

Impact of **COVID-19** on Indian healthtech ecosystem

April 2020



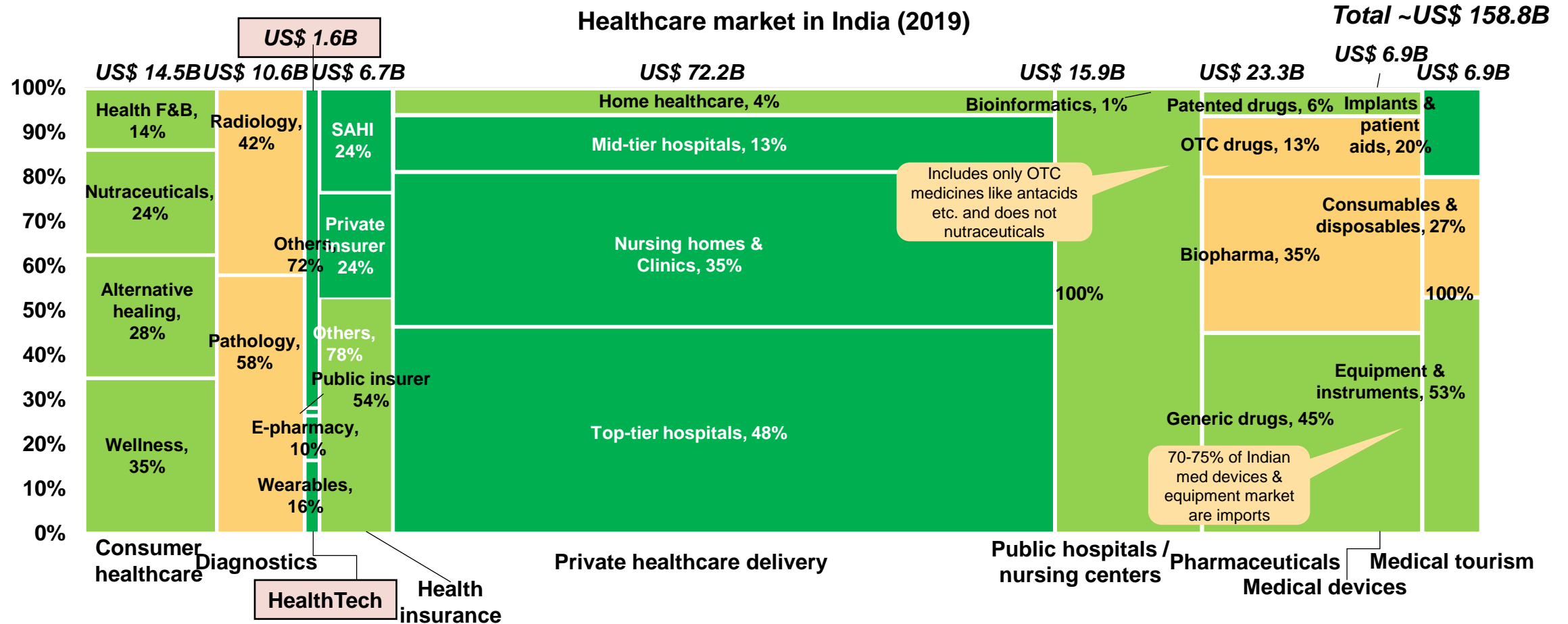
Healthcare



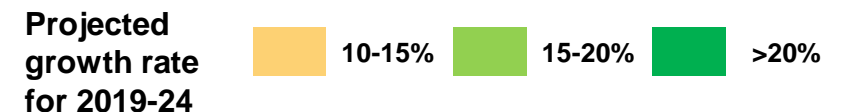
Impact of Covid-19 on Indian healthtech ecosystem

