

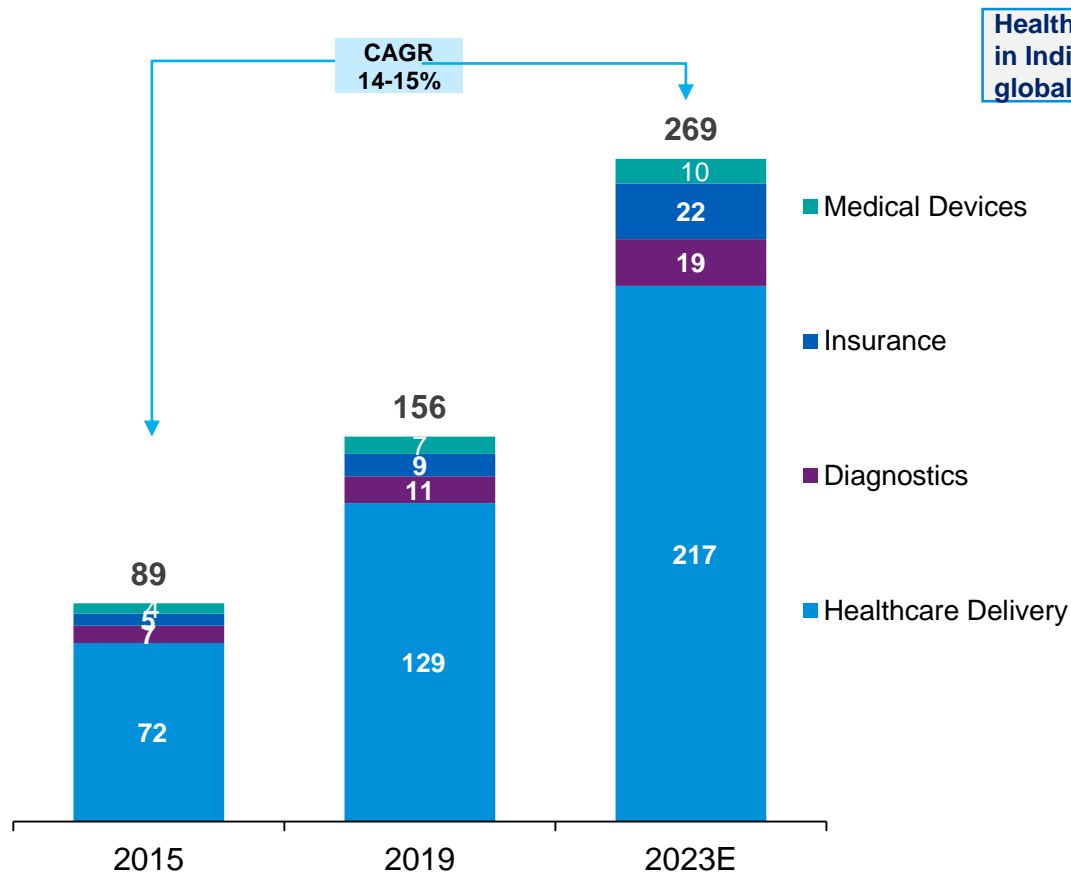
Medical Devices Market in India – An Overview



Overview

Indian healthcare industry is estimated at USD 160 bn, but remains under-penetrated due to lack of infrastructure and shortage of manpower

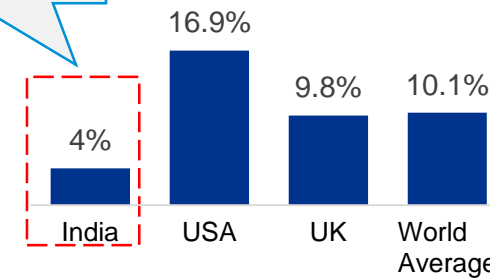
Indian Healthcare Industry size, USD bn



Key observations about Indian Healthcare Industry

Healthcare expenditure in India lags behind global averages

Healthcare Expenditure



Number of Beds (per 1,000 people)



India: 1.2
World avg: 2.0

Number of Doctors and Nurses^{3&4}



Doctors: 1:1,445
Nurses: 1.7:1,000

Indian healthcare market is under-penetrated with shortage of infrastructure and manpower

