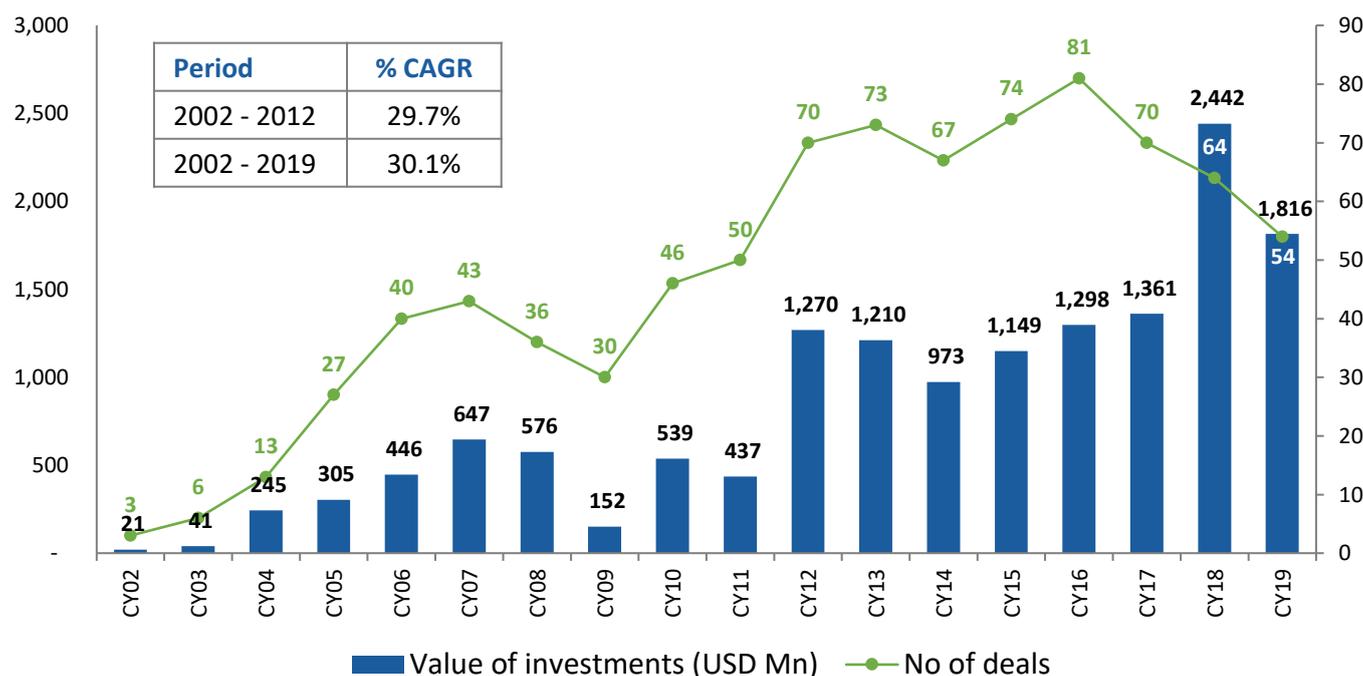


India Healthcare / life-sciences Macro Outlook in a Post COVID Era

The ongoing pandemic of severe acute respiratory syndrome coronavirus 2 (SARS-CoV-2) infections has led to more than 4.2Mn cases and 287,000 deaths globally as of May 12, 2020. Although there is yet no known complete cure or vaccine against the virus there is hectic global activity across the spectrum of vaccines, therapeutics and diagnostics. For India, the share of global cases (1.6%) and global deaths (0.8%) is less grim so far. However, it has brought to sharp focus the state of our healthcare and healthcare systems across all stakeholders of our economy. Covid-19 has highlighted that a lot needs to be done with regards to the present state of the India's healthcare systems. Underlining this, are the key macro trends that will likely shape the direction of the sector's investment needs in wake of the COVID legacy. Over the past decade, India attracted about USD 12.5Bn capital in healthcare and life science sectors making it among the top sectors in the country to attract private capital. In a Post-COVID era too we expect a sharp scale-up of investments reflecting the sector's enormous growth potential.

