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SECTOR REPORT

Indian Medical Devices

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Indian Medical Devices Sector - Key Characteristics, Current Trends, Select Large Deals and Government Policies

Indian Medical Devices- an underpenetrated segment

Indian Medical Devices industry is a sunrise segment that is expected to witness a double-digit growth rate of ~12% in the upcoming years. India contributes only 2.5% of the overall global medical devices market thus providing tremendous opportunity to emerge as a global leader in manufacturing and innovations of medical devices. The Indian Medical Devices industry is currently valued at ~\$12 Bn expected to reach \$50 Bn by 2030.

India's Medical Devices segment is at a nascent stage with 65% of the players operating in the consumables segment for domestic consumption and limited export revenue. India is emerging as a favorable investment destination as more than ~\$600 mn FDI received from countries such as USA, Japan, Europe & Singapore in the last five years.

Import Dependent Market

Indian Medical Devices segment is the 4th largest in Asia after Japan, China & South Korea. Despite being 4th largest medical device manufacturer in Asia, India is highly import-dependent and 75-80% of the demand is met through import.

USA, China, Germany & Singapore together contribute 70% of the overall import volume of high-tech and high-end consumables. The Government of India has identified import and pricing as major roadblocks with respect to the growth of the Indian medical devices segment. The Government of India has introduced multiple policies to support indigenous development and the Make in India initiative for critical devices and diagnostic products

Current Market Segmentation

Indian medical devices highly fragmented market with 800+ players with an average turnover of 5-6 Mn. In terms of medical devices production hubs, India can be segmented as follows:

North Market: Focus on low-end consumables

West Market: Focus on implants

South Market: Focus on diagnostics and high-end products



Following is the Medical Devices Key Segmentation and Analysis

Key Segments	Sub-Segment	Market Share	Import Dependency
Diagnostic Imaging	X-Ray tubes, CT scan, MRI, USG Probe, PET Scans, etc.	30%	52-55%
Consumables	Cardiac Catheter, Lab reagent, Suture, Strips & cartridge, Dialyzers & Filters, cannula	16%	35-40%
Patients Aids	Pacemakers, Hearing Aids, Cochlear Implants, Stents	12%	50-55%
IV Diagnostics	Lab Reagents & Accessories	10%	67-70%
Ortho & Prosthetic	Artificial Joints and Joint Implants	7%	62-65%
Dental Products	Dental implants, Dental Instruments	3%	60-65%
Others	Endoscope, Laparoscope, ECHO, EEG, ECG, Artificial Dialysis Apparatus	22%	80%-85%

Key Growth Drivers

A. Escalating Burden of Non-Communicable Diseases

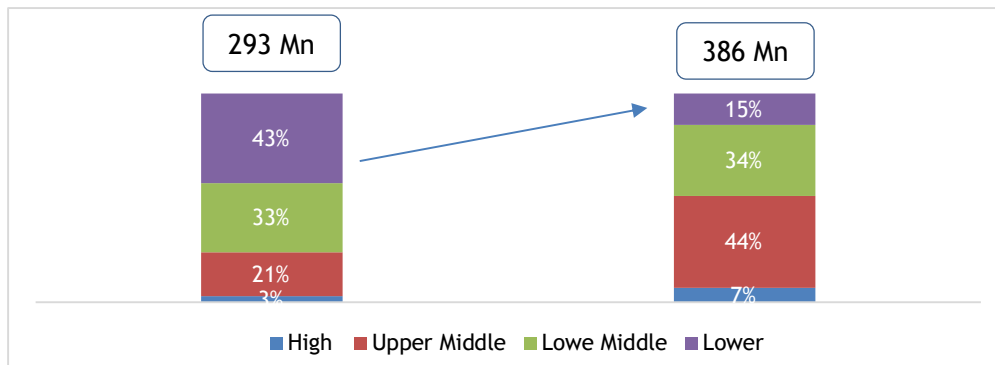
The disease pattern in India has undergone a significant change over the last 10 years and the same has been left unnoticed. Over 61 lacs people and 66% of the death were caused due to NCDs & there is a 22% probability of death between the age of 30 and 70.

The four major NCDs are cardiovascular diseases (CVDs), cancers, chronic respiratory diseases (CRDs), and diabetes. It's estimated that 26 lacs deaths were caused due to cardiovascular diseases and 11 lacs deaths by chronic respiratory diseases respectively. The grim situation is due to limited access to diagnostic equipment and lack of affordability of treating such diseases.



B. Structural Shift in Household Income Profile

Access to affordable healthcare is a major constraint given that 43% of households earn an annual income of less than \$4,000-4,500. The Indian economy is projected to witness a strong shift in household profiles as indicated below



50 Mn households will be shifting middle-upper middle class by 2030. The shift in the next 10 years will significantly enhance the purchasing power as well as the affordability of medical devices and healthcare treatments.

C. Focus on Health Insurance

India's health insurance is still an underpenetrated segment with ~30-35% being covered under insurance schemes as compared to 90%+ for USA & 95%+ for China. The Government of India through Aayushman Bharat scheme has been able to increase the coverage but in terms of premium perspective, India is still behind developed economies. On an average in India monthly premium stands at \$15 vs \$3,500 per month in the USA.

