PIVOT FROM CURATIVE TO PREVENTIVE HEALTH

Investors eye new biz models for fresh healthtech deals

SALMAN S H
Bengaluru, August 1

CONSOLIDATION & TRENDS

- Over **30 tech startups** in India resorted to **layoffs or restructuring in 2022** alone as investors were spooked by tech stock crashes in the US and in India.
- **Bootstrapped startups** seem to flourish and many have come out with plans to double down on hiring even as their VC-funded counterparts have laid off employees
- Most of the bootstrapped founders say **freedom of decision-making and the ability to reallocate funds** and resources quickly **have helped them**, particularly during economic slowdowns

INDIA'S HEALTHCARE TECHNOLOGY (healthtech) space, which is largely dominated by online pharmacy and doctor consultation apps, is now headed into a consolidation phase. Smaller start-ups are entering into strategic M&A deals with established corporates and larger deals, especially as funding dries up across late-stage rounds.

According to a recent report by startup media house Inc42, out of the 206 mergers and acquisition (M&A) deals in 2021, there were at least 13 in the healthtech space alone.

Some of the biggest M&A transactions in the space include Pharmeasy's buyout of diagnostics chain Thyrocare for $600 million in June 2021 and $144-million acquisition of hospital supply chain management startup Akramed in September 2021. Tata Digital, a wholly-owned subsidiary of Tata Group, also acquired an online pharmacy startup 1mg for $230 million in June 2021.

Digital health platform Mfine, which recently ran into funding challenges, also merged with diagnostics company LifeCell International after laying off almost half its workforce in July 2022. The startup, which raised more than $90 million in financing from Stellaris and Prime Ventures, was one of the casualties of the slowdown in late-stage funding. Prior to the acquisition, it was last valued at around $450 million.

This year, due to inflationary pressures coupled with a slowdown in late-stage funding, more than 30 different tech startups in the country have resorted to layoffs or restructuring.

However, there is still a large amount of uninvested capital lying across VC and PE funds that are focused on India, and several healthtech investors and investment bankers told *FE* that they are eyeing deals in emerging healthtech categories. Startups in AI-based diagnostics and patient care, fitness trackers, group insurance and other tech-based allied health services have recently received much investor attention across both early and mid-stage rounds.

"As the deal value in the healthtech space touched approximately $4 billion during H1 of CY22, compared to $$2 billion a year ago. We expect to see a similar trend going forward as there is an increasing demand for data analytics through public-private partnerships and alliances. The evolving shifts in the market and consumer behaviours should continue driving the deal momentum as the larger players will be redeveloping their operating and revenue models to adapt and stay ahead of the curve," said Ankur Bansal, co-founder & director at alternative NBFC and AIF Fund platform BlackSoil.

Currently, online pharmacy remains the largest category in the healthtech space in terms of funding. Startups in this category raised more than $720 million in 2021, accounting for 33% of the $2.2-billion funding in the healthtech space, according to estimates from Inc42. But this is expected to change.

Analysts and investors indicate that the preventive healthcare space which includes categories such as fitness and wellness apps, foods and supplements, early diagnostics and health tracking products, online health insurance and others is expected to mop up a chunk of the funding in the next few years. Estimates from management consulting firm Redseer show that the preventive healthcare segment is projected to reach $197 billion by 2025, growing at a CAGR of 22%.

Startups such as diabetes management platform Fitterfly, AI-based diagnostics platform Qure.ai, health tracking app GOQii and emergency response provider StanPlus had recently raised large rounds in early- and late-stage funding, signalling investor interest in the segment.

Amit Nawka, partner for deals & startups at PwC India, told *FE* that the online pharmacy, doctor consultation and diagnostic apps, which received considerable investor attention in recent times, spent a large amount of capital on customer acquisition during the peak pandemic period in 2020-2021.

"However, now investors are wondering whether all that customer acquisition costs are sustainable, now that the healthcare consumers are going back to offline clinics for consultation and diagnostics. Many of these startups also stayed away from expanding into small towns in tier II and III geographies since the opex costs are too high for an ample return on investment," said Nawka. He added few startups in preventive health care, health monitoring, corporate health insurance and secondary-care categories are instead attempting to go deeper into smaller towns with a capital-efficient model without spending too much cash on operational expenses.

For example, Pristyn Care, which specialises in secondary-care surgeries, is tapping into under-utilised surgical and medical resources lying around both organised and unorganised hospitals in the country using an aggregation model. By partnering with a network of hundreds of clinics and hospital chains, Pristyn Care offers both speciality surgeries and minimal procedures across proctology, urology, ENT, gynaecology, vascular, laser and laparoscopy. Besides surgeries, the platform focuses on doctor's consultations, hospital admissions and pre- and post-surgical follow-ups.

Pristyn Care also entered the unicorn club recently after it raised $100 million in a Series E round led by Sequoia Capital US, valuing it at $1.4 billion in December 2021.

