



# India: Performance of Medical Devices Industry

Quarterly Update: Q4 FY 2020 (Jan'2020 – Mar'2020)

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India Advantage*

# The Medical Devices Industry is poised for significant growth in next five years

## Key Economic Indicators

6<sup>th</sup>

Largest economy in the world

1.5 %

Govt. expenditure on Healthcare as % of GDP

USD 372

Total healthcare Industry market expected by 2022

4<sup>th</sup>

Largest Market in Asia (FY19)

800

Private Players in India

250+

Health-tech start-ups in India

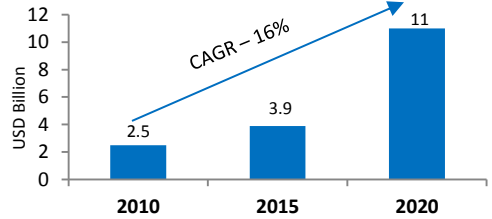
~ 80 %

Market dependent on imports

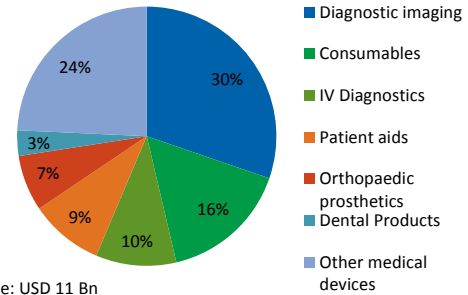
USD 1.8Bn

Total FDI Inflows (Apr-00 to June-19)

## Medical Devices Industry Trend



## Market Share, By Segment



- India among the top-20 markets for medical devices in the world
- Currently valued at USD 11 bn the medical devices market is expected to reach USD 50 Bn by 2025
- There are around 800 domestic medical devices manufacturers operating in India with an average investment of USD 2.3–2.7 mn and an average turnover of USD 6.2–6.9 mn
- Diagnostic imaging, consumables, and other medical devices held 86% of total export trade for Indian medical devices industry in FY 2017

## Key Headlines

- Smart Group to invest ~ USD 285 Mn to open Wellness City in Delhi by 2025
- Piramal's healthcare analytics business acquired by Clarivate for ~USD 950 Mn
- India is emerging as a strong wearables market selling approximately 2 million units in 2017 & expected to reach 129 million units by 2030
- Telemedicine services through number of PPP projects driving market at a CAGR of 20% during 2016-20, reaching USD 32 mn by 2020.

## Upcoming Events

- PharmaTech Expo – India's Leading Pharma and Lab Exhibition, in Gandhinagar (Gujarat) – 7<sup>th</sup>, 9<sup>th</sup>, 2020
- 3<sup>rd</sup> Annual Pharma Manufacturing & Automation Convention in Hyderabad - Jun 11-12, 2020
- Medcall, a B2B Medical Equipment Exhibition in Chennai from 24<sup>th</sup> to 26<sup>th</sup> Jul 2020

## Government Initiatives & Policies

- Indian government in budget 2020 proposed 5% nominal health cess, through customs duty, on medical device imports. The proceeds to be used for development of health services infrastructure
- In April, Govt. approached 1000 companies in USA including medical device major Abbott to offer incentives for manufacturers seeking to move out of China
- Budget 2020, ~ USD 10 Bn allocated for health sector, expansion of Ayushman Bharat scheme through PPP model hospitals at tier-II & tier-III cities
- 100% FDI through automatic route allowed in both Brownfield & Greenfield setups
- New Medical Devices Rule (2017) to remove bottlenecks to make in India & facilitate ease of doing business
- In 2015, Government of India announced to have a medical college in every district and setting up 5 new AIIMS that is significantly driving the demand for medical devices

