

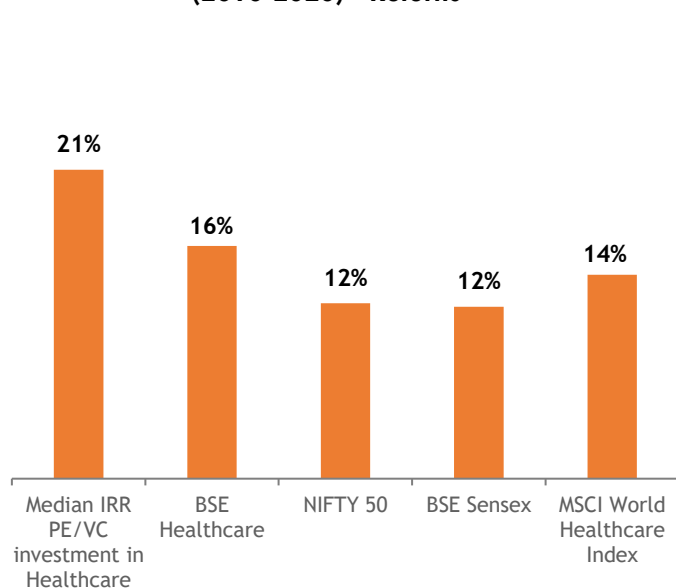
India Healthcare & life-sciences

Private Capital Investment Trends

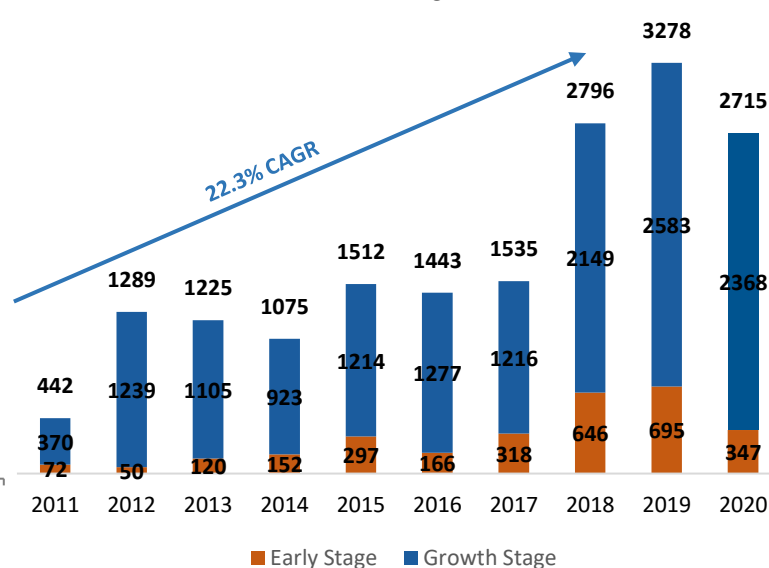
The Sector's Private Capital investment trend has come of age. India's Healthcare and life Sciences sector has attracted over USD 17+ Bn Private Capital since 2011 across 1000+ transactions. Nearly 70% of this investment has been made in the last five years and the average deal size too has grown 3x to ~USD 25 Mn in the last five years. More importantly, over 80% of the deal making in the last five years has been towards growth and expansion capital. India's healthcare and life Sciences investment has truly come of age making it's mark as the top five sectors in the country to attract private investment.

The enhanced private investment activity in the sector is not surprising given the value creation for investors in the recent past. Firstly in terms of exits, healthcare investors have garnered USD 7+ Bn from 250 PE exits in the last decade and 70% of these exits have occurred in the last five years. A select sample of the sector's PE exits reveals that over a 10 year period, the sector has delivered superior returns (median 21% IRR) compared to 16% returns for BSE healthcare index. This established track record of value creation, combined with attractive growth fundamentals and recession proof nature of the sector has continued to fuel investor confidence and heightened investment activity. While growth capital remains the main stay for Private Capital investing the interest in early stage investing has also seen a remarkable 9-10x leap in the past 5 years. This is also a good reflection of the market maturity in terms of room for exploring newer and innovative product and delivery models to address the demand-supply gaps in the sector. We analyze the shape of investment trends in the sector across both growth and early stages as well as across the various sub-segments.