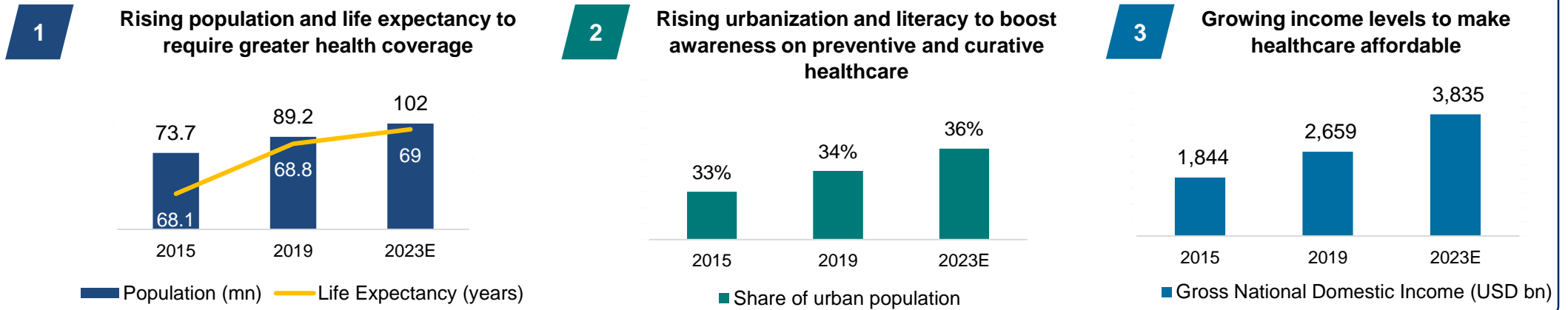
- Shortage of doctors, estimated at ~600,000, nurses, estimated at 2 mn, and related infrastructure are the major challenges faced by the industry:
 - WHO guideline indicates a requirement of 2.0-2.5 million additional hospital beds in India
 - Ratio of doctors stands at 1:1,445 against a recommended 1:1,000 while ratio of nurses is at 1.7 per 1,000 people as compared to WHO norm 3 per 1,000 people
- 65% of health expenditure is out-of-pocket making it unaffordable for majority of the population

1. ICICI Direct Report on "Healthcare Sector in India - Dec 2019", accessed on 15th June 2020; KPMG analysis; 2. Apollo Investor Presentation – June 2019, accessed on 15th June 2020; 3. India's doctor-patient ratio still behind WHO-prescribed 1:1,000: Govt, Business Standard, Nov 2019; 4: India's shortage of doctors, nurses may hamper COVID19 response

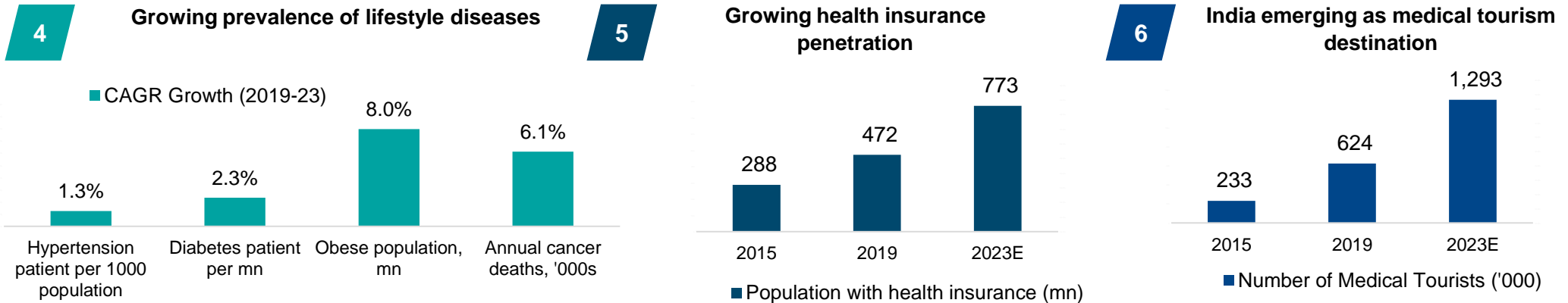
Overview

Increasing patient base coupled with increased penetration of affordable healthcare is expected to drive the healthcare market

