

INDIAN PHARMACEUTICAL INDUSTRY

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Indian Pharma Sector: An Overview

The Indian pharmaceutical industry is on a remarkable growth trajectory. India ranks topmost among suppliers of generic drugs globally. In recent years, India has become the hub for outsourced manufacturing as well as drug discovery and development for global companies. India meets over 50% of vaccine demand across the world. It also supplies over 40% of generic drugs in the United States and 25% of all medicines in the United Kingdom. The industry is looking ahead at rapid growth owing to foreign investments, joint ventures and robust regulatory framework.

Indian Advantage

India is rapidly moving towards occupying the leading position in the pharmaceutical industry.

- India offers a remarkably low production cost, up to 33% lower than the United States, owing to cheap labour and raw materials.
- With over 300 medical colleges and 3000 hospitals, India presents an excellent opportunity to carry out research and development.
- With rising disposable incomes and high GDP, the Indian market is ripe not just for lifesaving but also lifestyle drugs.
- Outside of the United States, the largest number of United States Food and Drug Administration (USFDA) approved plants are in India.
- India offers opportunities for speedy, cost-effective, high-quality clinical trials, Bioavailability and bioequivalence studies, too, possess enormous scope due to the huge patient pool.
- Product patent regime has brought an increasing number of global pharmaceutical companies to India for collaborations on manufacturing, distribution or research and development.

Market Overview

The pharmaceutical industry in India was valued at USD 33 billion (Rs. 2,34,271.95 crores) in 2017 with an estimated reach of USD 55 billion (Rs. 3,90,453.25 crores) by 2020 at a CAGR of 22.4 per cent. The domestic market registered a turnover of USD 18.12 billion (Rs 1,29,015 crore) in 2018 from USD 17.87 billion (Rs 1,16,389 crore) in 2017. The largest segment in the industry comprises of generic medicines which hold 71% market share. Gastro-Intestinal (11.5%), Anti-Infectives (13.6%), Cardiac (12.4%) recorded the largest turnover in 2018. Indian drugs are exported to 200 countries around the world and account for 20% of overall global exports volume. India's export revenues from pharmaceutical industry increased to USD 19.14 billion (Rs. 1,35,918.49 crores) in 2019 from USD 17.27 billion (Rs. 1,22,639.10 crores) in 2018. India contributes 30% by volume and 10% by value to the USD 80 billion (Rs. 5,68,102.40 crores) US generic market. By 2021, the generic market is estimated to reach USD 88 billion (Rs. 6,24,822 crores).

USFDA approved 304 Abbreviated New Drug Application (ANDA) from Indian companies in 2017. The biotechnology industry, including bio-industry, bio-agriculture, bio-services, bio-pharmaceuticals and bioinformatics, is expected to reach USD 100 billion (Rs. 7,10,025 crores) by 2025 at a growth rate of 30 % per year. Medicine spending is growing at a rate of 9-12% in India. India is expected to be among the top 10 countries concerning medicine spending by 2024

Latest Trends and Strategies

The pharmaceutical industry is undergoing an evolution of its business models.

Research and Development: Indian pharmaceutical companies are investing up to 8-13% of their annual turnover in research and development. With the introduction of product patents, development of new drugs has become vital for increasing revenues.

Contract Research and Manufacturing Services (CRAM): Global manufacturing companies are outsourcing research, clinical trials, and new drug development services to India to save on outlays.

Licensing: Indian companies are confirming licensing agreements with global companies to increase revenues.

Franchising: Foreign companies are setting up their franchisees or collaborating with existing players for a share in the Indian retail pie.

Joint ventures: Local partners present an attractive proposition to foreign companies for collaborations owing to their local expertise, familiarity with the business environment, low production costs, faster drug development and skilled labour.

Expansion abroad: Indian pharmaceuticals companies are expanding their overseas presence with a focus on niche markets, promising experimental drugs in markets like the US, Japan and Europe.

Growth Drivers

Low cost: India is a hub for foreign pharmaceutical companies for outsourcing manufacturing as well as R&D for new drug development due to low costs and a highly skilled pool of professionals.

Market for generics: India is a dominant global market for generic medicines, and the trend is expected to continue. Accounting for 70% of the entire pharmaceutical industry in India, the revenue from generic drugs is estimated to reach USD27.9 billion (Rs. 198,299.25 crores) by 2020.

Increasing lifestyle diseases: Higher disposable incomes and the resultant change in lifestyles have boosted the sale of drugs for the treatment of lifestyle diseases.

OTC drugs: Increased penetration of chemists, easy accessibility to drugs and a rising tendency to self-medicate have boosted the sale of Over-The-Counter medications in recent years. The OTC market is predicted to reach USD 6.81 billion (Rs. 44,115 crores) by 2026.

Patented drugs and patent expiry: With the induction of product patent, Indian pharmaceutical companies are making profits from the manufacture and export of patented medicines. The next ten years is expected to witness patent expiry of over 120 drugs, leading to revenues worth USD 80-250 billion (Rs. 568,212 -Rs.1,775,662.50 crore) from the manufacture of generic medicines.