- Indian Healthtech market is at its nascent stage (US\$ 1.6B out of total healthcare market of US\$ 159B); Expected to become an integral part of the overall healthcare ecosystem
 - Private investment in **Healthtech has risen from US\$ 81M in 2014 to US\$ 723M** in 2019
- With the advent of Covid-19 and the consequent lockdown, healthtech has seen a mixed response; e-pharmacy and telemedicine are expected to perform better compared to wellness service providers, EMR, etc.
 - **E-Pharmacy** has experienced growth due to home delivery of medicines which will drive consumer behaviour
 - **Recent push for telemedicine** by Govt. of India post outbreak could lead to wide adoption of e-health services in the long run
 - Wellness services would require to re-orient the business model - shift of focus from retail-based gym/yoga centers to virtual classes
 - Importance of medical records in driving efficient clinical outcomes would come to light (more efficient care eliminating workload on frontline staff) which will drive growth of EMR/EHR
 - **Drivers of growth for Healthtech** such as increasing burden of chronic diseases, rising internet penetration, need for higher accessibility, and increasing innovation across value chain **continue to remain strong**
 - **Healthtech solutions support patient access to treatment and can significantly reduce the burden** on existing healthcare infrastructure during and after the pandemic
- Despite the recent economic slowdown and Covid-19 shock, **Healthtech remains a significant short to medium term bet**. Indian Healthtech ecosystem remains **capital starved** and **enough dry powder** is waiting to be deployed
- We recommend a 5-point agenda for Healthtech to tide over the Covid-19 challenges and emerge winners:
 - **Reduce cost and preserve cash** to navigate through these troubled waters → Demand for technology enabled healthcare solutions expected to bounce back strongly in next 6-12 months
 - Utilize the opportunity to innovate healthcare delivery channels and **increase patient / customer acquisition**
 - Manage people assets: strike a balance between training / **streamlining clinical and non-clinical processes** and careful right-sizing
 - **Re-evaluate business model** in the new normal: aspire for leadership in the new normal → Reassess GTM strategy with changing consumer behavior and plan for implementation once the uncertainty fades
 - Communicate proactively and frequently with employees, care providers, service and value chain partners, investors, etc.

Indian healthtech is at a very nascent stage; comprises US\$ 1.6B (<1%) market of US\$ 159B (2019) overall healthcare market in India



Notes: Wellness includes fitness products and services (gyms, slimming products and services, dance etc.), rejuvenation, wellness practitioners; alternative healing includes Ayurveda and naturopathy; others in health tech include personal health management products and services, remote diagnostic devices, healthcare IT; nutraceuticals market only include dietary supplements; e-pharmacy market included in pharmaceuticals market as well; public hospitals include healthcare centers, district hospitals and general hospitals; patented drugs and generics as % of prescribed drug market; pharmaceuticals exclude nutraceuticals and include exports value; medical tourism included in private and public healthcare delivery; others in health insurance include premium collected by private and state-owned general and life insurance companies for health insurance policies; Top tier hospitals are large chains hospitals with more than 200 beds; US\$ 1 = INR 70

