

## The Investor



LeapFrog Investments is an impact-focused private equity firm that invests in health care, financial services and climate solutions businesses in South Asia, Southeast Asia and Africa. Founded in 2007, LeapFrog has raised three funds to date and invested in over 30 countries. The firm estimates that its portfolio companies have grown at an average annual rate of more than 24% since investment as of September 2023, reaching 451 million people and supporting 229,000 jobs.

### FUND NAME

LeapFrog Emerging Consumer Fund III

### FUND SIZE

USD743m

### TOTAL AUM

USD2.5b

## The Company



Founded in 1991, Ascent Meditech manufactures orthopedic medical devices. As of August 2023, the company produces over 400 health care products, including heat belts, braces, orthotics, bandages, wheelchairs, walkers, crutches and adult diapers. Products under Ascent's Flamingo, Florican, GoChamps and Zamst brands can be found across India, as well as in more than 55 countries throughout Africa, Southeast Asia and the Middle East.

### LOCATION

India

### SECTOR

Health Care

### WEBSITE

[www.ascentmeditech.com](http://www.ascentmeditech.com)

DATE(S) OF INVESTMENT

JULY '18

AMOUNT

CONFIDENTIAL

STAKE

MAJORITY



Trained as an electrical engineer, Dr. Rajiv Mistry dreamed of helping people reduce joint pain in a safer and more consistent manner than traditionally used hot water bags. In 1991, Mistry co-founded Ascent Meditech, starting with a small manufacturing plant near Mumbai that produced heat belts under the Flamingo brand. Within a few years, the company's heat belts represented 70% of the Indian market and, over the next two decades, Ascent Meditech launched hundreds of products focused on pain management and rehabilitation.

By 2018, Mistry's co-founder was ready to part ways and start a new venture. LeapFrog Investments—a private equity firm with a focus on improving access to affordable health care—agreed to facilitate the separation process. The LeapFrog team had originally met Mistry through its network in 2014 and was impressed by how Ascent had grown over the following four years. Revenues had increased by 2.5 times and the company was beginning to expand throughout Asia, Africa and the Middle East. The LeapFrog health care team believed it could further deepen the company's distribution capabilities while improving production. In July 2018, LeapFrog acquired a majority stake in Ascent.

## The Deal

The global COVID-19 pandemic halted Ascent's production during LeapFrog's second year of investment, as most of the company's products were deemed non-essential by the Indian government. LeapFrog worked closely with Ascent to ensure that employees continued to be paid and broadened the management team to support Mistry, who lost several members of his immediate family during the pandemic. New C-suite positions included a CEO, CFO, CMO and Head of Manufacturing.

LeapFrog helped the company launch several COVID-related personal protection products at the peak of the pandemic, including masks (FlamiMask and FlamiMask Plus) and sanitizers (Flamitizer) at an affordable price point. These products were distributed across India and exported internationally, helping to relieve pressure on supply chains.

During the due diligence process, the LeapFrog team identified that a new plant would be essential to increase Ascent's production capabilities and attract global partners. At the time of acquisition, none of Ascent's four manufacturing facilities met LeapFrog's ESG standards. The two teams worked together to make the most of the downtime, kickstarting plans for a state-of-the-art manufacturing facility. LeapFrog wanted the plant to embody global best practices, particularly around labor, fire safety and environmental conservation efforts.

In 2022, Ascent closed its existing plants and moved the entire operation to the new facility, located on 12 acres in the state of Gujarat. Later that year, the plant received UL-GMP (Good Manufacturing Process) certification, recognizing its quality control and assurance methods—an accomplishment none of Ascent's competitors had met. Some of the sustainability initiatives implemented onsite include a reduction in wastewater disposal, aided by an onsite sewage treatment plant, and energy conservation efforts such as replacing traditional lightbulbs with LED lights assembled in the facility.

The new plant's increased production capacity has contributed to growth in Ascent's total revenue from approximately USD16.5 million in 2018 to a projected USD35.5 million by the end of fiscal year 2024. The LeapFrog team estimates that production will increase threefold from 40,000 units per day to more than 120,000 units once the manufacturing facility reaches full production.

The new facility has allowed the company to move into new product categories, such as adult diapers, diabetes socks, mobility aids and post-pregnancy belts. Ascent is also launching several sports products in partnership with Japanese orthopedic support manufacturer Sigmax under the GoChamps brand. The LeapFrog team introduced the two businesses after learning that Sigmax was searching for an India-based partner to diversify its manufacturing base beyond China.

## Inclusive & Sustainable Growth

As of August 2023, Ascent employs close to 1,700 people on a full-time basis, up from 603 full-time employees and 295 contractors at the time of LeapFrog's investment. Approximately 37% of these employees are female. LeapFrog worked with Ascent's management team to ensure that these women were comfortable in the facility, including building separate locker rooms and washrooms, hiring an on-site female doctor and staffing a daycare so that workers could



access childcare. Women at the plant receive equal pay to their male counterparts, while all employees are paid more than the minimum wage mandated by the Indian government.

Nearly 95% of Ascent's workers are from the local village of Dongri. During the plant's construction phase, Ascent implemented a recruitment policy that advocated for the hiring of local people in all cases where the requisite skills were met. The company developed several training programs to support employees during both the construction phase and for long-term employment, maximizing the benefit to the local region. Ascent has further engaged the community in a variety of ways, including prioritizing the procurement of local goods and services, organizing health camps, funding scholarships for local students and improving the cremation facilities in the area during the COVID-19 pandemic.

Ascent reaches over seven million customers through more than 140,000 retail pharmacies in India as of August 2023. Most of Ascent's products are sold at retail prices of between USD3 and USD12, which is approximately 30% cheaper than its largest competitor. To calculate its customer reach, Ascent tracks sales to suppliers and distributors. The company estimates that 90% of its sales are to low-income, emerging consumers who live on less than USD11.20 per day.

## Outlook

LeapFrog plans to continue working with Ascent to expand its product offering and distribution capabilities in the short term. With LeapFrog's assistance, the number of Ascent's exclusive distributors has grown from 150 in 2018 to 900 as of August 2023. Many of the company's products are also now available on Amazon, contributing to exports rising from 20% to 33% of all sales between 2018 and 2023.

Ascent has been steadily growing the number of orders it receives from multinational corporations and is establishing several new partnerships to create white-label products. Vikram Popli, a Director with LeapFrog's Asia team, notes, "We are having lots of conversations with large retailers in the United States and the United Kingdom who are interested in relocating supply chains outside of China and diversifying their manufacturing base into India. The fact that Ascent operates its facility in line with international best practices has also enhanced the company's attractiveness to both local and international strategic players, which is important to us as we plan for the company's next stage of growth." ●