

CAPITAL CALL

BY

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**GET READY
TO SURF
INDIA'S
HEALTH-
TECH WAVE**



At the height of the first wave of the pandemic last year, a friend was stuck in her home town far away from the nearest big city and had a complication linked to a chronic health condition. This in itself wasn't new but she needed to consult her doctor for a prescription and due to the restrictions and the pandemic going to the hospital was too risky. Her daughter used an online consultation app and she was able to do a video call with her regular doctor whose practise was two hours away and she got the right treatment. What is exceptional about this anecdote is that it is not exceptional anymore in India.

Stuck at home and worried about visiting hospitals or medical shops, millions of Indians have turned to online platforms to consult with doctors, order medicines and get diagnostic tests done in the past year. **E-pharmacy saw a 200% increase in the number of orders in 2020, while consultations on tele-consultation platforms increased by 300%**, according to a recent health-tech report by IAMAI-Praxis. It has been a transformational year for Indian healthcare, specifically health-tech.

PICTURE ABHI BAKI HAI!

We are just scratching the surface when it comes to exploring the possibilities that the intersection of health and tech can come up with. Why do I say this? Solving demand-supply gaps within the existing ecosystem is always the first stage in any sector that tech transforms. At this stage the innovation or the tech intervention is in discovery and delivery. We have seen this with e-commerce and even to a large extent with ed-tech. The business models in health-tech that have gained traction and have scaled are in segments like online medicine delivery, tele-consulting, and tech solutions for doctors and hospitals and other healthcare service providers. 1mg, Pharmeasy and Practo are some of the best known examples that fall in this category. Startups focusing on preventive healthcare, fitness, and lifestyle-linked health solutions with the use of wearables and nutrition have also come up, primarily targeted at the top 1% of Indians, which is still a significant population.

Indian health-tech market is growing at 39% to hit \$5 B by 2023

HEADROOM FOR GROWTH

At present health-tech accounts for just 1% of India's total healthcare market

Source: IAMAI-Praxis report 'HealthTech Predictions 2021'

Startups like CureFit are in this segment. Much of the \$3.4 billion that has flown into health-tech between 2014 and 2020 has been cornered by such startups. Earlier this year, Innovacer became India's first health-tech unicorn. It analyses healthcare data to offer actionable insights to doctors, hospitals and insurance companies.

So far we have seen tech-enabled innovations, the next phase will be tech-led and there are multiple global examples of this trend. Like genetic testing company 23andme, which Richard Branson is trying to take public through a SPAC reverse merger. 23andme has started co-developing drugs using its massive genetic database and has also partnered with a hot AI-based chronic disease management startup Lark Health.

Another one is UK-based BenevolentAI, which uses AI for drug discovery and has been valued at over \$2 billion.

SEGMENTS TO WATCH

Every link in the healthcare chain in India is plagued by severe infrastructural issues and is ripe for disruption and tech intervention. However, from a startup and investment point of view, it will be in **diagnostics, R&D and deep science** that we will see the most breakthroughs in the near future.

To be fair, we have seen startups that have used Artificial Intelligence (AI), Machine Learning (ML), data analytics, and deep science R&D come up with innovative solutions built for India.

TECH-LED STARTUPS: A SHOWCASE

- Deep science venture **Axio Biosolutions** has created a rolled gauze with chitosan, a polymer derived from the shells of shrimp, crabs that stops bleeding in minutes. Axio has raised \$14 M from Omidyar Network India, Accel, University of California and Chiratae Ventures.
- **Pandorum Technologies**, a deep tech startup that focuses on regenerative medicine and has used 3D printing to bioengineer the human cornea and liver. It found early backers in Flipkart's Sachin Bansal and Binny Bansal, Sunil Munjal and has since raised from BTB Ventures, Capital Trust, Kotak Investment Advisors.
- **Phable** uses Internet of Things (IoT) devices to monitor patients managing chronic diseases and also helps patients order medicines, schedule diagnostic tests and conduct consultations through its app. The company has raised over \$13 M in funding from Manipal Hospitals, SOSV, Fresco Capital, Betatron Venture Group, and LetsVenture.