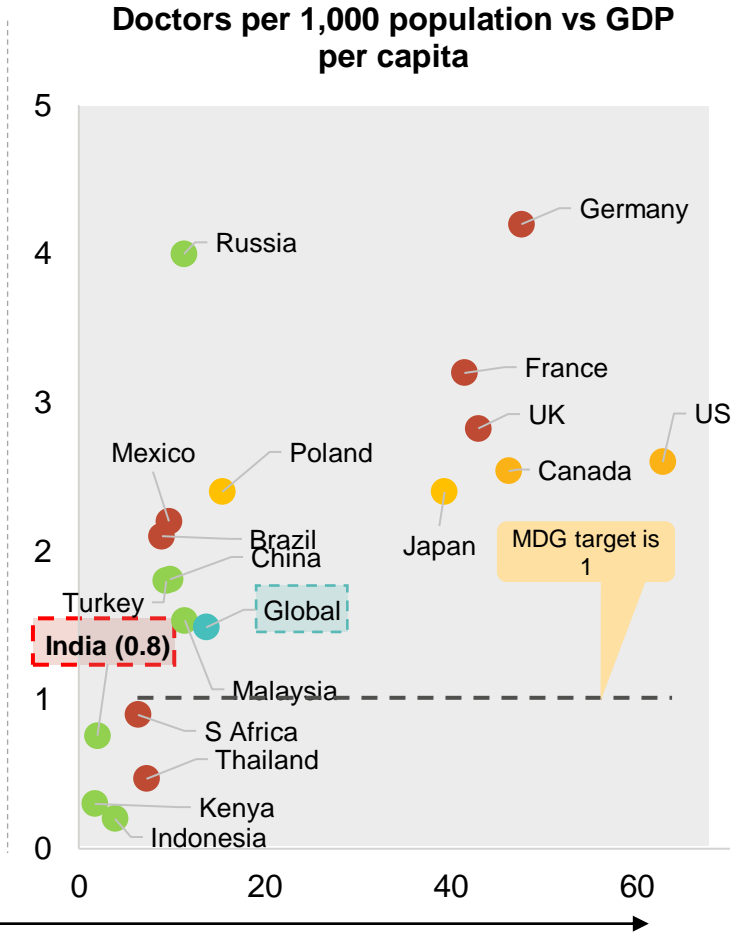
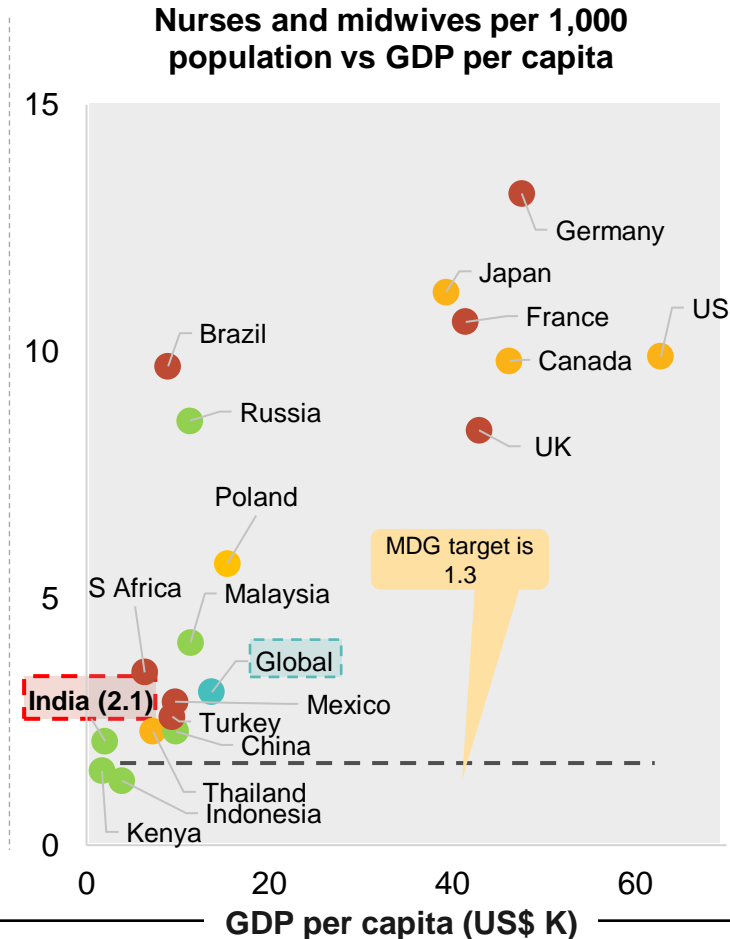
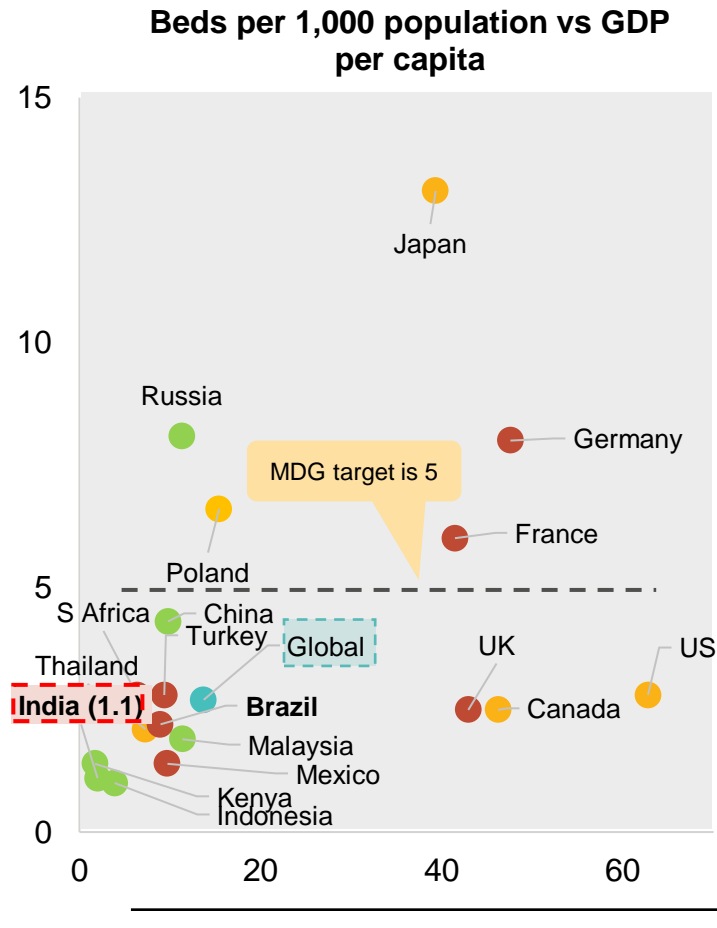


