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Medical products market in India

India is witnessing a rapid growth across all segments and categories of medical products. What are the contributors to this? How will it impact the future growth? What is the impact of regulations on the market? A deeper look into the various facets of the market.

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1. Market Overview

The medical products industry in India was valued at $6.36 Billion in 2013 and is rapidly progressing with an expected CAGR of 17 – 19 % over the next 5 years. This fast growth can be attributed to factors such as improved healthcare infrastructure, increased healthcare spend, increased medical tourism, growing healthcare insurance & increased penetration of private sector. Private players in this industry have seen a sharp rise over the past couple of years, given the lack of regulatory restrictions; only 14 of the 2,000 odd medical devices available in the domestic market have been notified under the Drugs and Cosmetics Act leading to the presence of a large number of international players in the market. This has also been conducive for new entrants to enter the market.

Medical products in India have not been given industry status by the Government of India and hence remain as an unregulated industry with a large presence of local domestic players making the industry highly fragmented. Also in terms of taxation, the regulations favor the import of finished goods as against the import of raw materials for manufacturing. Innovation and R&D have also become integral to the market. Both small and big players have been investing in innovation, with most innovations being made in the direction of patient centric solutions and ease of usage. Medical products are getting smaller, more precise and accurate along with multiple uses for a single product.

For most players, it is easier and cheaper to import finished medical products in India as against local manufacturing, thus making it a capital light industry to invest in. This aspect especially has led to the rapid spurt in the number of players in the market across various medical categories and segments. However, imported products are present mostly in the high end medical products while domestic manufacturers are into low end ones. The high end products although being expensive are able to sustain in the market given the high selling price and high margins made.

2. Market Classification

There is no known standard industry classification for medical products globally. Most companies have their own categorization depending upon the products they manufacture. The prime reason for the absence of standardization is the overlap in the practice and usage of medical products. Based on analysis of the Indian market, a broad classification of medical products is as follows:

Medical consumables 20% = $1.3 billion	Medical Devices / equipments 55% = 3.5 billion	Medical implants 25% = &1.6 billion
• Bags • Textile • Surgical • Diagnostic • Wound care • Needle / syringe • Braces • Others	• Digital • Surgical • Scope • Diagnostic • Others	• Orthopaedic / spine • Dental • Urology • Cardiac • Ophthalmology • Neurology • Gastroentology • Others

Medical devices form a major part of the market at 55%, which can attributed to the high price of the products as a well as the margins. While medical consumables account for only 20% of the market, it ranks highest in volume sales.

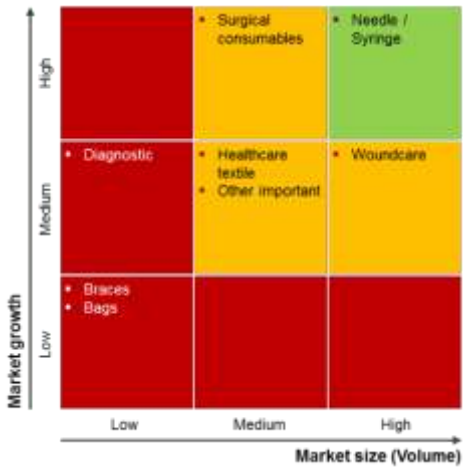
3. Category Insights

a. Medical Consumables

In the medical consumables segment, needles and syringes enjoy a large volume in the market and are expected to grow at a CAGR of 12-14% annually. This high demand is not only attributed to the disposable usage of syringes, but also to the growing disease rates of certain types of diseases like diabetes.

The next set of products in the category that are projected to be fast growing are wound care and healthcare textiles. The wound care market is expected to grow at 3.2% annually; this market is also fast evolving with the discovery of new technologies, especially in the areas of recovery for surgical wounds.

The market growth for medical consumables is as follows:

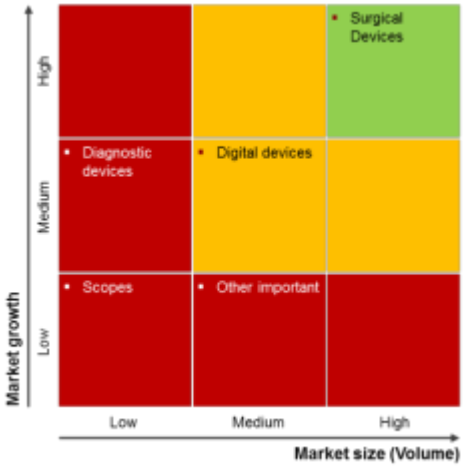


b. Medical Devices & Equipments

Medical devices and equipments largely include surgical, digital and diagnostic devices. India has seen a rapid rise in the demand for surgical devices and hence a massive adoption in surgical technology has been seen lately. Even small surgical devices such as knives, scalpel are becoming highly specialised in nature. The surgical sutures market is growing at CAGR 7% and is predicted to expand to $4.5 billion by 2016. Overall, sutures will make up to 60% of the surgical device market in the next 5 years. Increasing demand for cosmetic surgery is also driving the need for surgical equipment. Thus surgical devices have the highest potential in this segment.

Following closely are digital devices such as blood pressure apparatus, sugar testing strips etc. The least growth in the segment is experienced by diagnostic devices, largely because these devices have a long life and are not changed very frequently.