Private Capital Investment in Healthcare (2010-2020) - Returns



Private capital investments in Healthcare : Early vs Growth stage



Source: Venture Intelligence

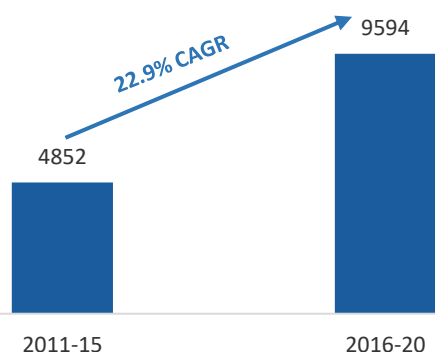
Analysis of Sector's Growth Stage Investments

Pharma and healthcare delivery remain the mainstay in growth investing

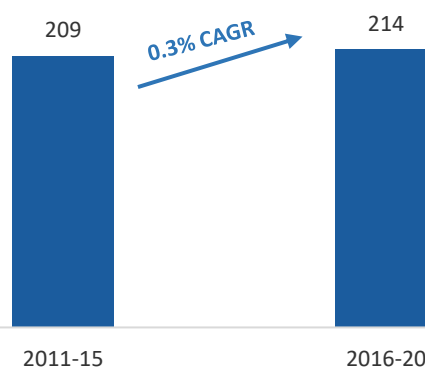
The past decade has witnessed over USD 14+ Bn Private Capital in growth stage investments. Of which, over 65% has been invested in last five years. Here, the investor interest is a reflection of appetite to back defensive plays with scale, earnings resilience, growth potential compared to other sectors of the economy. Following trends are shaping the sector's growth capital investing in India:

1. Growth investing has now become a stable vehicle to fund, catalyse and scale approaches to address accessibility and demand-supply gaps in the sector. The maturity of growth capital investing is also reflected in the ability to absorb further expansion capital to meet the continuing demand.
2. More than half of the growth capital investments in the past 10 years has been deployed in pharma and healthcare delivery and it is most likely that this trend will continue in the present decade. The average value per deal has doubled since the initial part of the decade to reach USD 46 Mn over the last five years.
3. Within healthcare delivery and diagnostics, growth capital has mainly been absorbed for specialization of Healthcare Services to driver of greater patient access across the country.
4. Within Pharmaceuticals, the focus of growth capital investing has been to establish leadership position in newer markets and products.

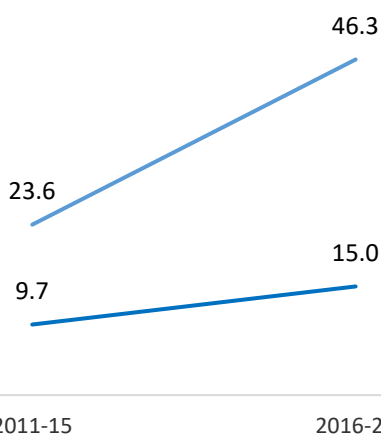
Growth Stage: PE Investment (USD Mn)



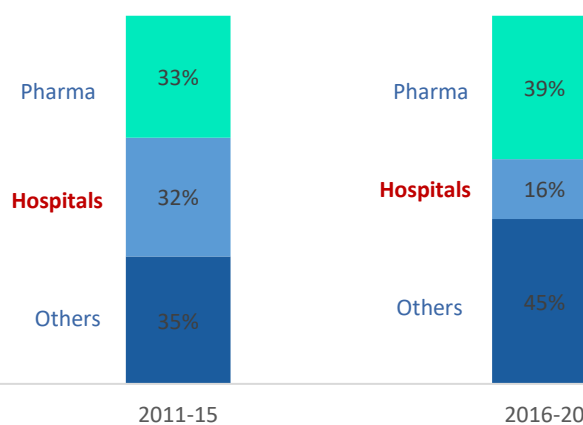
Growth Stage: Deal Volume (No.)



