

Gung-ho Pharma Industry Ups R&D Investment to over \$3B

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Globally, India ranks third in pharmaceutical production by volume and 14th by value. The country has an established pharmaceutical industry, with a strong network of 3,000 drug companies and approximately 10,500 manufacturing units.

According to the Indian Economic Survey, 2021, the domestic market is expected to grow threefold in the next decade. India's pharmaceutical market is estimated at \$42 billion in 2021 and likely to reach \$65 billion by 2024 and further expand to reach around \$120-130 billion by 2030.

Over the last year, the Indian pharmaceutical industry played a crucial role in developing diagnostic tests and manufacturing therapeutic drugs for COVID-19 treatment. The pandemic has pushed India to expedite focus on pharma research and development (R&D) to become more independent. The aim of developing indigenous COVID-19 vaccines has boosted the country's confidence towards indigenous research and development and this momentum is likely to continue.

The FY20-21 saw pharma companies like Sun Pharma, Dr. Reddy's Labs, Cipla and Cadila Healthcare at the forefront in providing therapeutic drugs for treating patients afflicted with COVID-19 in India. In addition, the R&D team at Cipla and Cadila Healthcare worked towards developing indigenous diagnostic solutions to combat the raging disease.

Simultaneously, FY20-21 saw many leading pharma companies such as Aurobindo Pharma, Cadila Healthcare, Dr. Reddy's invest heavily in R&D and manufacturing of different COVID-19 vaccine technologies, either in partnership with the government, with global counterparts or on their own.

While the pharmaceutical industry helped combat COVID-19, from R&D actions on potential treatment strategies to balancing the medicines supply chain in the time of crisis, it struggled to maintain the natural market flow. As a result, many pharma companies had to abort some of their ongoing R&D investment plans.

For FY20-21, the average R&D expenses constituted 7.2 per cent of the total revenues of the pharma companies, with Lupin, Alembic Pharma and Dr. Reddy's spending more than others. The cumulative R&D expenditure of the leading 10 pharma companies has been around Rs 10,627 crore (\$1.43 billion) in the previous fiscal. This figure eventually reaches an approximate amount of Rs 22,500 crore (\$3.03 billion) after considering the cumulative expenditure by other small and medium players of the India pharma industry.

The efforts of the pharma industry have been further supplemented by the government's announcement of the Production-Linked Incentive (PLI) scheme recently. To achieve self-reliance and minimise import dependency in the country's essential bulk drugs, the Department of Pharmaceuticals has initiated a PLI scheme to promote domestic manufacturing by setting up greenfield plants with a cumulative outlay of Rs 6,940 crore from FY21 to FY30.

Although the average R&D expenditure of the pharma industry during FY 20-21 was considerably lower than the previous years, owing to the pandemic, an innovative streak has surely settled in within the industry. Notably, India is expected to unveil a new pharma R&D policy soon to incentivise scientists based on the monetisation of their innovations. According to the Global Innovation Index, India has moved up four places to 48 in the overall ranking across sectors in 2020.

Moreover, the government is willing to focus on industry-academia linkage to facilitate research in the development and the commercialisation of technologies while promoting research towards new drug discovery for a self-reliant India.

Let's take a look at the R&D investment details of the top 10 pharma companies during FY20-21.

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