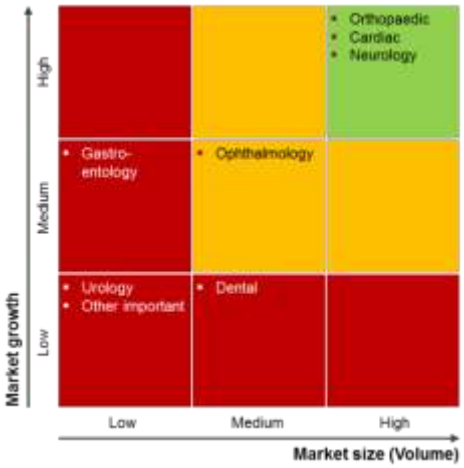
The growth potential for medical devices and equipments can be seen in the table below:



c. Medical Implants

Certain surgical categories like Orthopaedics, Cardiology & Neurology are leaders in the medical implants category. Orthopaedic joint replacement surgeries are growing rapidly at 15-20% and hence there is more consumption of the implants for knee and hip replacement surgeries. Urbanisation and lifestyle shifts have contributed to increase in cardiac and neurological problems leading to a rise in medical implants in these categories.

Low demand implants include Urological and Dental implants. The market forecast for medical implants can be seen below:



4. Technology trends in Key Categories

Segment details	Latest technology trends
Auto disposable needle/ syringe	▪ Needle free injections ▪ Most important developments include prefilled syringes, multi-chamber syringes and silicone-free technology for lubrication of syringe components.
Healthcare textile are getting integrated with medical devices	▪ Advancement in fiber and other textile technologies specifically designed for use inside the human body ▪ Medical Smart Textiles: integration with electronic devices, including sensing, monitoring and information processing tools, able to react to the conditions and stimuli, including mechanical, thermal, chemical transmitted by the wearer ▪ 3D textiles are used to prevent contact irritations and wound infection ▪ These technologies are not present in India yet, hence are a big opportunity area
Negative pressure is latest wound care therapy	▪ Highly specialized industry ▪ Designing products that extend wear time, reducing the expense of labour while preserving quality of care ▪ Newer clear products to allow visualization of the wound beneath the dressing ▪ Nanotechnology enabled drug delivery to wounds
Digital devices are more user friendly and at lower prices	▪ Wireless medical devices are coming up ▪ Bluetooth and Smart phone connectivity to devices is happening ▪ Post-operative monitoring technology is

	smarter and easy to use ▪ Better monitoring systems, and more comfortable scanning equipment are allowing patients to spend less time in recovery ▪ Collaboration and precision need small changes technically, hence existing products do not become obsolete
Surgical consumables and devices are getting smarter and smaller	▪ Ultrasonic devices and other bipolar devices are combined into one resulting in minimum heat/ thermal spread to damage neighbouring tissues ▪ Better cuff materials, secretion management tools, antimicrobial coatings, and other biofilm removing tools for invasive airway devices ▪ Use of Stealth technology to perform complicated neurosurgeries for back and spine results in smaller incisions, greater accuracy, reduced surgery time
Implants are getting more specialized	▪ Category is high specialization oriented ▪ Development of ceramic-on-ceramic bearing surfaces for spinal total disc replacement ▪ Micro-needles to safely and effectively deliver drugs into eye are coming up ▪ By Neuro-modulation, the brain can be regulated using a number of different factors and all these can now be modulated by devices implanted in the neural network

5. Margin Structure Details

Any medical product goes through 3 – 4 levels of distribution before reaching the end customer. A typical distribution value chain for a medical product is illustrated below:

Depending upon the product the healthcare establishment could be a chemist shop or a hospital or both. E.g. an empty needle / syringe would be available at both chemist shop and at a hospital but any implant would be available only at a hospital. The broad margin structure at each level of value chain for high potential products are given in table below:

	Manufacturer margin	Distributor margin	Dealer Margin	Healthcare establishment margin	Total
Auto-disposable needle	50 - 70	10-15	10-15	300	550 – 650
Masks / gowns / head & foot wear	80 – 100	15 - 20	15 - 20	200	450 – 550
Swabs	60 - 80	10-15	10-15	100	380 – 470
Bandage	60 - 80	10-15	10-15	100	380 – 470
Adhesive	60 - 80	15 - 20	15 - 20	100	420 – 510
Surgical knife	60 - 80	15 - 20	15 - 20	100	420 – 510
Scalpel	60 – 80	15 - 20	15 - 20	100	420 – 510
Catheters	80 – 100	15 - 20	15 - 20	200	450 – 550
Blood pressure device	15 - 20	2 - 5	2 - 5	100	330 – 500
Cholesterol test	15 - 20	2 - 5	2 - 5	100	330 – 500
Sugar test device	15 - 20	2 - 5	2 - 5	100	330 – 500
Orthopedic implant	80 – 100	15 - 20	15 - 20	300	700 – 850
Cardiac implant	60 – 80	15 - 20	15 - 20	200 – 300	400 – 700
Neurology implant	80 - 100	15 - 20	15 - 20	300	700 - 800

High Low Moderate

It can be observed that a higher margin structure can be seen for categories such as implants and medical devices which have moderate to high levels of specialisation while the least product margins are made for long life devices due to their low replacement cycles.

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