Medical Infrastructure: The industry has deepened focus, especially in rural markets, for the development of better-equipped hospitals and diagnostic facilities. By 2024, the hospital market size is expected to reach USD 200 billion (Rs. 1,420,510 crores). The medical device industry was worth USD 4.9 billion (Rs. 34,818.66 crores) in 2017.

Increasing medical tourism: A highly skilled pool of medical professionals and low costs have spurred an increase in 'medical tourism' or patient influx from foreign countries.

Penetration of health insurance: Increasing penetration of health insurance will drive the expansion of the pharmaceutical and healthcare industry. By 2020, health insurance is expected to cover over 650 million people. In 2018, the premium from health insurance reached USD 5.88 billion (Rs. 41,884.71 crores).

Governmental policies: The National Health Protection Scheme announced in the Union Budget 2018-2019 provides a cover of up to USD 7,723.2 (Rs. 5 lakhs) annually per family for tertiary and secondary hospitalization. In a bid to provide a boost to the Make in India initiative, the Drug Controller General of India (DCGI) announced a single-window facility for speedy consents and approvals in March 2018. The launch of 'Pharma Vision 2020' is poised to make India the world leader in end to end drug manufacture. Government is planning technology upgrades with the launch of an electronic platform to regulate the sale of drugs through online pharmacies. The introduction of the National Pharmaceutical Pricing Authority and Drug Price Control Order provides regulation of prices.

Investment Opportunities

Approval of up to 100 per cent Foreign Direct Investment (FDI) in the pharmaceutical sector has attracted FDI inflow of USD 15.98 billion (Rs. 113,571.93 crores) between April 2000 and March 2019, according to the Department of Industrial Policy and Promotion (DIPP).

Some recent investments and opportunities in the sector are:

- Up to 39 Private Equity investment deals with the value of USD 217 million (Rs. 1,542.24 crore) reached fruition between July and September 2018 in the pharmaceutical sector.
- Pharmaceutical companies have intensified their investments in research and development from 5.3 % in 2012 to 8.5 % in 2018.

- Indian pharmaceutical industry exports will get a significant lift in the coming years with several branded drugs becoming off patent in 2019.
- A thriving clinical trial market in India, owing to genetic diversity and skilled professionals, offers an excellent investment opportunity.
- Production of high-end drugs is expected to rise manifold with increasing population and income levels.
- The mostly untapped rural market presents a tremendous potential for growth. Pharmaceutical companies are placing rural markets on their radar for the distribution of generic medicines.
- The CRAMS or Contract Research and Manufacturing Services industry is expected to grow at a rapid pace. This industry spells profit for both- the foreign companies outsourcing research and drug development as well as the Indian vendor companies.

Major Players

Sun Pharmaceuticals: The largest pharmaceutical company in India and the fifth-largest generic medicine producer is Sun Pharmaceuticals. It specializes in branded generics, generics, OTC products, Active Pharmaceutical Ingredients (APIs), antiretrovirals (ARVs), and intermediates. In 2019, the total revenue of the company was USD 4.9 billion (Rs 30,091.40 crore).

Cipla: Cipla's business model comprises of Cipla Global Access, Active Pharmaceutical Ingredients (API) and Respiratory. Of its total sales, the domestic market contributes 39%. The total revenue of the company in 2019 has reached USD 2.36 billion (Rs 16,362 crore).

Lupin: Lupin is known for the manufacture of Active Pharmaceutical Ingredients (API), formulations, drug delivery systems and biotechnology. Its total revenue in 2019 reached USD 2.34 billion (Rs 163,694 crore)

Aurobindo Pharma Ltd: It manufactures antibiotics, gastroenterological, cardiovascular products, antiallergics and central nervous system products. It specializes in organic intermediates, formulation, and pharmaceutical ingredients.

Dr Reddys Laboratories Ltd: Founded in 1984. The company offers critical care, diagnostic kits, biotechnology products and pharmaceutical ingredients (APIs).

Torrent Pharmaceuticals: Torrent Pharmaceuticals focuses on Cardiovascular (CV), Diabetology, anti-infective, gastrointestinal, central nervous system (CNS), and pain management segments. It has a presence in over 50 countries and has globally registered over 1000 products.

Road Ahead

Pharmaceutical companies will have to realign their product range to provide therapies for an increasing incidence of lifestyle diseases like cardiovascular, diabetes, depression and cancer. Expansion of generic medicine market, a focus on rural markets, and thrust on vaccines are expected to indicate a bright future. Customization of products for the Indian market with a focus on higher volume and lower costs will ensure higher revenues. As the market modalities evolve from treatment to prevention and from doctor to self-care, pharmaceutical companies will have to adopt advanced technologies for the dissemination of information to patients.



Conclusion

The Indian pharmaceutical industry will continue to show significant growth. Improvements in the health insurance sector, mobile telephony and technology can help build new stronger bridges to healthcare access in India.

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With Best Regards,

Team JPC

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