

Pharma & Healthcare Sector Dealtracker

Providing M&A and PE deal insights



Foreword



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The first half of 2023 reported significant investments in the healthcare and life sciences sectors. The increasing demand for quality healthcare, driven by factors such as increase in aging population, improved disposable income and increased awareness on health outcomes, are driving the deals.

While the overall deal value increased in Q2 2023, the volume remained low. A few high value transactions played a significant role in driving the total transaction value from USD 1.2 billion in Q1 2023 to USD 4.4 billion in H1 2023.

In the healthcare sector, the highlight of the quarter was Temasek's announcement of USD 2 billion investment in Manipal Health to increase its stake by 41% for a controlling stake in India's second largest multispecialty hospital chain. Other key transactions in multispecialty included Blackstone Group's investment in CARE Hospitals for USD 560 million.

Additionally, investments in the single-specialty space, including ASG Hospitals acquisition of Vasan Eye Care and Nova IVF Fertility's acquisition of Wings IVF, further demonstrated the increased interest in single specialty healthcare providers. In the IVF segment, factors such as increased awareness on infertility, acceptability of treatments and push towards better women and child healthcare are driving the growth. IVF is also a key medical tourism segment in India because of the affordability of treatment, presence of expert professionals and well-developed pre- and

post-procedure infrastructure. We expect the segment to witness continued momentum.

In Life Sciences, the focus continues to be on strategic investments to acquire products/ licenses in regulated markets, and capacity expansion within India, particularly in the Biosimilar, CDMO, and API businesses. The deals activity in Life Sciences was led by Serum Life Sciences investment of USD 150 million in Biocon Biologics. IPCA Labs also announced a significant acquisition to obtain a 33% stake in Unichem Labs for USD 126 million, strengthening their API capabilities.

While healthtech continues to attract investment, the ticket sizes of these investments were relatively small. The second quarter of 2023 witnessed a decline in both deal volume and value, indicating cautious approach among investors.

Despite overall subdued investment sentiments, the healthcare and life sciences sector in India still holds substantial long-term investment potential. Confluence of factors such as demographics, government initiatives to enhance quality of life, appetite of Indian business to leverage their manufacturing prowess to cater to domestic and global markets complemented by India's macro robustness continues to augur well for the sector, which will continue to attract investments in the long-term. However, the tapered valuations may continue for some time.

Deal snapshot

Q2

Deal summary	Volume			Value (USD million)		
	2021	2022	2023	2021	2022	2023
Domestic	23	5	13	1,014	139	467
Cross-border	1	5	3	11	108	20
Total M&A	24	10	↑ 60% 16	1,025	247	↑ 97% 487
Private equity	28	32	↓ 41% 19	1,327	1,029	↑ 158% 2,650
Grand total	52	42	↓ 17% 35	2,352	1,276	↑ 146% 3,137
Cross-border includes						
Inbound	0	2	3	-	10	20
Outbound	1	3	0	11	98	-

H1 2023

Deal summary	Volume			Value (USD million)		
	2021	2022	2023	2021	2022	2023
Domestic	29	10	17	1,151	466	487
Cross-border	3	7	8	26	118	140
Total M&A	32	17	↑ 47% 25	1,177	584	↑ 7% 627
Private equity	61	72	↓ 32% 49	2,128	1,789	↑ 110% 3,755
Grand total	93	89	↓ 17% 74	3,305	2,373	↑ 85% 4,382
Cross-border includes						
Inbound	2	3	4	15	15	20
Outbound	1	4	4	11	103	120

Deal values increased significantly in Q2 2023 while volumes remained low

- Healthcare and life sciences witnessed a 17% decline in deal volumes compared to Q2 2022. However, few significant transactions led to a remarkable 146% increase in deal values, from USD 1.3 billion in Q2 2022 to USD 3.1 billion in Q2 2023.
- There was an interest of PEs in Indian multi-specialty hospitals. Temasek Holdings bought stakes in Manipal Health Enterprises from TPG Capital Management and National Infrastructure Investment Fund for USD 2 billion, marking the largest fundraise in the sector in the last 13 years. In another notable transaction, Blackstone Group bought stakes in Quality CARE India Limited – Care Hospitals for USD 560 million, making it the third-largest fundraising ever recorded in India in the sector.
- Driven by these big-ticket investments, the PE activity reported a 158% growth in deal values, taking the average ticket size from USD 32 million in Q2 2022 to USD 139 million in Q2 2023. However, the volumes decline by 41%.
- The M&A activity reported a 60% increase in deal volumes over Q2 2022, recording 16 deals. Deal values surged by 97% to reach USD 487 million, resulting in an average ticket size of USD 30 million, compared to USD 25 million in Q2 2022.
- Serum Institute of India Ltd - Serum Institute Life Sciences bought minority stake in Biocon Biologics Limited for USD 150 million, and IPCA Laboratories Limited acquired Unichem Laboratories Limited for USD 126 million, contributing around 57% of overall M&A transactions.