However, such examples are few, and fewer have seen growth and scale. But my bet is that we have reached the inflection point and we will see more innovative startups come up and find large markets.

WHAT'S THE BOOSTER SHOT

There are many factors that support my view.

- Indians were already getting more comfortable with tech pre-Covid. Habit-changing products and services like the smartphone, WhatsApp, TikTok and similar social media and entertainment apps, online retail and digital payment solutions have reached almost all parts of India's deep hinterland. Telemedicine has also been around for a couple of decades, but has seen a push in the past few years with startups coming up in this space. **Covid-19 turbocharged this move towards tech and almost overnight Indians have accepted online health and health-adjacent solutions as reliable.** Covid also prompted the Government to release official telemedicine guidelines ensuring legitimacy the Government's eSanjeevani initiative, or the National Telemedicine Service, which was launched in November 2019 has facilitated 30 lakh consultations by March 2021.

The increasing comfort with the smartphone—about 760 million Indians are estimated to own a smartphone—is resulting in personal diagnostic solutions getting built around it. For instance, there are health apps that let the user check heart rates, oxygen levels and blood pressure and other such health indicators with a sensor linked to the smartphone.

- **India already has a robust pharma supply chain infrastructure.** We do everything from production of vials to medicines to injections to vaccines. Our manufacturing prowess in the health-related space is so strong that India went from importer of PPE kits to the second largest producer globally in just two months. We have already witnessed how this ecosystem worked together to create a homegrown Covid-19 vaccine, making India one of the few countries to have come up with its own. Further, India is among the largest manufacturers of the Oxford-AztraZeneca Covid-19 vaccine, thanks to the Serum Institute in Pune. This apart, we already have a relatively well entrenched R&D and clinical trials framework in place, though better transparency and trustworthiness is urgently needed. India can become a critical hub for tech-driven medical R&D as we have the advantage of population.

Large sample sizes will further AI and deeptech development at a faster pace and scale can also be achieved much quicker. The scientists, doctors and other core health professionals who work in pharma and the medical devices space have worked with best-in-class R&D labs and companies to handle clinical trials and production of medicines and devices. We will see increasing numbers of such experts using this knowledge to develop their own R&D led products, leveraging India's medical supply chain.

- **Then there is the large home market itself. While we typically focus on India's large young population, the country's aging population is also big and rapidly growing.** The over-60 accounted for 8.6% of the population in the 2011 Census. Growing at around 3% annually, the number will rise to 319 million in 2050.

About 70% of India's seniors have at least one chronic health issue. Many Indians are moving firmly to preventive healthcare and are more aware of and focused on better health. There is also a lack of trust in the regular healthcare delivery systems. So tech solutions that help Indians avoid hospitals will find takers. Yes, questions over whether the rest-of-India will pay are relevant, considering the low spending power of much of India.

However, healthcare is a necessary expense and with insurance penetration still low, healthcare is prohibitively expensive for most. We have all heard of people falling into debt just to get access to good healthcare for their family members. In fact, it is estimated that 50-60 million people fall into poverty due to a healthcare crisis in the family. Here again the Government has introduced numerous insurance measures, especially for BPL households, like Rashtriya Swasthya Bima Yojana and Ayushman Bharat. Startups are also innovating and insure-tech startups like TurtleMint, Acko, RenewBuy, PolicyBazaar, Digit, and Coverfox are increasing access to insurance, ensuring more Indians will be able to afford quality healthcare. **The National Health Stack guidelines by Niti Aayog will provide a further fillip to startups; much like UPI and India Stack did for fintech.**

There are challenges, from poor infrastructure to dearth of talent, but then which sector in India does not face these issues? Indian entrepreneurs have shown the gumption to build around these challenges. We have all the basic ingredients ready and in place today - a great pharma and medical supply chain, large population, intent among health professionals to innovate and startup, and now willingness among customers to try new solutions. The future of Indian health-tech is healthy.