Growth Stage: Deal Value (USD Mn)



Growth Stage: Top 2 active sectors by value



— Median deal value — Mean deal value

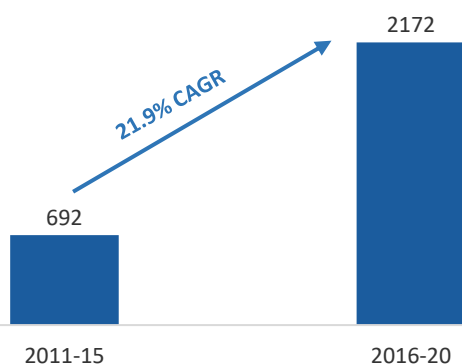
Analysis of Sector's Early Stage Investments

New age sectors are becoming the limelight for early stage investing

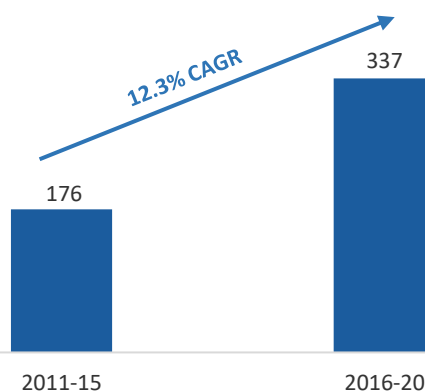
Early stage investing in the sector is now at the cusp of take-off. Since the start of 2010, the sector has attracted ~USD2.8 Bn private capital in early stage investments. Cumulatively this capital has been absorbed by over 500 companies with a median deal size of USD 2 Mn. The following trends are shaping the sector's early stage investing in India:

- Over 75% of the early stage investments in the past decade has come in the last five years and majority of the investments have been in the health-tech and wellness segments.
- The digital health ecosystem accounts for largest share of early stage investments in the last five years at ~30% share of the total deal value. India presently houses about 4800+ start-ups in the health-tech space and over 50 health-tech start-ups have received funding of USD 512Mn in the last five years (Cure fit, 1mg, Medlife, Carestack, Healthkart etc.). Nearly half of the investments in this Increasing patient awareness combined with growing internet adoption has resulted in a vibrant digital healthcare ecosystem.
- The wellness related investments, both products and services are the next big focus within early stage investing at ~20% of the total deal value. The Industry has today bludgeoned to a USD 6 Bn market. With the growing middle class becoming increasingly aware and health conscious, there is a rush to focus on dietary supplements, beauty care and wellness clinics.

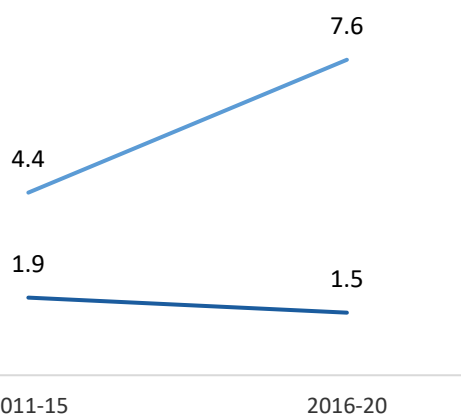
Early Stage: PE/VC Investment (USD Mn)



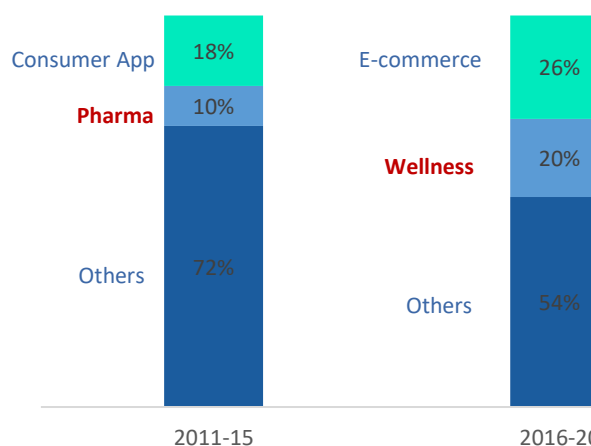
Early Stage: Deal Volume (No.)