H1 2023: While the deal values increased, volumes declined

- H1 2023 reported an 85% increase in deal values compared to H1 2022, despite reduction in deal volumes. The significant increase in values can be attributed to a marquee transaction involving Temasek Holdings acquiring a stake in Manipal Health.
- M&A volumes experienced a 47% increase in H1 2023 compared to H1 2022. However, deal values remained marginally higher in H1 2023 compared to H1 2022, resulting in a decrease in the average ticket size from USD 34 million to USD 25 million.

Top deals: Q2 2023



Top deals accounted for **96% of overall deal values** and constituted only **29% of volumes**.

Investor/ Acquirer	Investee/ Target	Deal type	sub sector	USD mn	Stake%
Temasek Holdings	Manipal Health Enterprises Pvt Ltd	PE	Hospitals	2,000	41%
Blackstone Group	Quality CARE India Limited - Care Hospitals	PE	Hospitals	560	70%
Serum Institute of India Ltd- Serum Institute Life Sciences	Biocon Biologics Ltd	Domestic acquisition	Pharma & Biotech	150	N.A.
Ipca Laboratories Limited	Unichem Laboratories Ltd	Domestic acquisition	Pharma & Biotech	126	33%
ASG Hospital Pvt. Ltd.	Vasan Eye Care	Domestic acquisition	Hospitals	64	100%
LeapFrog Investments, Khosla Ventures, Unilever Ventures, Chiratae Ventures, Blume Ventures, HealthQuad, Finnfund and Van Lanschot Kempen	HealthifyMe Wellness Pvt Ltd	PE	Wellness	30	N.A.
Corona Remedies Pvt Ltd	Sanofi India Limited's- Myoril	Domestic acquisition	Pharma & Biotech	29	100%
Fortis Healthcare Ltd	Medeor Hospital Ltd - Manesar	Domestic acquisition	Hospitals	27	100%
Sri Kavery Medical Care Pvt. Ltd- Kauvery Hospital	Fortis Healthcare Limited - Vadapalani in Chennai	Domestic acquisition	Hospitals	19	100%
InvAscent - India Life Sciences Fund III	Pregna International Ltd	PE	Pharma & Biotech	16	N.A.

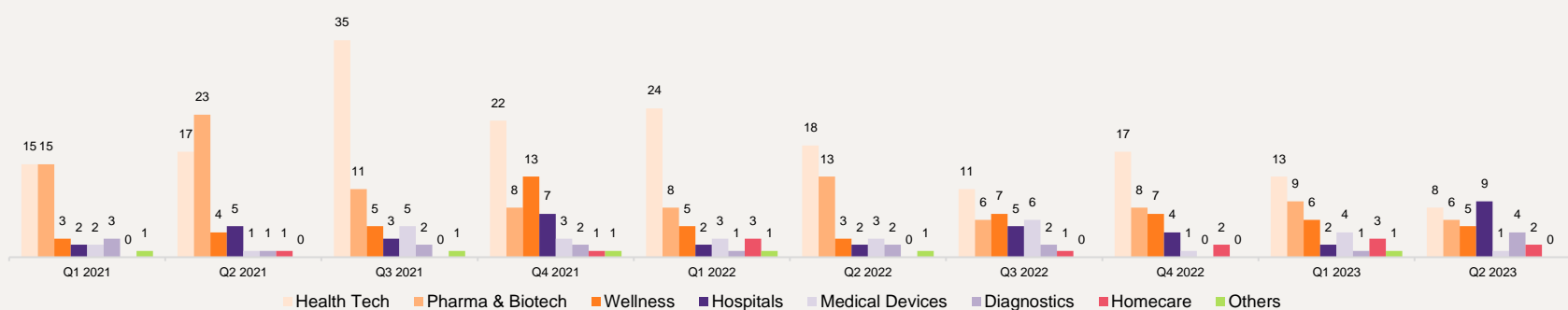
Sub-sector analysis



Hospitals take the lead in deals activity

- The previous quarters saw healthtech leading the deals activity in terms of volume, but in Q2 2023, the hospitals segment took the lead. There was a decline in momentum for healthtech deals, both in terms of volume and value.
- Despite an overall decline in deal volume from 39 deals in Q1 2023 to 35 deals in Q2 2023, the diagnostics and hospital segments saw a 4x and 4.5x growth in deal activity, respectively, in Q2 2023 compared to Q1 2023.
- The hospital sector experienced significant growth, accounting for 87% of overall transactions in Q2 2023. A total of 9 deals were recorded in this sector.
- Pharma and biotech dominated the M&A landscape with the highest volume and value, representing 78% of the sector's total value across 56 deals worth USD 5.5 billion during the reviewed period from Q1 2021 to Q2 2023. The hospital segment followed with 18 deals totaling USD 955 million.
- Healthtech continued to drive the activity in terms of private equity (PE) investments quarter-on-quarter followed by activity in the wellness space.
- Recently, there has been a growing interest in physical rehabilitation and recovery centres. People are increasingly opting for out-of-hospital care services, leading to increased awareness about this segment. As a result, we can expect to see more deal activity in this space soon.