Demographic drivers



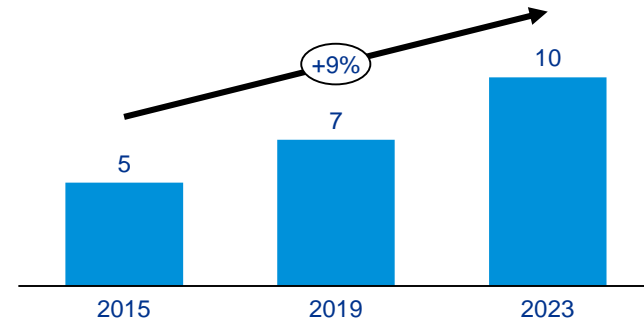
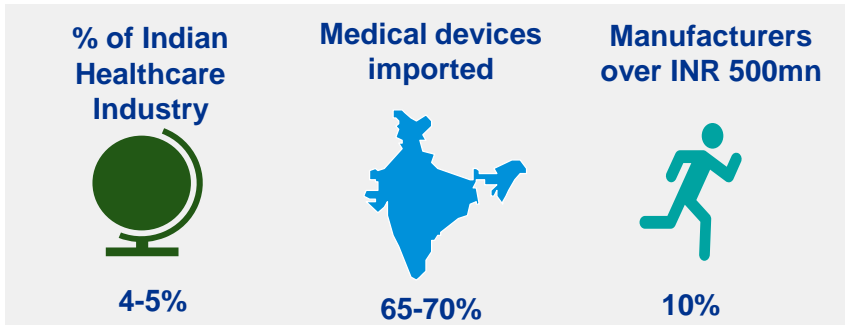
Healthcare drivers



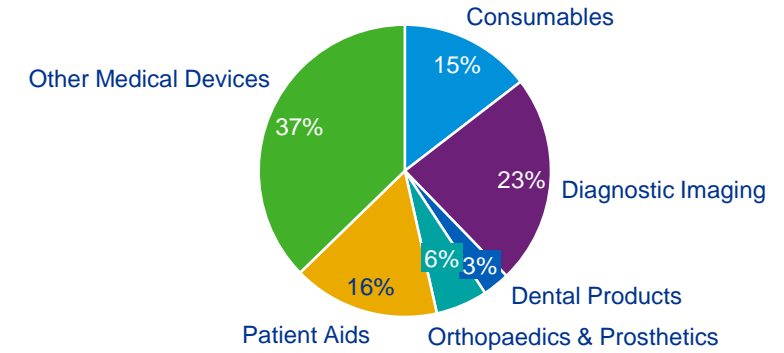
1. International Journal of Hypertension, ICMR Report, WHO Report, IRDA Annual Report, Statista, accessed on 15th June 2020; KPMG analysis

Medical Devices

India is the 4th largest market for medical devices in Asia and is currently estimated at USD 6.8 bn; Sector is primarily driven by rising healthcare accessibility and expenditure



Indian Medical Devices Industry, USD bn (2015-23)



Split of Indian Medical Devices Industry by product, 2019

Key Growth Drivers

- ▶ Improving regulatory landscapes, tax initiatives
- ▶ Increasing health Insurance penetration (Launch of Ayushman Bharat Health Insurance scheme)
- ▶ Make in India initiative by government
- ▶ 100% FDI in the medical device space allowed
- ▶ Other factors such as lifestyle, ageing population, better affordability etc., which increase demand for healthcare services.

Key challenges

- ▶ Excessive dependency on imports – Limited availability of technology and funds
- ▶ Lack of innovation & customization options and unavailability of skilled resources is further slowing down the growth
- ▶ Probability of implementation of price controls on medical devices
- ▶ Frequent revisions in government policies - Uncertainty over incentives for private sector in land, viable gap funding, income tax laws

Future outlook

- ▶ Make in India initiative to boost domestic manufacturing of medical devices
- ▶ International players in China can explore India as an option to relocate
- ▶ Digital companies like Google, Amazon already investing huge amount in the R&D of medical device usage, which could boost new technologies and entry of new players.
- ▶ Global private equity players and leading healthcare providers are looking forward to enter the Indian market

1: Fitch Solutions report on India Medical Devices Q1 2020, accessed on 15th June 2020; KPMG Analysis

2: Invest India, Indian medical device manufacturers need support from multinational companies, says report, Feb 2020, Indian medical devices industry: Outlook for 2019, Express Healthcare Jan 2019,