India HC is supply-constrained both by infrastructure & medical force, trailing behind other emerging economies of Brazil, China

Availability of hospital beds in India is lower than global average (1.1 vs 2.7)

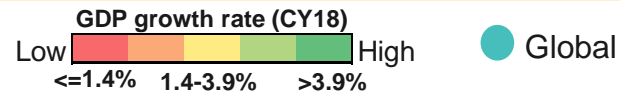
India lacks nurses per capita (~2.1) as compared to emerging economies like Brazil (~9.7) & China (~2.3)

Lack of medical force in India as shown by low number of doctors per capita (0.8)



Note: MDG stands for Millennium Development Goals set by 191 UN members to be achieved by 2015

Sources: World Bank, WHO, Praxis analysis

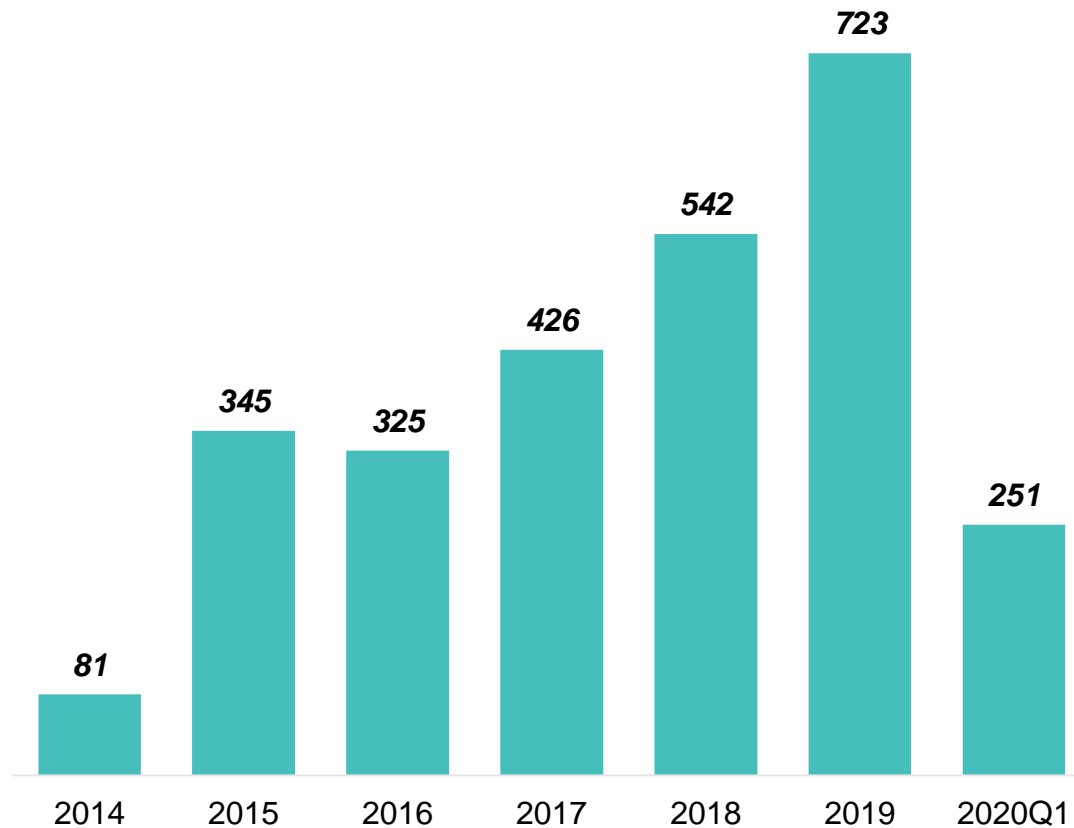


Private investment in Healthtech has increased steadily from US\$ 81M in 2014 to US\$ 723M in 2019



Investment in 2020Q1 shows strong start to the year with the blow due to Covid yet to come

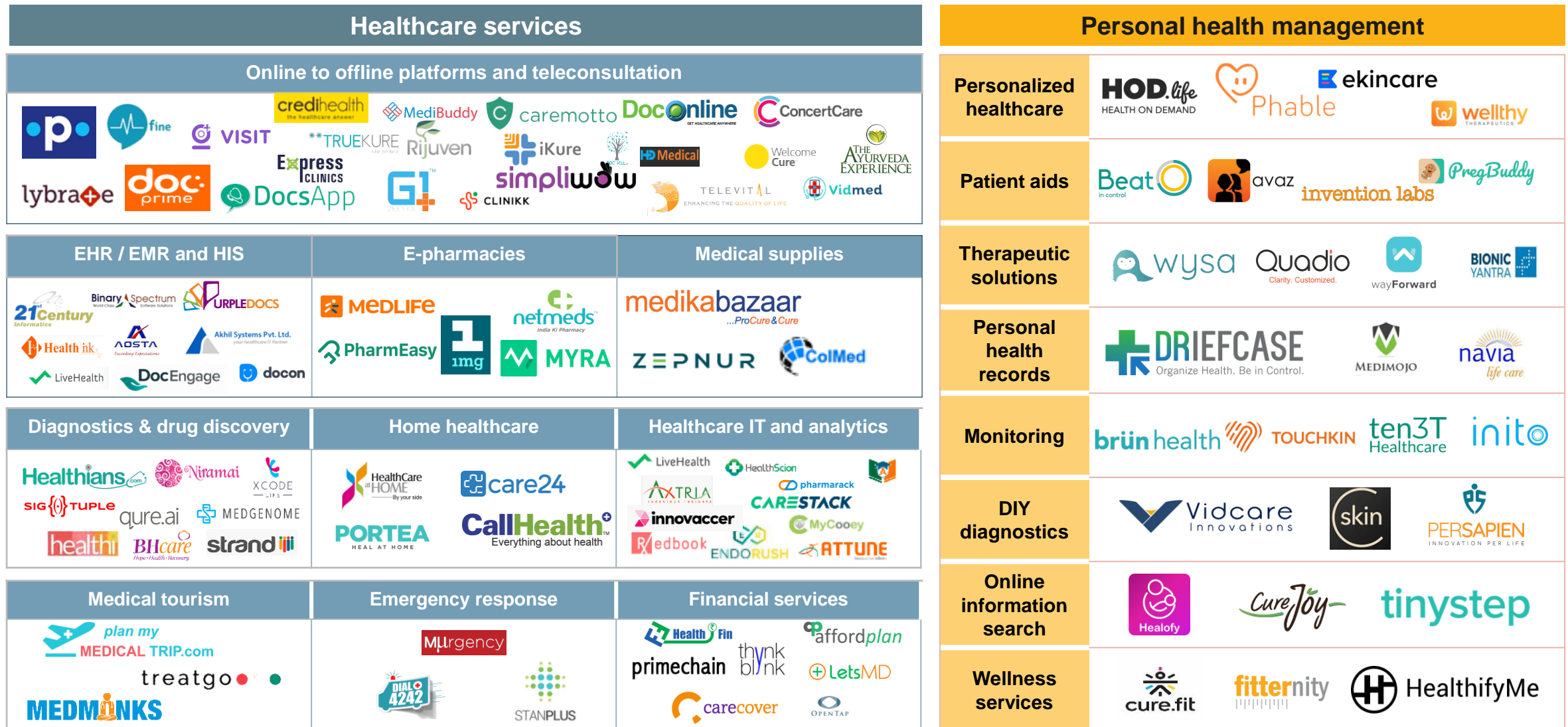
Private investment in healthtech companies in India (US\$ M)