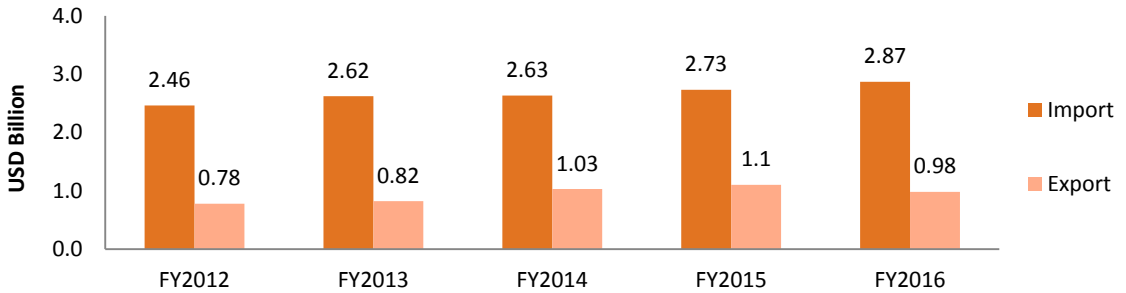
Source: Department for Promotion of Industry & Internal Trade, Invest in India, Government of India, World Health Organization

AIIMS: All India Institute of Medical Sciences; B2B: Business to Business; Bn: Billion; CAGR: Compounded Annual Growth Rate; CPI: Consumer Price Inflation; FDI: Foreign Direct Investment; FY: Financial Year; GDP: Gross Domestic Product; GST: Goods and Services Tax; Mn: Million; PPP: Public Private Partnership; USA: United States of America; USD: United States Dollar

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# Medical Device Industry: Quarterly Update

## Import Export Trend

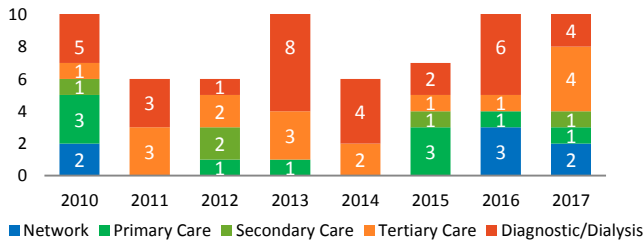


\*As per latest available data with Govt. of India

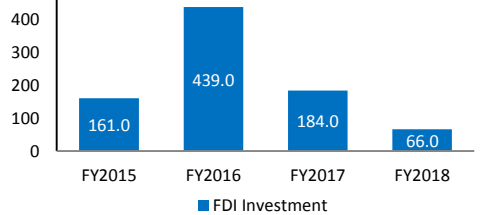
## Industry Performance

- India's medical device sector is dominated by multi-national companies as about 80% of the sales are generated by imported medical devices
- U.S.A being the largest exporter accounts for 15% of the export trade whereas Singapore, Germany, and China are the other leading exporters, accounting for 7%, 6.7%, and 6.4% respectively
- Domestic players in India specializing in low cost- high volume medical devices particularly dealing in disposals and consumables segment export more than 60 percent of their output
- Medical devices industry is quite wide with more than 14,000 different products ranging from wound closure pads to stents and IVD machines to MRIs
- Telemedicine, wearable devices and robotic surgeries are latest technologies expected to drive the value of market in the next 5 years
- Indian Medical Tourism market is growing at 18% y-o-y and expected to reach USD 9 bn by 2020
- Hospital industry expected to reach USD 132 bn by 2023 from USD 61.8 bn in 2017 thereby growing at a CAGR of ~16%

### Number of PPP Deals, By Healthcare Level



### FDI Investment in Indian Medical Devices Sector (USD Mn)



### Major Investment

- Medical & surgical appliances received a total investment of ~ USD 1.8 bn from Apr 2000 – June 2019
- Medical device startup Biosense raises ~ USD 1 mn from Menterra Venture, Artha Venture Challenge
- Two dedicated bulk drugs & medical devices parks approved by central government in Gujarat

### Capacity Addition

- Four Medical Devices parks under development to boost capacity
- HHES & Medical Services setting up new unit in Sikkim with ~USD 141 mn investment
- Government of Kerala developing Medical Devices cluster at Ernakulam with investment ~USD 70 mn