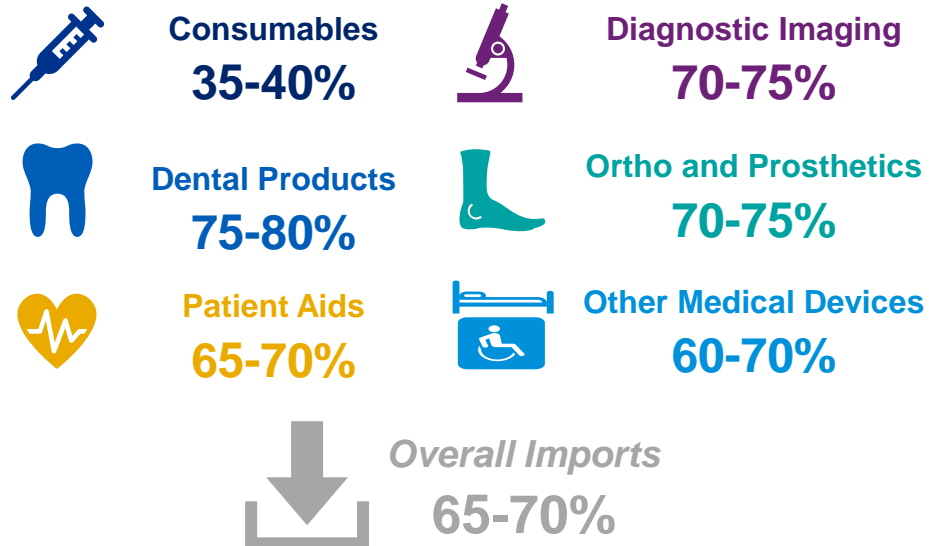
3. Medical devices sector in India, SKP business consulting LLP ; 4. Make in India article on medical devices

5. Medical device manufacturing in India – A Sunrise >> pharmaceuticals.gov.in ; 6. News articles

Medical Devices

Covid-19 pandemic has created a situation where many top global firms are exploring the feasibility of relocating out of China, making India an attractive market to invest

Current Import Dependence of Medical Devices



Contribution to imports



Impact of COVID-19

- ▶ Uncertainty over supply chain continuity and regulatory changes
- ▶ Financial and logistic bottlenecks have created operational challenges
- ▶ With heavy dependence on import, COVID-19 and depreciation of rupee has impacted profitability of Indian companies

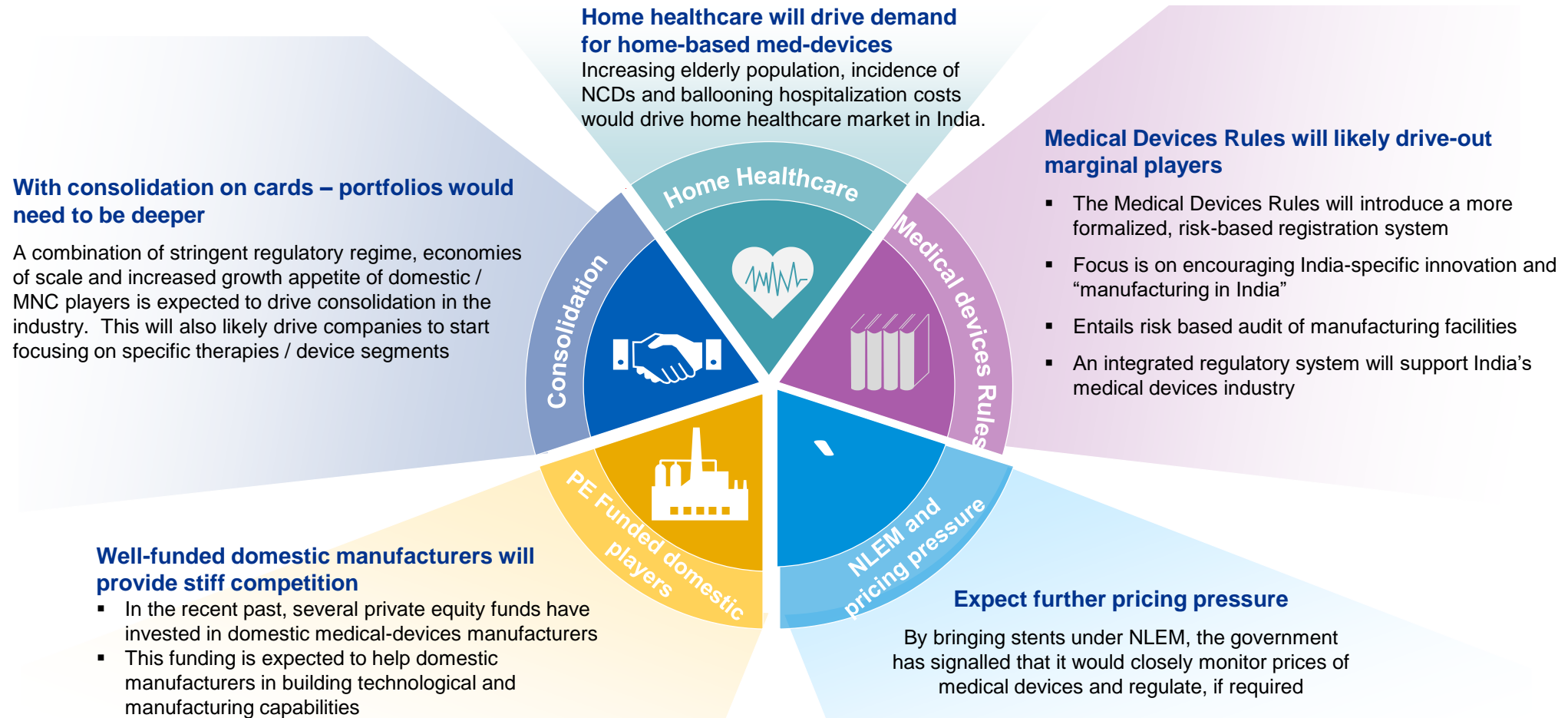
Anti China sentinel and growth opportunity for Indian Markets