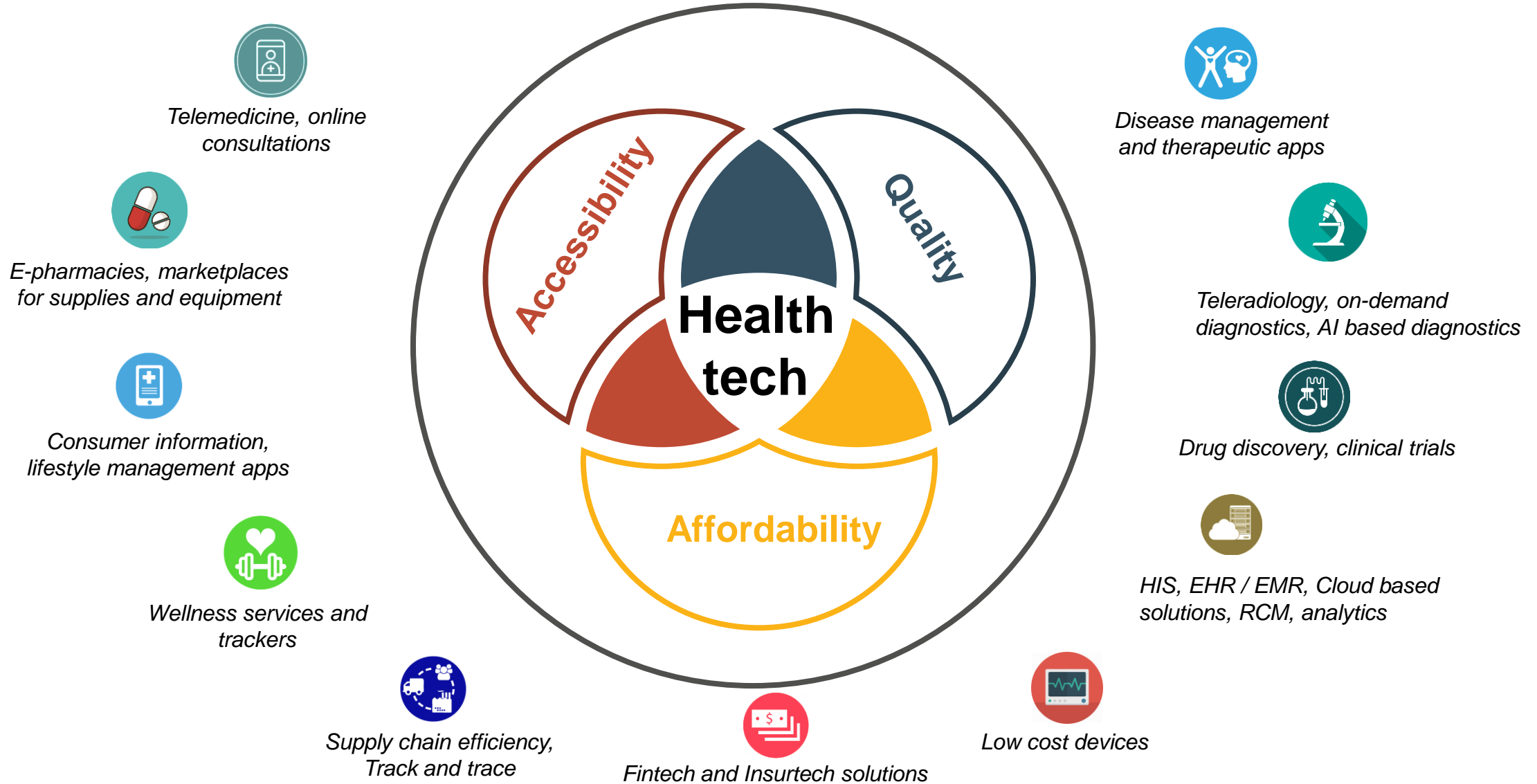
Top 10 healthtech investments point to interest in online to offline platforms and e-pharmacies