Mumbai-based Kenko Health, which offers a susbcription-based solution for OPD health insurance, is one of the emerging startups in health insurance taking a differentiated approach for affordable healthcare solutions. It offers a subscription-based service, which costs anywhere between ₹299-1,999 a month, which covers all healthcare expenses across OPD, hospitalisation and medicine delivery through partnerships with insurance companies and online pharmacies. For the monthly subscription, Kenko covers the entire costs of consultation, medicine purchases, diagnostic tests and others.

Aniruddha Sen, co-founder, Kenko Health, said that the startup's current user demographics include middle-income households mostly in tier 2 towns.

GOVT PUSH FOR SUSTAINABILITY

Digitisation & lending to MSMEs to step up in RRBs

MIHIR MISHRA
New Delhi, August 1

COVID & AFTER

- RRBs reported a net profit of ₹1,682 crore in FY21
- Thirty out of 43 RRBs reported profits

AS PART OF reforms to make Regional Rural Banks (RRBs) financially sustainable, the government has asked them to move towards digitisation, including offering internet banking services to its customers, and expand their credit base further through increased lending to the Micro, Small and Medium Enterprises (MSME) sector.

"The cost of operations of RRBs were much lower as compared to scheduled commercial banks but that has increased now and the government wants them to work towards increasing their earnings," said an official source in the know adding that these are as part of the government's plan to reform RRBs.

This was discussed in a meeting that was convened by finance minister Nirmala Sitharaman in July and attended by heads of sponsor banks and RRBs.

One of the key reasons for RRBs incurring losses is the fact that many of these branches do not have enough business as they focus mainly on offering government's schemes like direct benefit transfer in the rural areas of the country.

The source added that almost all these rural banks are under Core Banking Solutions (CBS) meaning their branches are connected with each other. "Offering internet services to customers is the next step for these banks," he said.

According to a government release post the meeting last month, the finance minister urged the sponsor banks 'to formulate a clear roadmap in a time-bound manner to further strengthen the RRBs and support the post pandemic economic recovery and also suggested to conduct a workshop of RRBs and share the best practices with each other.'

This would not be the first time that the government is working to reform RRBs. After a set of reforms in the 90s, the government had, in 2005-06, initiated a consolidation programme that resulted in the number of RRBs declining from 196 in 2005 to 43 in FY21. The aim was to improve their operational viability and to take advantage of economies of scale. After two consecutive years of losses during the COVID period, RRBs reported a consolidated net profit of ₹1,682 crore in FY21 and 30 out of 43 RRBs reported net profits.

The source, quoted above, added that the plan also included merging branches of these RRBs with sponsor banks once these branches reach a certain level of business.

Law minister sends note to CJI, asks him to name successor

APURVA VISHWANATH
New Delhi, August 1

BEGINNING THE PROCESS of appointment of the next Chief Justice of India, the Law Ministry has sought the views of the incumbent CJI N V Ramana, *The Indian Express* has learnt. Union Minister for Law and Justice Kiren Rijiju wrote to CJI Ramana on July 25, asking him to recommend his successor. Sources said that the CJI, who is due to retire on August 26, is yet to respond.

According to the Memorandum of Procedure (MoP), the document which governs the process for appointment of judges, the law minister asks the outgoing CJI to recommend his successor. The MoP states that the CJI should be "the senior-most Judge of the Supreme Court considered fit to hold the office".

While the MoP says the outgoing CJI's views must be sought "at the appropriate time" but does not specify a timeline for the process, it usually takes place a month before the retirement of the incumbent CJI.

The law minister then places the views of the CJI before the Prime Minister, who advises the President on the appointment. "Whenever there is any doubt about the fitness of the senior-most Judge to hold the office of the Chief Justice of India, consultation with other Judges... would be made for appointment of the next Chief Justice of India," the document states.

As the most senior judge of the Supreme Court after the current CJI retires, Justice Uday Umesh Lalit is next in line to be appointed to the top post. If appointed, he will have a tenure of three months, as he is set to retire on November 8 this year. The next most senior judge after Justice Lalit is Justice D Y Chandrachud.

If his appointment is cleared, Justice Lalit will be only the second CJI, after former CJI S M Sikri, to be appointed directly from the Bar. Justice Sikri was CJI from January 1971 to April 1973.

Born in 1957, Justice Lalit enrolled as an advocate before the Bombay High Court in 1983. Before being appointed a Judge of the SC in 2014, he appeared as the Special Public Prosecutor for the Central Bureau of Investigation in the 2G trial.

Twitter bans 43,140 accounts

SHUBHRA TANDON
New Delhi, August 1

STRUCK OFF

- Twitter removed 40,982 accounts for child sexual exploitation, non-consensual nudity and others
- As many as 2,158 accounts were banned for promoting terrorism

TWITTER BANNED 43,140 accounts of Indian users in June over violation of its guidelines, the microblogging platform said in its July 2022 compliance report.