Early Stage: Deal Value (USD Mn)



Early Stage: Top 2 active sectors by value



— Median deal value — Mean deal value

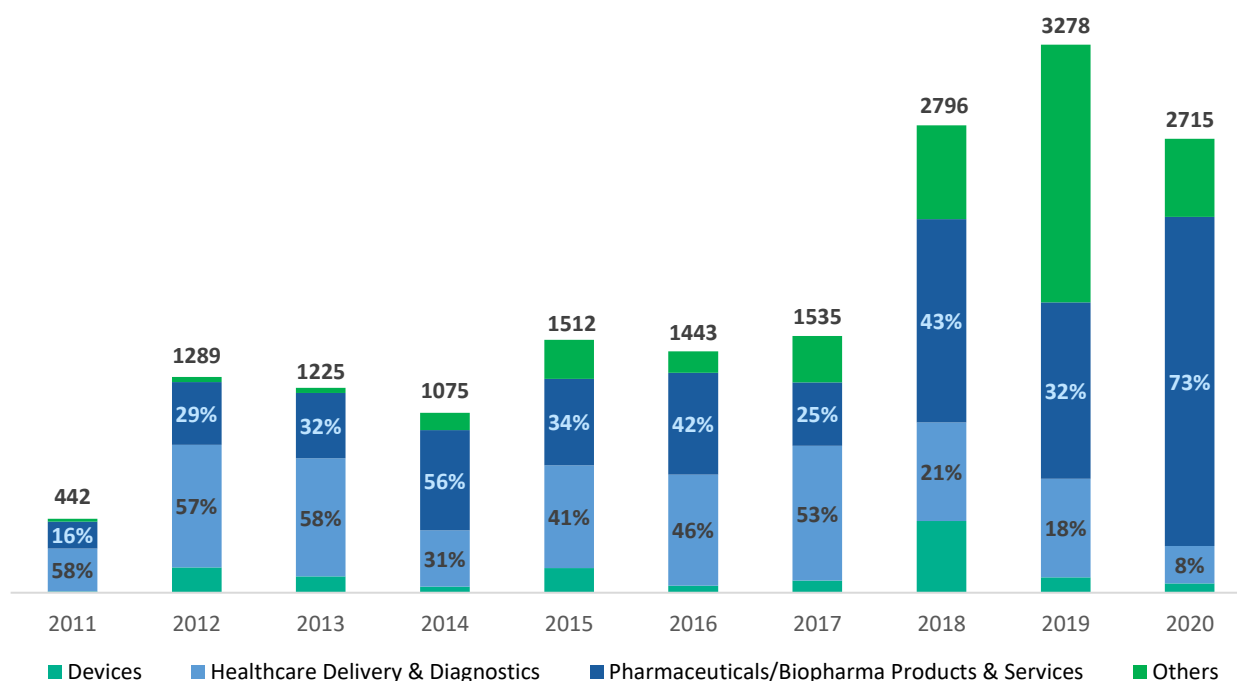
Key Conclusions on the Sector's Investment Trends

Varying investor appetite across sub-sectors and growth vs. early deals

In conclusion, the Indian Healthcare and Life Sciences sector having garnered USD 17+ Bn for 1000+ deals over the past decade. The sector is today the fifth-largest in terms of attracting Private Capital accounting for 8% of the total deal value in the last ten years. This is a reflection of not just the sector's potential but also the value creation track record and we expect that deal activity will continue to gather pace in the present decade as well.

1. Private Capital investments in the sector has grown at a CAGR of 22% over the last 10 years. The average value per deal has been going up year on year and has reached ~USD 25+ Mn over the last two years from around USD 8 Mn at the start of this decade.
2. Pharmaceutical Investments over the decade have shifted from traditional formulations to therapy focused formulations, distribution and CDMO solutions
3. Healthcare Delivery Investments have shifted from multispecialty hospitals to asset light solutions. For ex. in Single Specialty format, ~70% of investments (value) have been in Eye Care, Fertility and Oncology in the last decade
4. Diagnostics Investments have shifted from pan-Indian chains to novel diagnostics and PPP models; Medical Devices and Health-tech investments In the past 5 years value of investments in technology have much surpassed those in hardware
5. Healthcare investors have garnered USD 7+ Bn from 250 PE exits. The sector has also demonstrated a track record of healthy returns compared to listed healthcare and broad market indices.

Private Capital Investor Appetite across Healthcare Sub-Segments (USD Mn)



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.