Target	Amount (US\$ M)	Investors
cure.fit	400	Endiya Partners, Iconiq Capital, Accel, Kalaari Capital, Chiratae Ventures, Temasek, InnoVen Capital, Oaktree Capital Management, Others
PharmEasy	323	Trifecta Capital, Temasek, Avendus, CDPQ, KB Global Holdings, KBIC, Eight Roads Ventures, Others
practo	180	Matrix Partners India, Tencent, Sequoia Capital, Thrive Capital, Altimeter Capital, CapitalG, Sofina
img	117	Sequoia, Omidyar Network, Intel Capital, Kae Capital, Maverick Capital, Pinpoint Venture, NewFlight, IFC
innovaccer	111	M12, Lightspeed Venture Partners, WestBridge Capital Partners, Pravega Ventures, Others
netmeds.com India Ki Pharmacy	109	Sistema Asia Capital, Orbimed, MAPE Advisory Group, Daun Penh Cambodia Group
MEDGENOME	95.5	Sequoia Capital, HDFC, Zodius Capital, Sofina
HEALTHKART	89.2	Sequoia Capital, Intel Capital, GFin, Kae Capital, Omidyar Network, Sofina, India Infoline, Edelweiss
PORTEA HEAL AT HOME	82.8	IFC, Accel, Ventureast, Qualcomm Ventures, Brand Capital, Alteria Capital, Sabre Partners India
AXTRIA INGENIOUS INSIGHTS	54.4	Sequoia Capital, Helion Venture Partners, deshventures.com

India Healthtech landscape



Healthtech quintessential in addressing the three main challenges of healthcare in India → Accessibility, affordability and quality



Healthtech remains resilient as its drivers of growth continue to remain strong despite the outbreak

1



Increase in lifestyle diseases

- Poor nutrition, high stress environment and rising environmental pollution increasing burden of lifestyle and chronic diseases
- This is leading to requirement of affordable technology interventions for early diagnosis, prevention and better disease management

2



Need for higher accessibility

- Technology led solutions needed to improve accessibility of healthcare
- Doctors per 1000 people at 0.8 (much below WHO recommended 1.0 per 1000)
- Only 27% of population covered under health insurance
- High disparity in infrastructure between rural and urban areas

3



Changing consumer behavior

- New consumer segments like digital mothers, fitness enthusiasts and rural internet users are more aware and conscious about healthcare and will continue to push for innovative health and wellness solutions
- Mobility, awareness and convenience seeking attitude

4



Increasing internet penetration

- India's internet penetration is expected to reach ~75% of the total population
- This can lead to improving EHR penetration and wide scale adoption of digital health solutions

5



Innovation across value chain

- Providers looking to manage downstream costs
- Leap frogging of concepts between the developed and developing markets
- Technology sought for augmenting resources, capabilities and efficiencies
- Propagation of no one size fits all concept for care delivery

