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Sathguru Management Consultants

Life Science Advisory Group

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Medical Devices – Industry Briefing March 2016

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The medical device and diagnostics industry is estimated at approx. US\$ 2.5 billion in 2015, growing at 15% CAGR. Indian companies still dominate medical supplies and disposable segment with high-end medical equipment and diagnostic imaging devices largely imported by MNCs with shortage of localized and competitively priced products. However, this is fast changing with young product development ventures growing at an impressive pace and mid-sized and larger distribution companies now ambitiously moving up the value chain. Emergence of non-dilutive seed funding and scale-up funding and has provided the impetus for this trend along with glaring unmet need in the market. Government has been active in bringing out reforms such as medical device regulation drafts, enabling transparencies, establishing new medical technology parks and increasing FDI limits.

KEY INDUSTRY TRENDS IN MEDICAL DEVICE & DIAGNOSTICS INDUSTRY

Healthcare delivery's focus on quality and increase in sophistication driving aggressive and sustainable demand

Start-ups and multinational companies are engaging in new product development, and tailoring product portfolio to suit domestic needs

Increasing engagement in molecular diagnostics, genomics, computer aided testing and automation

Continued P/E and VC funding in healthcare diagnostic chains and medical device start-ups

SME players emerging as attractive acquisition targets for global MNCs, seeking to strengthen presence in India

Marketing and distribution focused Indian SMEs moving up the value chain and getting involved in product development to drive sustainable growth

Emergence of translational research engagement in public institutions and creation of product pipeline supporting industry's innovation trend

Emergence of medical technology parks in India to boost innovation and product development ecosystem

INDICATIVE EXAMPLES- PRODUCT DEVELOPMENT ENGAGEMENT ACROSS ECOSYSTEM AND CUSTOMIZED INTRODUCTIONS BY MNCs

Indian Company- Skanray Technologies



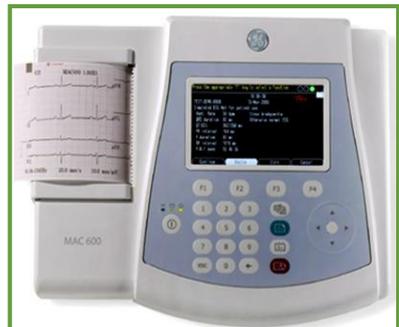
Radiology Portfolio

HTI- Health Technologies IIT Chennai



Artsens- Arterial Stiffness Measurement

MNC- GE Healthcare



MAC 600- Low Cost ECG

Policy and Regulatory Framework

- Lack of standardization and ambiguity on regulatory standards
- Government's "Make in India" initiative strengthening medical device innovation ecosystem
- Government approval on 100% Foreign Direct Investment (FDI) in medical device industry to enhance growth

Diagnostic Services Industry trends:

- Traditionally fragmented and unorganized industry; mom & pop style laboratories replaced by corporate reference labs in about 20% of the market. Latter segment growing fast and anticipated to capture bulk of tier 1 markets.
- In the private segment, while growth was earlier driven by quality assurance, pricing and consolidation, leading labs are now focused on offering contemporary diagnostic tests to derive competitive advantage. Further, several regional and niche players are now emerging (e.g. Vijaya Diagnostics in the former and Oncquest in the latter). Lastly, in radiology, diagnostic groups are now embarking on various shop-in-shop models, especially in Tier 2 hospitals.
- In the public segment, recent trend of public-private partnerships has gained momentum with market leaders now seeking to expand their PPP engagement. Given the size of these opportunities and synergy in the partnership, several new joint ventures are emerging between delivery entities and equipment companies.

INDICATIVE EXAMPLES- PUBLIC-PRIVATE PARTNERSHIPS IN DIAGNOSTICS		
Diagnostic Laboratories	States	Remarks
SRL Laboratories	Jharkhand, Himachal Pradesh	Largest reference laboratory in the country
Krsna Diagnostics	Kashmir, Himachal Pradesh	PE funded company operating in certain hospitals in Kashmir and Himachal Pradesh
Medall Healthcare	Jharkhand	MoU with Government of Jharkhand to establish labs in 12 districts
Healthmap Diagnostics	Jharkhand	Joint Venture between Philips and Manipal Health
Ensocare	Punjab, Maharashtra	Joint Venture with GE Healthcare



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