

Industry Report on Pharmaceutical Sector





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Global Macroeconomic Scenario

The global economy, which grew by 3.3% in 2023, is expected to record a sluggish growth of 3.2% in 2024 before rising modestly to 3.3% in 2025. Between 2021 – 2022, global banks were carrying a historically high debt burden after COVID-19. Central banks took tight monetary measures to control inflation and spike in commodity prices. Russia's war with Ukraine further affected the global supply chains and inflated the prices of energy and other food items. These factors coupled with war-related economic sanctions impacted the economic activities in Europe. Any further escalation in the war may further affect the rebound of the economy in Europe.

While China, the largest manufacturing hub of world, was facing a crisis in the real estate sector and prices of properties were declining between 2020 - 2023, with the reopening of the economy, consumer demand is picking up again. The Chinese Government took several steps to help the real estate sector including cracking down on debt-ridden developers, announcing stimulus for the sector and measures to encourage the completion and delivery of unfinished real estate projects. The sector is now witnessing investments from developers and demand from buyers.

Global headline inflation is set to fall from an estimated 6.8% in CY 2023 to 5.8% in CY 2024 and to 4.4% in CY 2025. This fall is swifter than anticipated across various areas, amid the resolution of supply-related problems and tight monetary policies. Reduced inflation mirrors the diminishing impact of price shocks, particularly in energy, and their subsequent influence on core inflation. This decrease also stems from a relaxation in labour market pressure, characterized by fewer job openings, a slight uptick in unemployment, and increased labour availability, occasionally due to a significant influx of immigrants.

Global GDP Growth Scenario

The global economy started to rise from its lowest levels after countries started to lift the lockdown in 2020 and 2021. The lockdown was a key factor as it affected economic activities resulting in a recession in the year CY 2020, as the GDP growth touched -3.3%.

In CY 2021 disruption in the supply chain affected most of the advanced economies as well as low-income developing economies. The rapid spread of Delta and the threat of new variants in mid of CY 2021 further increased uncertainty in the global economic environment.

Global economic activities experienced a sharper-than-expected slowdown in CY 2022. One of the highest inflations in decades, seen in 2022, which forced most of the central banks to tighten their fiscal policies. Russia's invasion of Ukraine affected the global food supply resulting in a further increment in the cost of living.

Further, despite initial resilience earlier in 2023, marked by a rebound in reopening and progress in curbing inflation from the previous year's highs, the situation remained precarious. Economic activity lagged its pre-pandemic trajectory, particularly in emerging markets and developing economies, leading to widening disparities among regions. Numerous factors are impeding the recovery, including the lasting impacts of the pandemic and geopolitical tensions, as well as cyclically driven factors such as tightening monetary policies to combat inflation, the reduction



of fiscal support amidst high debt levels, and the occurrence of extreme weather conditions. As a result, global growth declined from 3.5% in CY 2022 to 3.3% in CY 2023.



Source – IMF Global GDP Forecast Release July 2024

Note: Advanced Economies and Emerging & Developing Economies are as per the classification of the World Economic Outlook (WEO). This classification is not based on strict criteria, economic or otherwise, and it has evolved over time. It comprises of 40 countries under the Advanced Economies including the G7 (the United States, Japan, Germany, France, Italy, the United Kingdom, and Canada) and selected countries from the Euro Zone (Germany, Italy, France etc.). The group of emerging market and developing economies (156) includes all those that are not classified as Advanced Economies (India, China, Brazil, Malaysia etc.)

In the current scenario, global GDP growth is estimated to have recorded a moderate growth of 3.3% in CY 2023 as compared to 3.5% growth in CY 2022. While high inflation and rising borrowing costs are affecting private consumption, on the other hand, fiscal consolidation is affecting government consumption.

Slow growth in developed economies will affect the GDP growth in CY 2024 and global GDP is expected to record a flat growth of 3.2% in CY 2024. The crisis in the housing sector, bank lending, and industrial sectors are affecting the growth of global GDP.-After touching the peak in 2022, inflationary pressures slowly eased out in 2023. This environment weighs in for interest rate cuts by many monetary authorities.