6



Core policy agenda changing

- Policies attempting to support innovation
- DISHA (Digital Information Security in Healthcare Act) and roll out of universal healthcare coverage (Ayushman Bharat) expected to bring about significant shift in functioning of healthcare and promote digital transformation

Workflows and demand impacted in the next 3 months, but most healthtech segments expected to make recovery in 6-12 months

	Immediate (<1 month)	Short-term (1-3 months)	Mid-term (3-6 months)	6-12 months
E-pharmacy/ marketplaces for supplies	<ul style="list-style-type: none"> Sales growing for e-pharmacies as people avoid going out Demand for sanitizers (>53% increase in Mar), masks, hand gloves increased Supply chain disruptions affect supply of some medicines 	<ul style="list-style-type: none"> Growth in sales of sanitizers/masks to continue; HCQ demand shot up exponentially after government recommended doctors to have it regularly Transportation issues of ancillaries for production may disrupt the entire pharma supply chain 	<ul style="list-style-type: none"> Drop in customer demand may be observed as lockdown eases; however, behavioural change would restrict churn Supply chain disruptions will be overcome → faster deliveries and discount policies revised to drive customer stickiness 	<ul style="list-style-type: none"> Increased adoption of e-pharmacy as part of consumers are retained after the virus fades As customer pool increases, focus of e-pharmacy to shift towards <1-day deliveries
Teleconsultation (Telehealth)	<ul style="list-style-type: none"> High growth in demand (>100% growth observed in US in Feb for telemedicine, India to have similar implication in Mar) 	<ul style="list-style-type: none"> Government's revised telemedicine guidelines (by MCI and NITI Aayog) to ease up regulations related to remote consultation will continue fueling the demand for online consultation 	<ul style="list-style-type: none"> Revised guidelines which enables all doctors to provide teleconsultations after doing an online course would increase the supply of doctors providing remote consultations Digital solutions are suited to reduce and enable patient access to treatment and significantly reduce the burden on the healthcare infrastructure post pandemic 	
Personal health management	<ul style="list-style-type: none"> Revenues witnessing downfall as centers are closed due to lockdowns Players ideating new products to keep customers engaged (e.g., cure.fit providing online live wellness sessions for free) 	<ul style="list-style-type: none"> Revenues adversely affected as complete / partial lockdowns get extended However, services are going virtual to cater to increasing demand providing online sessions of yoga, full body workout, etc. 	<ul style="list-style-type: none"> Lockdown gets removed and cashflow starts to recover; Monetizing freemium services launched during lockdown important Controlling the customer churn critical Fear of resurgence of virus still affecting consumer behavior 	<ul style="list-style-type: none"> Growth rate expected to return to pre-Covid levels as fears of the virus fully subside Customer base expected to widen several folds as customer awareness towards healthcare increases and virtual classes becomes a big hit
Healthcare IT and EHR/EMR	<ul style="list-style-type: none"> Adoption is expected to be hit due to lockdowns as acquiring and servicing doctors becomes difficult Lack of bandwidth with stakeholders 	<ul style="list-style-type: none"> Short term demand likely to be low as stakeholders in hospitals / clinics look to preserve cash till the cashflow situation improves 	<ul style="list-style-type: none"> Beginning of recovery with outbreak subsiding leading to freeing up of time of stakeholders 	<ul style="list-style-type: none"> Full recovery expected as cashflow returns to normal and stakeholders continue their journey of adopting EHR / EMR
AI/ML, IoT and Deep tech solutions	<ul style="list-style-type: none"> Workflows and processes would be disrupted However, new AI solutions to emerge which provide risk assessment of COVID disease (e.g., Apollo247) 	<ul style="list-style-type: none"> Players improvise on existing workflows for minimal disruption to work due to the lockdowns Make progress towards higher efficiency 	<ul style="list-style-type: none"> As lockdowns get removed, workflows will stabilize Demand improved as bandwidth of key stakeholders across globe starts freeing up 	<ul style="list-style-type: none"> Demand for such solutions will increase as an aftermath of the pandemic as focus shifts towards making healthcare more efficient, preventive and patient centric

THANK YOU



Build together

Win together