

PHARMA SECTOR

THE ROAD AHEAD

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To give a major breakthrough to investment environment in the drugs and pharmaceutical sector, Government has allowed 74 percent FDI (Foreign Direct Investment) under automatic route in Brownfield pharmaceuticals. The government approval route beyond 74 percent will continue. Earlier, the Government approval route was applicable for Brownfield investments. FDI up to 100 percent has been allowed since 2001 through automatic route for Greenfield investments in pharmaceutical sector. Also, FDI up to 100 percent through automatic route for manufacturing of medical devices has been allowed. Greenfield investment is investment in new plants whereas, Brownfield investment is an investor investing in an existing plant.

India's drugs and pharmaceutical industry is third largest in the world. The sector is one of the most developed and promising sectors of the Indian economy. Enhanced FDI limit is expected to generate employment opportunities with more foreign players investing in India and enhancing the production as the country has good reputation across the world. Pharmaceutical industry today is ranked

world class, in terms of technology, quality and range of medicines manufactured. Enhanced production would require more skilled workforce to deploy in the manufacturing process and the level of employment is expected to witness a major breakthrough.



The sector is known for its technological strength, self-reliance, low cost of production, low innovation and Research and Development (R&D) costs, skilled and innovative scientific manpower and state of the art national laboratories. The extent of the products ranges from simple headache pills to sophisticated antibiotics and complex cardiac compounds. Almost every type of

medicine is now made indigenously.

Government is very proactive for boosting growth and investment in pharmaceutical sector to create more and more employment opportunities in the sector by attracting foreign investments in this promising and ever green sector of

the economy. Industrial licenses are not required for most of the drugs and pharmaceutical products. Manufacturers are free to produce any drug duly approved by the Drug Control Authority.

The available data suggests that the drugs and pharmaceuticals sector has attracted an impressive level of FDI inflows. The equity FDI inflows in the pharmaceutical sector range from US\$ 200 million to US \$ 3232 million during the last five years. The fluctuation can be attributed to availability of liquidity conditions and investment plans year to year by various multinational companies investing in India. But overall average of investments remains US\$ 1000 million per annum.

Accordingly, the share of investments in drugs and pharmaceuticals has been observed fluctuating as the flows also vary year to year and sectoral priorities

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PHARMA SECTOR... Continued from page 1**FLOW OF FDI IN DRUGS & PHARMACEUTICAL SECTOR**

Year	FDI equity inflows in India's Drugs & Pharmaceuticals USD mn	India's FDI equity inflows (USD mn)	% share of Drugs and Pharmaceuticals in India's total FDI equity inflows
2009-10	213	25,834	0.82
2010-11	209	19,427	1.08
2011-12	3232	35,121	9.2
2012-13	1123	22,424	5.01
2013-14	1279	24,299	5.26
2014-15	1498	30,931	4.84
2015-16	754	40,001	1.88

Source: Compiled from DIPP, Ministry of Commerce, Government of India

also change year to year. But average share during the last seven years was around four per cent in India's overall FDI equity inflows.

The advent of patent regime has led to incremental FDI scenarios from many pharmaceutical multinationals in India. India has come to the fore not only for its traditional strengths in contract manufacturing but also as a highly attractive location for research and development (R&D), particularly in the conduct of clinical trials and other services during the recent years. These additions are certainly going to provide a major boost to investment inflows and more avenues for employment in the coming times.

Drugs and pharmaceuticals grow from strength to strength

- India is expected to rank amongst

the top three pharmaceutical markets in terms of incremental growth by 2020.

- India's pharmaceuticals industry is expected to account for about 3.1-3.6 percent of the global pharmaceutical industry
- India is the largest provider of generic medicines globally with 20 percent of global exports in generics
- India's revenue growth is expected to touch USD 45 billion by 2020
- Infrastructure spending is expected to touch USD 200 billion by 2024.
- India's total exports of Drugs, and Pharmaceuticals are estimated to be more than USD 15bn during the recent years.
- In the formulations industry – India is the largest exporter of formulations with 14 percent market share

and ranks 12th in the world in terms of export value.

- India's cost of production is significantly lower than that of the USA and almost half of that of Europe.
- A skilled workforce as well as high managerial and technical competence.
- Economic prosperity is likely to improve affordability for generic drugs in the market in the coming times
- Ease of doing business in the sector is improving. Approval time for new facilities has been drastically reduced.
- The healthcare sector in India is expected to grow to USD 250 billion by 2020.
- The generics market is expected to grow to more than USD 25 billion by in the next few years
- With increasing penetration of chemists, especially in rural India, OTC drugs will be readily available.
- Pharma companies have increased spending to tap rural markets and develop better infrastructure.
- The market share of hospitals is expected to cross 25 percent by 2020.
- Following the introduction of product patents, several multinational companies are expected to launch patented drugs in India.
- The purported rise of lifestyle diseases in India is expected to boost industry sales figures.

- Rising levels of education are set to increase the acceptability of pharmaceuticals.

- India's patient pool is expected to increase to over 20 percent in the next 10 years, mainly due to the rise in population.

The pharmaceutical Industry has recently achieved a great stride at global presence as a world class cost effective generic drugs' manufacturer of AIDS medicines. Now number of pharmaceutical companies are part of an agreement where major AIDS drugs based on Zidovudine, Nevirapine, Lamivudine, Stavudine, are supplied to South Africa, Mozambique, Rwanda and Tanzania which have more than 30 percent of people living with AIDS. Many of the United States Schemes are sourcing anti Retrovirals from Indian companies whose products are already US FDA approved.

Time is most opportune for the Indian pharmaceutical industry to enhance its outreach in the global market. The pace of reforms in terms of opening FDI regime has potential to push growth trajectory of the sector on high road. Enhanced investment trajectory would open new employment avenues to a large section of skilled and innovative workforce.

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