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Consolidation may drive growth in diagnostic sector

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THE country's diagnostics and path labs industry, which is pegged at around Rs 4,500-crore and is growing at an annual rate of 10-12%, is expected to witness consolidation in the near term, according to industry experts. Fidelity International managing director Jasmin Patel said: "Consolidation is going to go up in the path labs space." Dr Lal Path Labs CEO OP Manchanda said: "There has been no national player till now. Regional players are trying to go national, which requires a lot of time and investment. There is a pressure to decentralise and go closer to the patient, but economics doesn't allow that. The other option is to tie up with like-minded players."

Nishith Desai Associates' Milind Antani, a legal consultant, added: "Companies will be looking to capture markets, expand geographies and reduce costs by consolidating. It will be consolidation with the aim of expanding the business and there is going to be stronger emphasis on tier-II and tier-III cities."

Piramal Healthcare executive director and COO N Santhanam said: "Independent people have limited means to grow their reach. Smaller clinics are likely to get consolidated with bigger brands. In 2009, we plan on increasing the number of diagnostic labs by 20-30%. If the strategic fit is right, we won't be constrained by budgets." The company has also tied up with hospitals and taken over the running of their radiology centres.

Dr Lal Path Labs plans to open 10 more path labs by this month end, taking their total count to 50. Of this eight will be opened in north and east of the country. "We are open to acquiring labs and also partnerships. Ideally, we are looking at expanding in west and south. But valuations have to be right and there has to be synergies between the two labs," said Mr Manchanda. He added that there is a trend of small players approaching bigger lab chains in search of partnerships.

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