According to the report, Twitter removed 40,982 accounts for child sexual exploitation, non-consensual nudity, and similar content, while 2,158 accounts were banned for promoting terrorism. The platform received 724 grievances in India though its local grievance mechanism between May 26, 2022 and June 25, 2022 and total number of URLs actioned was 122.

The highest number of complaints—536 were related to abuse/harassment and 134 against hateful conduct.

Twitter also processed 52 grievances which appealed account suspensions and none were overturned, and all accounts remain suspended, the report said. The social media platform also received two requests related to general questions about Twitter accounts during this reporting period.

"A vast majority of all accounts that are suspended for the promotion of terrorism and child sexual exploitation are proactively flagged by a combination of technology and other purpose-built internal proprietary tools," company said in the report.

All big digital and social media platforms, with more than five million users are required to publish a monthly compliance report under the new IT Rules 2021.

In compliance with Rule 4(1)(d) of the Information Technology (Intermediary Guidelines and Digital Media Ethics Code) Rules, 2021, Twitter is required to publish a monthly compliance report which includes the details of complaints from users via the India grievance mechanism and action taken on them, as well as information related to Twitter's proactive monitoring efforts under the IT Rules.

Last month, Twitter had complied with the IT ministry's notice to comply with the new IT Rules 2021 by July 4 deadline, or lose its immunity as a social media intermediary under Section 79 of the IT Act. The government had asked Twitter to act on the content take-down notices sent under Section 69A of the IT Act along with non-compliance notices issued for not taking the content down.

In May, the IT ministry issued a similar notice to Twitter, directing it to appoint a resident grievance officer, a resident chief compliance officer, and a nodal contact person.

IT-BPM sector to add 300,000 jobs by March 2023: Report

PRESS TRUST OF INDIA
Mumbai, August 1

WORKFORCE

- The IT-BPM workforce is on the trajectory to grow 7% in FY23
- Overall headcount will increase from 5.1 million to 5.45 million
- Report showed demand for contractual staffing will increase

WITH RAPID ADOPTION of emerging technologies, the Information Technology and Business Process Management (IT-BPM) industry is expected to generate about 0.3 million jobs this fiscal year, according to a report.

The IT-BPM workforce is on the trajectory to grow 7% in FY23, with the overall headcount increasing from 5.1 million to 5.45 million (close to 3 lakh jobs being created), the report by TeamLease Digital, the specialised staffing division of TeamLease Services said.

The Digital Employment Outlook Report for H1-2022 highlighted that the demand for digital skills will grow 8.4% by the end of this fiscal year.

The report is based on a survey that interviewed more than 100 employers, and gathered insights from engineering colleges across 500 cities.

Further, the report showed that demand for contractual staffing will also increase mainly fuelled by increased investments in the sector and rapid adoption of technology by enterprises.

Contractual staffing headcount is expected to grow 21 per cent, the report said, adding that currently IT services companies, Global Capability Centres (GCC), and product development companies are the top contract staffing consumers, contributing in an excess of 70 per cent of this trend. "IT-BPM industry continues to be a sunshine industry in India, being the largest employer in the private sector, employing about 3.9 million people, and contributing to over 8% of the GDP. Our industry here, also amounts to 55% of the global outsourcing market," TeamLease digital chief operating officer Sunil C said.

With more companies focusing on rapid adoption of emerging technologies, demand for tech talent is going to see a strong surge in the coming quarters, especially in IT-BPM, he said. As employment opportunities surge, and companies look for talent with specialized digital skills (reflective in the 8.4% growth in the demand for digital skills), candidates are also upskilling themselves, Sunil observed.

Property registrations surge 15% in BMC area during July

PRESS TRUST OF INDIA
New Delhi, August 1

REGISTRATION OF PROPERTIES in Mumbai's municipal area grew 15% to 11,339 units in July on better demand, according to Knight Frank India.

It is also the highest level for the month of July in a decade.

Of the total registration of properties in Mumbai city (BMC area), Knight Frank India said that 86 per cent were contributed by residential segment and 10% commercial.

For July, the data has been collated till 3 pm of July 30.

The registration contributed over ₹829 crore to the state revenues.

"The number of units registered in July 2022 was the best in a decade for the month of July," property consultant Knight Frank said in a statement. In July 2021, 9,822 units were registered. "With the looming inflation pressures, RBI opted for a cumulative repo rate hike of 90 basis points that has stretched home buyer affordability. However property registrations remain buoyant," Knight Frank India said. On month-on-month basis as well, the registration of properties rose 14% from June this year when 9,919 units were registered.

The consultant also highlighted that 78% of the total registrations were for properties transacted in the same month. As much as 15% of properties registered in July were filed in March 2022 and around 7% of these deals were filed in June 2022.