- ▶ High importance dependence (65-70% share), with China as a significant contributor (15-20%)
- ▶ The government of India has taken several initiatives to boost domestic manufacturing including 100 per cent automatic FDI, setting up of Medtech Parks in multiple locations and improving the ease of doing business
- ▶ With US-China trade war and COVID-19, many manufacturers are planning to shift their manufacturing base from China to other countries like India, in order to de-risk their supply chain
- ▶ Johnson and Johnson, the American medical equipment maker, is already exploring the possibilities in India; Lava International has also tied up with conglomerate General Electric for manufacturing hand-held devices meant specifically for medical use
- ▶ India could emerge as a long-term beneficiary in the medical device space

1: Industry Reports, News Articles, KPMG Analysis



Changing industry dynamics and continued competition between domestic and international players are expected to drive innovative solutions



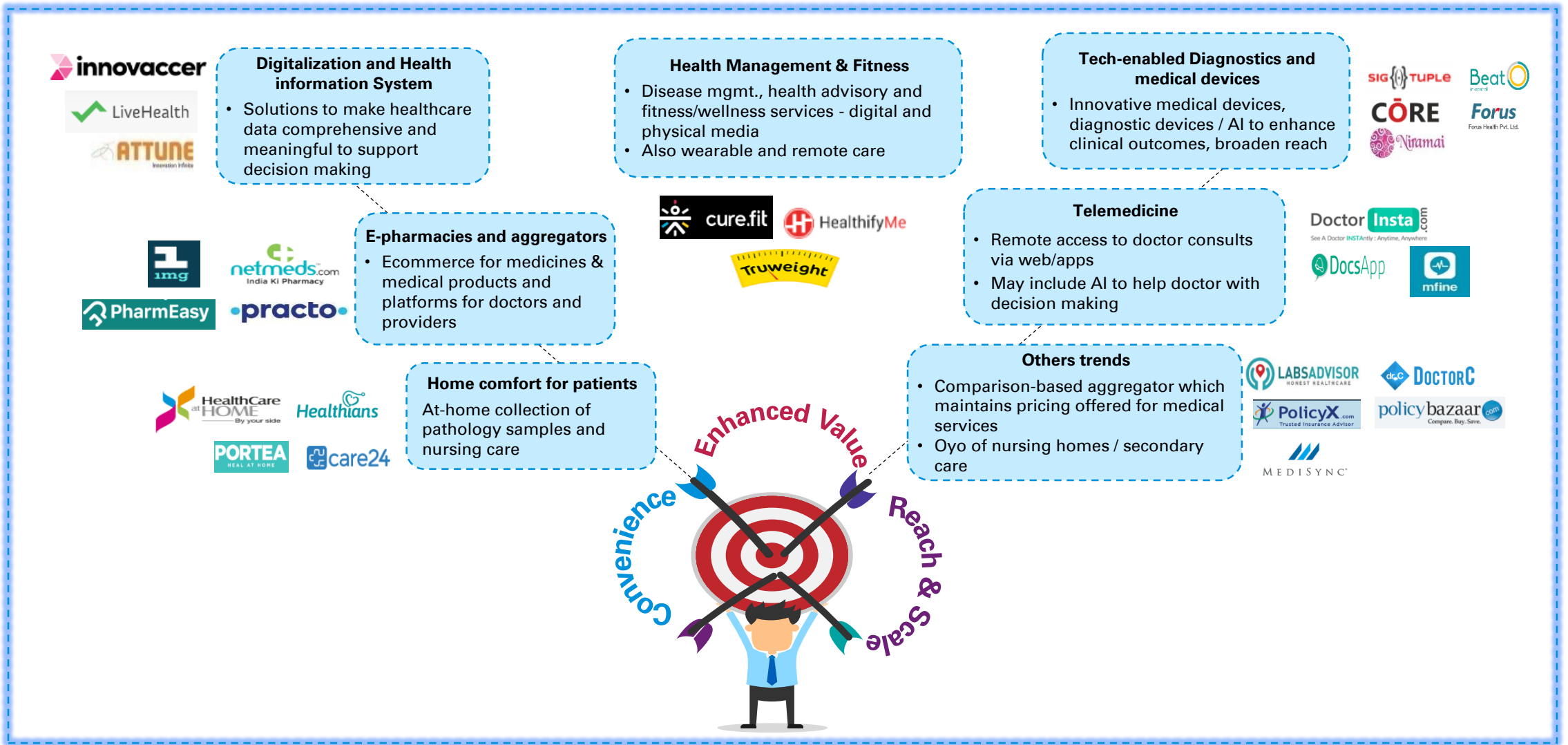
1: Fitch Solutions report on India Medical Devices Q1 2020, accessed on 15th June 2020; KPMG Analysis