The current market situation provides humongous opportunities due to the increasing awareness, ease of information, and digitally savvy population.

D. Health Awareness will Drive the Population to Healthcare

India has 750 Mn smartphone subscribers in 2021, which is expected to reach 1 bn by 2026. The steady rise of smartphone subscribers has opened new avenues for healthcare delivery. The availability of telecom bandwidth is ensuring medical expertise reaches the underserved rural market and smaller cities through telemedicine and teleconsulting.

This will translate to an increased market opportunity for med-tech in the overall medical devices segment

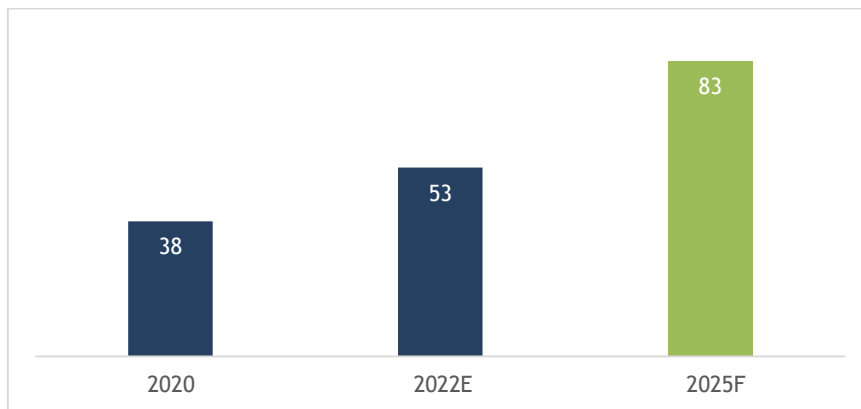


Current Industry Trends

A. Minimally Invasive Surgery

India's minimally invasive surgery includes surgery performed through tiny incisions instead of a large opening, for example, Laparoscopy: appendicitis, hernia, gallstone.

Minimally Invasive Surgery Market Size Estimation (\$ Mn)



India's minimally invasive surgery market is primarily driven by the increasing prevalence of chronic ailments, such as cancer, arthritis, and cardiovascular diseases. The aesthetic segment is expected to hold a significant market share over the forecast period.

Cosmetic Surgeries by Volume for 2021



B. Robotic Assisted Surgical System

Robotic-assisted surgeries have made a significant contribution to the healthcare industry and expected to reach \$300 Mn by 2024 witnessing a CAGR of 20%. Currently, India has 500 robotic surgeons deployed at government and private healthcare facilities.



In addition to assisting surgeons, robots are playing a critical role in training medical professionals and are an ideal training model for young surgeons in Tier-2 and Tier-3 hospitals.

- I. **Nano robots set to dominate:** Post-COVID, the microscopic virus is on the rise and the near future will witness a proliferation of nano-scale robots. The nanoscale robots can traverse through the body to detect irregularities.
- II. **Rehabilitation robots:** Increase in life expectancy and expanding population of senior citizens to ensure the development of innovative rehabilitation robots. The robot will help the aging population with physical disabilities and support using integrated sensors.
- III. **Surgical robotic system:** Robots will be relevant and of critical importance to hospitals that offer surgical procedures for complicated conditions. Low-cost innovation in robotic systems is expected to dominate the Indian market

Financial Scheme Introduced by Government of India

Scheme	Details	Segments	Grant
Production Linked Incentive Scheme	Proposes a financial incentive to boost domestic manufacturing and attract large investments in medical devices segments	Cancer care devices, radiology and imaging devices, anesthetics devices, implants	Total Incentive: INR 3,420 crs Approval to 21 applicants with a committed investment of INR 1,060 cr
Promotion of Medical Devices Parks	Robust infrastructure base to strengthen the domestic medical devices market	4 medical devices park across 4 states	An outlay of INR 400 cr, grant of INR 100 cr per park, or 70% of project cost



Recent Deals Medical Devices

Closing Date	Target/Company	Investor/Acquirer	% Stake	Amount (INR cr.)
Jun-22	ACCUMAX	Creador®	NA	528
May-22	 NEXT GenWorks Defining tomorrow, today		NA	135
Feb-22	 Share to Life	WARBURG PINCUS	11%	1,500
Jan-22			NA	35
Sep-21		SIGULER & GUFF	NA	100
Aug-21		Apax PARTNERS	5%	130
Feb-21	 POLYMED Reimagine the future	 LIGHTHOUSE POWERING THE FUTURE	NA	400
Jan-21	 Makers Hive	STARFISH Empowering the Medical World	NA	66
Jan-20			9%	140

Sources:

News Reports
IBEF Report
News Articles
WCA Proprietary Analysis
Private Circle



How can Wodehouse Capital Advisors help?

Wodehouse Capital Advisors has extensive network and prior experience across each of the service vertical



Family Office Services

- Investment Management
- Succession Planning
- Real Estate Advisory
- Business Consulting
- India Entry Strategy



Merger & Acquisitions

- Buy Side Representation
- Sell Side Representation
- Bolt- On- Acquisitions



Debt

- Structured Finance
- Refinancing
- Additional Funds for Set-up



Equity

- Growth Capital
- Strategic Capital

THANK YOU