Private Equity Investment in Healthcare



Source: Venture Intelligence

Five Macro Healthcare Trends in Wake of Covid-19

We see five key macro healthcare trends that will likely shape the direction of the sector’s investment needs in a post COVID scenario. A business manager or an investor can pick focused strategies addressing some of these ‘big picture’ trends in order to build scale in select plays:

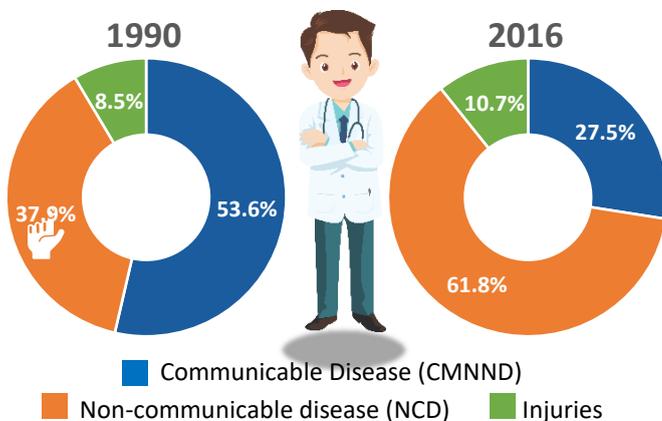
1. Dual Disease Burden set to remain Prominent

Over 60% of India’s disease burden is on account of non-communicable diseases (NCDs) viz. stroke, diabetes, kidney disorders and the like. India today houses 17% of the world’s diabetes patients and has 60% of the world’s cardiovascular prevalence. In the wake of Covid-19 and likely continuing after-effects, the epidemiological transition achieved in the form of decreasing trend of communicable diseases threatens to increase. India’s burden of communicable diseases is largely owing to poor sanitation, lack of education/awareness and low access to health facilities. With COVID-19, significant investments may be required to understand, prevent and treat new mutations and strains of communicable diseases. Thus, Communicable disease burden remains a cause of concern in spite of growing NCD burden. Care providers, pharma and diagnostic companies will need to evaluate portfolio customization and expansion opportunities keeping this in mind.

2. Rise in insurance can tilt the ‘out of pocket’ healthcare Payor model

India presently has a dominant ‘out of pocket’ payor model at ~ 65% which is about 3.5 times the world average of ~18.5%. In a post-COVID scenario, with greater Government attention to healthcare, the payor model can shift with rapid penetration of the center, state and private health insurance schemes. With India’s Ayushman Bharat roll-out, we have already witnessed a rapid insurance penetration from 35% to ~48% over the past 18 months. Today there are still nearly 900Mn of the country’s population who do not have any form of insurance cover. The present decade could well see over 50% of Indian population having health insurance compared to 35% of lives covered today.

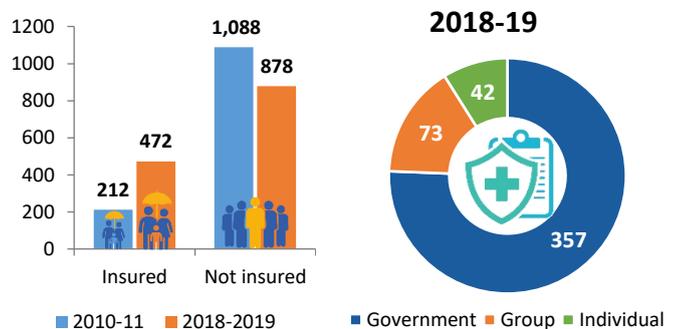
India disease burden measured % DALY reflects big shift to NCD



disability-adjusted life year (DALY) is the measure of overall disease burden (expressed as the number of years lost due to ill-health, disability or early death)

Source: TCHF Sponsored Research

Growing health insurance coverage (MN lives)

