

**Themes in India's Healthcare Sector
With Sunish Sharma of Kedaara Capital Advisors**

David Snow, Privcap:

Today, we're joined by Sunish Sharma of Kedaara Capital Advisors. Sunish welcome to Privcap today. Thanks for being here.

Sunish Sharma, Kedaara Capital Advisors:

Thank you. I really appreciate you having me.

Snow:

You're a private equity investor in India, but one of the sectors you focus on is the healthcare and pharmaceutical sector. Can you talk about some really interesting trends within India's healthcare sector that should be of interest to private equity investors?

Sharma:

Pharmaceutical is a very well-known area in India. A lot of private equity money has gone into it and a lot of private equity money has been made into it, largely around the generics theme. Hopefully there is a big opportunity and big investments that are being made on the domestic formulations market. The second segment on the opportunity is the healthcare theme. One is the traditional hospitals—a great area from a long-term perspective, but very tough to do from a five-year investment cycle because it takes about four years to build a hospital. If you are lucky, maybe you can do it in three. After it takes you three or four years to break even.

You'll also find that a lot of people talk about managed hospitals, where they will actually take existing hospitals and manage them better. [It's] great thinking, but very difficult to do, because none of the hospitals are willing to sell or to give out the management contracts. So, there the big challenge is can you find the model that works from a domestic India perspective, which is from a shorter duration cycle? There, we feel the single specialty hospitals like ophthalmology—which you can build in less than one year and they break even within two years—might be more interesting business models to play in. The third area that is very interesting is the whole diagnostic space. For a country that spends 6% to 7% of its GDP on pharma and healthcare, the biggest diagnostics company really is not even 200 million in size. There is going to be an area where a lot of consolidation is going to happen.

A lot of private equity interest is there. It still needs to play out. And the last, which is at a very initial stage, I would say, is the intersection of healthcare and consumer. Whether it's Ayurveda, which is like the Chinese herbal medicine—the Indian equivalent of that—or whether these are healthcare products that are taken, that are focused on the Indian consumer from better-living standards. That could be a very interesting theme, but very few companies [are] visible there today.