touch," which responds to pressure exerted on the screen to allow users to look inside messages and applications.

"Apple has performed the ultimate conjuring trick: Change everything about the iPhone, but make it look almost identical to the old model," IHS Technology said in a posted analysis.

By responding to sensing pressure, the phones enable users to dip in and out of content without losing their place.

"It will further refine our use of touch as a main user interface," Blau said.

The 6S has the 4.7-inch (about 12-centimeter) display of its predecessor and the 6S Plus -- which updates one of the more popular handsets in the "phablet category" -- has the same 5.5-inch screen.

But the devices have more powerful processors that allow for improved graphics, harder glass and a new aluminum body. Pricing will be kept at the same levels as the earlier versions.

For those buying without carrier subsidies, Apple will sell the devices on a 24-month installment plan at $27 per month for the $650 iPhone 6S and $31 for the 6S Plus, making the price nearly $750.

Apple will take pre-orders starting Saturday and deliver the phones September 25 in the US, Britain, Australia, Canada, China, France, Germany, Hong Kong, Japan, New Zealand, Puerto Rico and Singapore.

The new iPad Pro has the power and capabilities to replace a laptop computer, Apple said. It had aspects reminiscent of Microsoft Surface Pro tablets, such as covers that double as keyboards.

Apple chief executive Tim Cook called the device "the biggest news in iPad since the iPad."

The new tablet with a 12.9-inch display also includes a detachable keyboard and stylus, sold separately.

According to Apple senior vice president Phil Schiller, the device features "desktop-class performance" and operates faster than 80 percent of portable PCs that shipped in the last 12 months.

The new iPad will be available in November starting at $799.

The iPad Pro stylus, called Apple Pencil, was designed for high-precision illustration and 3D design applications. Apple Pencil will be sold for $99 more and the keyboard for $169.

Avi Greengart at the research firm Current Analysis tweeted that the new tablets "are aimed directly at enterprises. That's a long sales cycle, but could finally stop (the tablet market's) sales slide."

Upgraded Apple TV includes voice search, touchscreen remote control and an app store in a challenge to Google, Amazon and Roku.

Apple TV was overhauled as people increasingly stream films and television shows on-demand online and turn to mobile applications for entertainment.

"We believe the future of television is apps," Cook said.

Apple released a software kit for outside developers, and showed off early versions of Apple TV applications already being crafted by show streaming services Netflix and Hulu, as well as HBO.

Apple TV has the potential to take the kinds of "casual game" apps popular on mobile devices and put them on television screens, according to analysts.

REUTERS/FILE

The new Apple iPad Pro is displayed at an Apple media event in California Wednesday.

China tightens capital controls after devaluation

AFP, *Shanghai*

China is tightening capital controls following a devaluation of its yuan currency, media reports said, as worries about financial outflows rise.

The State Administration of Foreign Exchange (SAFE) had ordered financial institutions to increase checks and boost controls on foreign exchange transactions, especially over-invoicing of exports which is used to hide capital outflows, the Financial Times on Wednesday quoted unnamed sources and an internal memo as saying.

In a similar report Bloomberg News quoted Tommy Ong of DBS Bank Hong Kong as saying: "The main objective is to reduce volatility, curb capital outflows and limit depreciation pressure on the yuan."

Last month, China moved the yuan almost five percent lower in a week, saying it was part of broader economic reforms aimed at shifting towards a more flexible exchange rate.

The suddenness and scale of the devaluation in the normally stable unit sparked worries the world's second-largest economy was performing worse than revealed.

China's foreign exchange reserves fell by a record $93.9 billion last month to reach $3.56 trillion at the end of August, as Beijing sold dollars to support the yuan following jitters over the surprise devaluation.

The central bank, the People's Bank of China (PBOC), on Tuesday said it will require banks to pay a 20 percent deposit on forward sales of foreign exchange, in a move aimed at speculators. A forward sale is a commitment to sell at a predetermined price and date.

But in a statement the PBOC denied the move amounted to a capital control as it did not restrict transaction volumes and did not require approval for individual transactions.

Chinese Premier Li Keqiang on Thursday said China will keep the currency stable and vowed to push forward making the yuan freely convertible. He also promised to allow foreign central banks to directly trade in the country's currency market.

"We will continue to keep the (yuan) exchange rate basically stable at a reasonable and equilibrium level," he said in a speech at the World Economic Forum in the Chinese city of Dalian.

Addressing business executives attending the forum on Wednesday, Li denied China had sought a competitive devaluation to boost exports as economic growth slows.

Dell to invest $125b in China over five years

REUTERS, *Taipei*

Computer maker Dell Inc will invest $125 billion in China over the next five years, its chief executive said on Thursday, as the company continues to expand in the world's second-largest economy.

The world's third-largest maker of personal computers said the investment would contribute about $175 billion to imports and exports, sustaining more than one million jobs in China.

"The Internet is the new engine for China's future economic growth and has unlimited potential," Chief Executive Michael Dell wrote in a statement.

"Dell will embrace the principle of 'In China, for China' and closely integrate Dell China strategies with national policies," Dell said, adding that the company would continue to expand its research and development team in China.