### New Launches

- Govt. of India, set up separate advisory board that will look into issues in medical devices sector
- Aerobiosys - Duo-Vent(Smart Ventilator)- reducing lung injury
- Aikenist Technologies - automated detection of pneumonia severity(Covid-19), through AI via X-ray & CT scan

## Tecnova's Experience in Medical Devices Industry

- Market opportunity assessment for European medical device manufacturer
- Go to Market Strategy for Germany based medical device manufacturer
- Regulatory approval for Germany based medical device manufacturer

Source: Tecnova Research, Department for Promotion of Industry & Internal Trade, Invest in India, Govt. of India, Industry Reports & Journals



Bn: Billion; CAGR: Compounded Annual Growth Rate; FDI: Foreign Direct Investment; FY: Financial Year; Mn: Million; PPP: Public Private Partnership; USD: United States Dollar

# COVID-19 Impact on Medical Device Industry

## Impact on Demand & Supply of Medical Devices

### Supply-Side: More Vulnerable

#### Supply Chain Disruption (High)

- Component/raw material import severely disrupted due to closure of factories esp. in China & flight restrictions

#### Raw Material Imports / Price (High)

- China major contributor thus lockdown effecting import supplies
- Run on local manufacturing limiting output
- Prices expected to rise from local suppliers

#### Production Shutdown (High)

- Lockdown across India severely effected the production
- Although under essential list but lack of labour, transportation & packaging affecting the production

#### Cash Flow Constraints (Medium)

- Large organizations not effected but medium to small company feeling the impact

#### Labour Force (Medium)

- While medical device manufacturing exempted from lockdown, labour force is non-available due to transportation issues, harassment by policing authorities, etc.

### Supply-Demand



### Demand Side: More Resilient

#### Lockdown / Restrictions (Medium)

- Sudden rise in sales on high demand from healthcare professionals
- Local police restricted movement effecting supply, distribution & transport of raw material & components to manufacturing units adding to shortage/holding production

#### Consumer Confidence (Low)

- Consumer buying sentiments not impacted
- There is exceptionally high demand for some devices such as PPE, Ventilators, Thermometers, etc.
- Other devices production temporarily impacted due to supply chain/import constraints

#### Exports (Medium)

- High demand for medical devices across the countries
- Export restrictions imposed by government on some specific devices

## Government Stimulus to Medical Devices Industry

### Domestic Manufacturing

- Government of India announced a package of ~ USD 2 bn to boost domestic manufacturing of bulk drugs & medical devices
- Special incentives to be provided to first five manufacturers expressing interest in establishing units to churn out raw materials
- Declaring it as infrastructure industry to provide easy finance
- Viability Gap funding with riders to generate jobs & boost exports

### Production Linked Incentives(PLI)

- Gov announced scheme for cumulative incentives worth ~USD 500 Mn to be distributed to device manufacturers
- Incentives to be provided at 5% of incremental sales for six years
- Manufacturer categories covered
  - Cancer care/radiotherapy
  - Aesthetic and cardio respiratory
  - Radiology and nuclear medicine
  - All implants like cochlear and pacemakers

### Medical Device Parks

- Gov allocated ~ USD 57 Mn to finance common infrastructure facilities in 4 medical device parks
- Individually unviable common facilities proposed to help manufacturers reduce costs of production & economies of scale
- Common facilities - testing centre, electro-magnetic interference lab, medical grade low vacuum modelling, sterilisation and electricity testing centre

## Way Forward – Market Attractiveness

- Expected to maintain estimated CAGR of 15-16% over next 5 years post recovery in second half of FY2021
- Right opportunity for new entrants/expansion as incentives being offered to manufacturers through Medical parks & PLI, etc. to position India as one of top 5 global medical device manufacturing Hub by 2025
- Medical device parks scheme by govt. expected to push consolidation in market & generate ~33,000+ additional jobs in next 5 years

Source: Tecnova Research, Department for Promotion of Industry & Internal Trade, Invest in India, Govt. of India, Industry Reports & Journals

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