Sub-sector trend by deal volumes.



Technology transformation for future-ready healthcare



India has successfully embraced the digital mindset in the last decade and the healthcare sector is also witnessing rapid digital transformation. Digitalisation in the healthcare sector are aimed at improving patient outcomes, driving productivity, undertaking sustainable, well-governed and profitable operations, and ensuring patient privacy through adequate cybersecurity. Key highlights from the survey by Grant Thornton Bharat in association with AHPI is provided below:

Technology budget allocation: Top priority areas

- Billing function
- Patient engagement
- EHR/ EMR
- Operations excellence
- Patient care/ delivery and health outcomes
- Revenue enhancement and cost optimisation
- Efficiently run support functions
- Tele consultation
- Regulatory compliance
- Prevent cyber threats

84%

plan to increase their budget on digital solutions and technology initiatives in the next 12 months

80%

plan to leverage 5G to drive healthcare outcomes

66%

are not confident that their technology infrastructure is sufficient to prevent cyber threats

40%

feel their technology infrastructure can ensure patient data privacy



Scan the code to read the complete results of the survey conducted by Grant Thornton Bharat – Association of Healthcare Providers (India) for insights on healthcare providers' and practitioners' perspectives on leveraging technology across key touchpoints, preferences, challenges and outlook.

Technology transformation for future-ready healthcare



Enhancing operation efficiency

48%

have seen a rise in operational efficiency

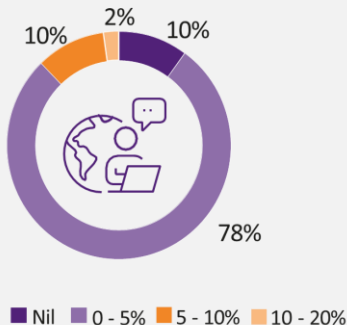
of up to

20%

from implementation of technology

Telemedicine and EMR

Share of revenue from telemedicine



62%

have implemented EMR

54%

do not have EMR integrated with billing system

With hospital chains being present across multiple locations, running efficient operations with robust governance mechanisms and achieving better health outcomes are a challenge. Furthermore, healthcare organisations have primarily grown through the inorganic mode, bringing in further complexities of disintegrated technology platforms, processes and people practices, impacting the ability to run efficiently and enhance the patient experience.

However, technology has enabled the integration of multiple platforms, even with diverse operating systems. This unification could aid in mitigating business risks and have efficient and reliable management reporting.

Case study: Value-added internal audit for a healthcare service provider



Client profile: Healthcare service provider with multi-geography presence

Client's ask

Internal audit solution to:

- Achieve robust governance structure
- Standardise disengaged practices across locations
- Drive operational efficiency
- Mitigate revenue loss
- Identify opportunities for revenue maximisation
- Strengthen compliance monitoring mechanism

Our Solution

- Deployment of advanced analytical tools for population-based reviews
- Integrated team of healthcare, process, systems, forensic and ESG experts to bring a deep focus and value add
- In-depth review to focus on root cause and identify pragmatic solutions

The impact and value addition

- Recommended system improvements to plug revenue leakages identified during internal audit due to inconsistency in billing of OPD, patient follow-on through IPD basis OPD, inconsistency in application of ward matrix multiplier, approvals of discounts
- Recommended system controls to prevent frauds in billing/collection, international patient management and procurement of pharmacy items
- Recommended mechanisms to drive operational efficiency through vendor aggregation, bulk buying, maximising FOC, bed occupancy rate analysis, patient bed turnover analysis, package analysis
- Enhanced patient experience through better appointment management leveraging technology

Case study: Public Health



Client profile: Directorate of Medical Education and Research (DMER) and Medical Education Department (MEDD), Department of Government of Maharashtra, responsible for the administration and regulation of laws relating to the science of medicine and research, medical education in the state, and food and drugs.

Client's ask

The scope of work for the engagement included establishment and upgrade of IT hardware and software systems established at the DMER, and all medical/dental colleges and associated hospitals. This includes various verticals of automation and IT across existing and new processes followed by the Directorate.

Our Solution

- Grant Thornton Bharat has established a Digital Health Consultancy PMU for the implementation of IT projects, solutions including:
- Process automation and data analytics for Medical Education and Drugs Department
- Implementation of emerging technologies
- Business process reengineering
- Bid process management

The impact and value addition

The engagement enabled the client to envisage the outcomes such as adoption of technology-backed solutions for efficient and smart governance functions, two-way digital communication channel for students and administration, remote and low-cost healthcare for citizens, advanced technology for delivering education, streamlined healthcare facilities on fingertips, outsourced clinical services for better patient management, predictive healthcare monitoring support.

Sector specialists



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