

HEALTHCARE RADIUS

Aligning business and healthcare in India

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DIAGNOSTICS
MAKE IN INDIA PUSH
FOR IVD MARKET

OPERATIONS
REDUCING WAITING TIME



OPERATION SMILE

STRATEGIES TO ENSURE DOCTORS ARE TAKEN CARE OF,
SO THAT THEY CAN GIVE PATIENTS THE BEST TREATMENT



‘Make in India’ push

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The government needs to put in place a duty structure that will encourage exports

BY VIRAL R GANDHI

India is hailed as the ‘pharmacy of the developing world’ because of the huge strides we have made in innovation, product development and export. But, when it comes to medical devices industry in general and in-vitro diagnostics (IVD) sector in particular, we still remain a heavily import-driven consumer country with not much happening to stimulate local manufacturing.

At present, India has a very minimal share of one percent in the world IVD market which is worth around \$60.3 billion. Going by the past performance in the recent years, the market is expected to grow at a CAGR rate of 6% and then would reach \$74.46 billion by 2020. But, riding on several conducive domestic factors, the Indian IVD industry has the potential to outgrow the global rate. According to some projections, we will claim at least 2% of the global industry share by

2020, assuming that we would register a CAGR of 15-20%.

A number of diverse factors drive this optimism. We have an ever increasing burden of lifestyle diseases (we are the world capital for many of the diseases in this bracket), but at the same time we see growing awareness and readiness to seek and get quality healthcare. Mounting disposable income and improved healthcare infrastructure, especially in the private sector, would also contribute to this big growth. Increasing number of corporate presence in healthcare, explosion of pathology diagnostic market especially in the rural area, growth in insurance coverage and spurt in clinical research would further add fuel to this progression. It is estimated that 75% of the clinical inspections have to be supported by IVD. This substantiates the claim for a formidable growth in India for the industry.

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A few things have skewed our growth so far, despite a flare-up in population and surge in lifestyle diseases. The high demand for testing in outpatient clinics drove the growth of the industry in Japan which commands 35% of the Asia-Pacific IVD market, despite lesser population compared to our country. In the case of China and Australia, the other two leaders in the region, it is the well-laid reimbursement facilities by the government that helped the industry grow.

But the question is how far we are equipped to meet this huge demand. MNCs still dominate the market and 60% of the IVD reagents/strips/kits etc are being imported from countries like China. One big MNC alone controls 14% of the market. Another interesting factor is that the big companies still cater to the demand in the tier I and tier II cities, leaving the rest of the country rather unexplored and highly potential area for growth.

This growth potential beckons us to think seriously about promoting the domestic manufacturing of IVD products, especially given current efforts by the government to transform India as a manufacturing hub through 'Make in India' campaign. As far as IVD is concerned, it is perfect timing for India to replace China as the most preferred global manufacturing hub. An advantage India has is that the US and European companies are seriously thinking of shifting manufacturing bases from China following the disturbances in the South East and Far East Asia over the South China sea.

We are yet to see a concrete and constructive 'Make in India' push for the IVD industry. A number of steps needed immediately if we want to promote domestic manufacturing of IVD products. This can cut down the treatment costs largely and thereby reduce the burden of health costs on the national economy. Our current duty structure has a strong bias for import and this needs to be rectified. The government needs to put in place a duty structure that will discourage



imports and encourage exports.

Secondly, the government should incentivise the innovation in the sector as there are no specific schemes in force to support research for medical devices. Having a nodal funding agency by the government can go a long way in pushing the research and innovation. It is also important to work out fiscal incentives to the local manufacturing companies. The government can also give preference to the local manufacturers while purchasing the IVD kits for the public sector just like how the government is promoting generic drugs in many ways.

Also, what we need is an aggressive start-up culture in the IVD manufacturing. We need to promote the entrepreneurial spirit among the youngsters with a multi-pronged strategy that will at the same time highlight the potential of the sector, bring out laden opportunities and doll out incentives to the right ventures. **HR**



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2. India needs an aggressive start-up culture in IVD manufacturing.