

How promising is India's medical devices industry?

01 March 2022 | Views

A major boost to the neglected Medical Devices industry is the only silver lining to the pandemic; resulting in import-friendly policies and negligible duties. Sometimes a crisis helps to come out with bolder decisions. Healthcare stands to gain tremendously with PM's Atmanirbhar Swasth Bharat Yojana, PLI Scheme, Health Infra allocation, a focus on new and emerging diseases and health labs that will address major accessibility gaps. A quick analysis of this crucial sector is in order



The Government of India through its flagship 'Make in India' initiative relied heavily on the Indian manufacturers to meet the rising demand of essential healthcare equipment for the country, pushing the Indian medical devices sector to become self-reliant especially for approximately 50 essential COVID-19 Critical Medical Devices.

When imports got disrupted, specific devices detailed with quantified production shortages and a focused Inter-Ministry Group coordinating with domestic manufacturers via AiMeD had addressed production bottlenecks and challenges so that not only capacity got utilised but also ramped up rapidly. Manufacturers were allowed to sell higher than L1 prices in some cases or given target pricing to achieve with assured volumes.

COVID-19 has changed the scenario of doing business. It has opened massive opportunities for the healthcare sector in tele-consultation, AI-based diagnostics and remote healthcare management. The Healthcare sector has become more focused on innovation and technology over the past two years of change. 80 per cent of healthcare systems are aiming to increase their investment in digital healthcare tools in the coming five years.

While in 2020 the Non-Covid care demand fell sharply it rebounded in 2021. According to government estimates, the current market size of the medical devices industry in India, 4th largest in Asia after Japan, China and South Korea, is estimated at about \$15 billion and has been growing at a CAGR of 15 per cent over the last three years. The market is expected to grow in the coming years to reach a size of \$50 billion by 2025.

The Indian Medical Device Manufacturing industry is at the cusp of a great opportunity. Manufacturing growth in China has been challenged by many countries resistance to buy Chinese Medical Devices. Another opportunity is the current Indian Public Procurement Policy. Due to geopolitical reasons global investors have begun to show renewed interest in India. Our government has also seized the initiative and in a series of measures has reformed the country's foreign investment policy to allow higher levels of investment from abroad in diverse sectors. As a result India has become one of the most open economies in the world and rightly positioned to attract large-scale foreign investments. The Indian Government with Invest India spearheading the initiative has already chalked out plans intending to remove all roadblocks and offer tailor-made solutions to attract investment to make India a manufacturing hub for medical devices.

Unlike the 2021 Budget which stated Healthcare as one of the 6 Pillars of Economy, sadly the Union Budget 2022 announced recently has no strategic stated measures to boost the healthcare sector and domestic manufacturing. We were expecting the government to move forward on promised reforms and anticipated conducive measures to boost domestic manufacturing of medical devices. It is frustrating that against our expectations, the government has not included any measures to help end the 80-85 per cent import dependence forced upon India and an ever increasing import bill of over Rs 46000 crore and promoting growth Indian Medical Device industry other than repeating last year's assurance to end custom exemptions of products that can be made in India.

Imports from China of price sensitive Medical Devices went up steeply by 75 per cent from Rs 5208 crore in 2019-20 to Rs 9112 crore in 2020-21. This is a lost opportunity for Indian Manufacturers to grow and compete globally but saw with dismay dumping of Chinese imports when duties were slashed to zero per cent at the behest of Importer dominant lobbies for Covid-critical items.

These are the same domestic manufacturers, when imports got disrupted during COVID-19 crisis, the government relied heavily on them to meet the rising demand of essential Covid items for the country pushing the Indian medical devices sector to become self-reliant.

The Indian government discussed establishing four major medical device parks in the country last year. A fund of around Rs 100 million was to be allocated to each of these parks. The devices were to be created by indigenous companies in these parks, furthering the mission of self-sufficiency and manufacturing in India, but there is nothing in this budget for fiscal year 2022-23 to indicate that the government wants to develop indigenous medical device manufacturing industry.

India's indigenous production would not grow unless imports were minimised and exports encouraged. In the current environment, it will be difficult to make the dream of Making in India a reality. It is important to remember that Covid is not over yet. In the future, medical devices may be required. In India, there are more than 20 such devices on which there are zero import duties, which is the main reason for the increase in imports.

To enhance the local production the Indian Medical Devices Industry is looking forward for 5 changes in the regulations such as 1. Predictable tariff policy linked to Global Competitiveness; 2. Graded increase of custom duty to 10-15 per cent from current zero to 7.5 per cent; 3. Reduced GST on 18 per cent where being applied to 12 per cent as Medical Devices are not luxury goods; 4. Health Cess applied on some Medical Devices to also applied on other medical devices and 5. R&D related tax breaks to motivate indigenous development.

The positive announcement for Medical Devices was on Public Procurement by allowing prompt payments of 75 per cent value invoiced and bringing in a weighted price preference on account of quality which is especially critical in healthcare related medical devices.

Supporting policies are needed so that Indian Medical Devices Industry can make quality healthcare accessible and affordable for common masses, aim to place India among the Top 5 Medical Devices manufacturing hubs worldwide and help end the 80-85 per cent import dependence forced upon us and an ever increasing import bill of over Rs 46000 crore.

A correct policy environment and support will help India emerge as a medical device manufacturing superpower, a global manufacturing hub, a dependable manufacturer of quality products in the global supply chain, and a global hub for providing skilled manpower to other nations.

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