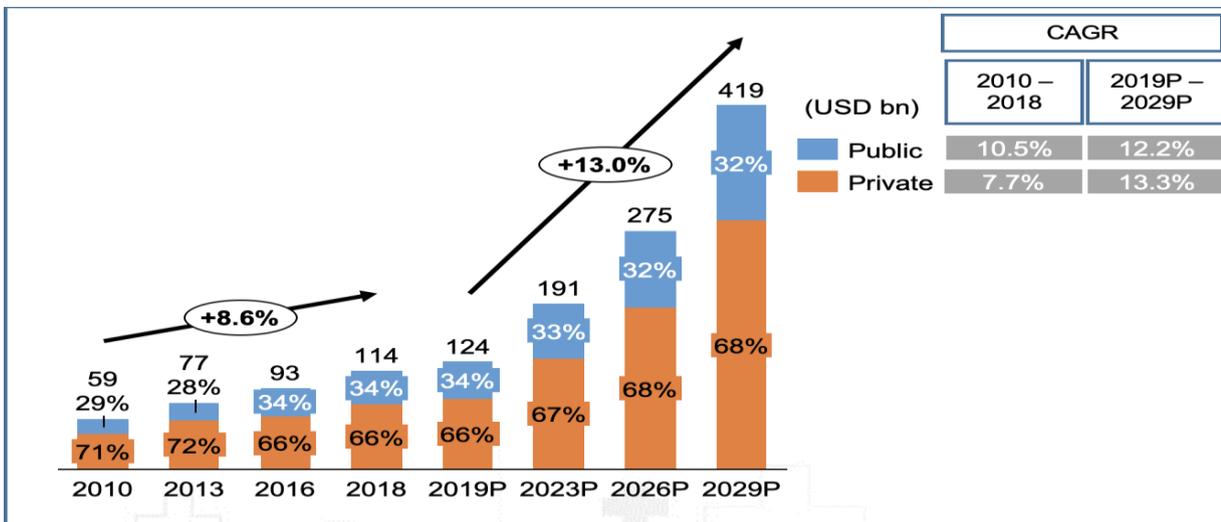


Source: IRDAI Annual reports

3. Government and Private Spend on Healthcare set for a permanent rise

India spends ~4% of GDP on healthcare compared to world average of ~10%. The big skew in India's health expenditure is that private spending accounts ~74% total healthcare spend. Public health (centre plus states) spending in India at 1% of GDP is the lowest compared to all BRICS nations which is at 2-4% of GDP. So far the private sector has taken the lead on healthcare spending. In a post COVID scenario we can expect Government spend will increase in terms of providing health cover through the Ayushman Bharat scheme as well as investing in health infrastructure to address the imbalance. The Government has announced its intention of increasing public spending from current ~1% to ~2.5% of GDP by 2025. Also with Government incentivizing setting up of private hospitals in Tier2/3 towns, private sector spend is also expected to rise in terms of building/investing in assets.

Health expenditure in India expected to grow at a higher rate in future

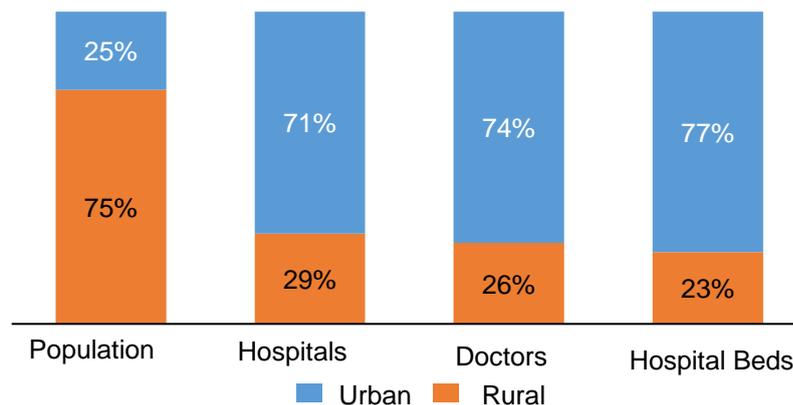


Source: TCHF Sponsored Research

4. More effort towards bridging the large rural–urban healthcare gap

There exists a huge Urban-rural healthcare divide in terms of health infrastructure. 80% population in rural India have a healthcare spend that is less than half of the urban population healthcare spend. The aftermath of Covid-19 impact will likely accentuate this gap. Population in the top decile groups in rural India have a higher propensity to spend on healthcare compared to the rest. Thus, this segment of the rural population can be a potential target population for healthcare companies. We also see telemedicine & online consultations providing a massive scope to bridge the urban-rural healthcare delivery gap

Health Infrastructure is skewed towards urban areas



Source: TCHF Sponsored Research

5. Acceleration in Digital Healthcare

Digital health plays in India has cumulatively attracted over USD2 Bn fund which mainly includes E-Pharma, disease management and wellness, AI led healthcare, wearables and telemedicine. A big part of health tech adoption in India is on account of increasing patient awareness combined with growing internet adoption. India has 627mn Internet users as of 2019 with penetration reaching ~50% which has resulted in a vibrant digital healthcare ecosystem today. The E-Health segment presently valued at ~USD1 Bn has a potential to witness a 50%+ CAGR for the next 5 years.

Digital health serves to solve problems associated with traditional healthcare models by providing convenient and cheaper high quality service. In a post Covid scenario we expect to see a big acceleration in these digital health segments. Take the case of E-Pharmacy which has now been declared as essential service by the Government and Telemedicine guidelines have been issued by the Govt. of India in March'20. Digital health can effectively serve as a platform to support and scale interactions between medical practitioners, patient, healthcare ecosystem, insurance companies and government. It can also become a platform to enable security and confidentiality of health records.

Segment	Current market size (US\$Mn)	Key Players
E-pharma, E-diagnostics, Telemedicine	US\$700mn	Netmeds, Pharmeasy, 1MG, Medlife
Wearables	~US\$200mn-250mn	• Reflex
Disease management/ wellness	US\$4mn (disease management) ~US\$40mn (fitness)	• Wellthy, BeatO, Curefit
AI-led healthcare models	~US\$1.5mn	• Sigtuple, Niramai

Source: TCHF Sponsored Research

This thematic has been conceptualized and written by the investment team at Tata Capital Healthcare Fund (TCHF), a growth oriented private equity fund primarily focused on the healthcare and life Sciences sector in India. The investment team of TCHF can be contacted at info.tchf@tatacapital.com.