Medical Devices

Categories such as wound care, hospital furniture, IV diagnostics present an opportunity for a new entrant

| Category | Sub-categories | Est. Market Size (2018) USD mn | Share of Imports | Future Growth (%) | Capital Intensity | Doctor Influence | Competition | Opportunity |
|---------------------------|--|--------------------------------|------------------|-------------------|-------------------|------------------|-------------|--|
| Consumables | <ul style="list-style-type: none"> Bandages & Dressings Suturing materials Syringes, Needles & Catheters Other consumables | 1,000 | ~50% | 10% | | | | <ul style="list-style-type: none"> High Opportunity - Wound care segment is attractive due to large market, low capital intensity and low doctor influence |
| Diagnostic Imaging | <ul style="list-style-type: none"> Electro-diagnostic Apparatus Radiation Apparatus Imaging Parts and accessories | 1,600 | ~75% | 7% | | | | <ul style="list-style-type: none"> Limited opportunity due to high capex & high R&D |
| Dental Products | <ul style="list-style-type: none"> Dental Capital Equipment Dental Instrument and Supplies | 200 | ~75% | 9% | | | | <ul style="list-style-type: none"> Limited opportunity due to high capital intensity and relatively small market |
| Orthopaedic & Prosthetics | <ul style="list-style-type: none"> Fixation Devices Artificial Joints Other Artificial body parts | 400 | ~70% | 10% | | | | <ul style="list-style-type: none"> Low Opportunity - high capital intensity and R&D along with competition from MNCs |
| Patient Aids | <ul style="list-style-type: none"> Portable Aids Therapeutic Appliances | 1,100 | ~60% | 8% | | | | <ul style="list-style-type: none"> Low Opportunity - Patient aids require high R&D and have presence of global MNCs |
| Other Medical Devices | <ul style="list-style-type: none"> Hospital Furniture Endoscopy, Dialysis apparatus BP Monitors IV Diagnostics | 2,500 | ~65% | 11% | | | | <ul style="list-style-type: none"> Moderate Opportunity – Opportunity in IV diagnostics and other medical apparatus, hospital furniture, etc. due to large market and moderate capital requirement |
| Total | | 6,800 | ~65-70% | 9% | | | | |

New trends shaping the healthcare delivery market offering huge potential to start-ups



A man in a dark suit and white shirt is shown in profile, looking out over a city at night. The background is a blurred cityscape with lights and buildings, suggesting a high-rise office or a balcony view. The overall mood is professional and contemplative.

Thank you

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