Source – IMF Global GDP Forecast Release 2024, D&B Estimates

GDP Growth Across Major Regions

GDP growth of major regions including Europe, Latin America & The Caribbean, Middle East & Central Asia, and Sub-Saharan Africa, were showing signs of slow growth and recession between 2020 – 2023, but leaving Latin America & The Caribbean, 2024 is expected to show resilience and growth. Meanwhile, GDP growth in Emerging and Developing Asia (India, China, Indonesia, Malaysia etc.) is expected to decrease from 5.4% in CY 2023 to 5.2% in CY 2024, while in the United States, it is expected to decrease from 2.5% in CY 2023 to 2.1% in CY 2024.





Except for Emerging and Developing Asia, Latin America & The Caribbean and the United States, all other regions are expected to record an increase in GDP growth rate in CY 2024 as compared to CY 2023. GDP growth in Latin America & The Caribbean is expected to decline due to negative growth in Argentina. Further, growth in the United States is expected to come down at 2.1% in CY 2024 due to lagged effects of monetary policy tightening, gradual fiscal tightening, and a softening in labour markets slowing aggregate demand.



Although Europe experienced a less robust performance in 2023, the recovery in 2024 is expected to be driven by increased household consumption as the impact of energy price shocks diminishes and inflation decreases, thereby bolstering real income growth. Meanwhile, India and China saw greater-than-anticipated growth in 2023 due to heightened government spending and robust domestic demand, respectively. Sub-Saharan Africa's expected growth in 2024 is attributed to the diminishing negative impacts of previous weather shocks and gradual improvements in supply issues.



Source-IMF, OECD, and World Bank, D&B Estimates

Global Economic Outlook

At the midpoint of the year, so far in 2024 we have seen divergence in outcomes and prospects around the world in terms of economic growth, inflation, and policy responses. On balance, global short-term economic prospects have improved over the course of the year. We expect this momentum to continue through the second half of 2024 and into 2025 as inflation eases further and monetary policy continues to loosen, supporting steady growth. Macroeconomic risks, in our view, have become more balanced.

The U.S. has performed better than other developed economies, particularly those in Europe where the consumer sentiment has been relatively weak – though the picture in Europe has been varied. A sustained recovery in tourism this year has boosted the economies of Greece and Spain, whereas Germany, France, and Italy have been held back by the slower recovery of manufacturing. Nonetheless, the European Central Bank (ECB) lowered the three key interest rates in June – for the first time since September 2019 – which will support stronger regional growth.

Growth in the Chinese Mainland has held up well so far this year despite challenges from the property market amid ongoing rebalancing, and the export cycle is supporting growth in the rest of Asia. In Latin America, larger economies, such as Brazil and Mexico, tend to be performing more moderately than smaller economies, such as Chile and Peru, indicating slower regional growth overall.



Globally, industrial production has been relatively sluggish because of restrictive trade policies, persistent supply chain disruptions, high interest rates, and anaemic growth. We expect industrial production to gather steam later this year and into 2025 on the back of a gradual recovery in global trade, stimulated by stronger domestic demand for goods.

Policy responses have diverged so far this year and are set to remain so in the near term. Central banks have begun rate cutting cycles in several developed economies, including the Eurozone, Canada, Sweden, and Switzerland. However not every economy has followed suit. Disinflation has not been as predictable as it was in 2023, and underlying price pressures mean inflation is likely to remain bumpy this year – hence, policy will remain more restrictive than was anticipated at the start of the year. With relatively stronger economic growth and stickier inflation, the timing of the first interest rate cut by the U.S. Federal Reserve (the Fed) and the onward path of interest rates remains ambiguous.

The global economy is showing signs of stabilizing, yet growth will remain subdued this year before picking up pace in 2025. We forecast global growth of around 2.5% in 2024, half a percentage point softer than in the decade following the financial crisis. The weaker outlook reflects fiscal consolidation, lagged tight monetary policy, restrictive trade policies, and elevated levels of geopolitical uncertainty. Looking ahead to 2025, global growth is likely to pick up slightly to 2.8% as the impact of these factors declines and stronger growth becomes more entrenched.

Emerging economies look set for softer growth in general this year. On a regional basis, growth is likely to be markedly slower in Eastern Europe, but only slightly softer in Asia Pacific and Latin America, with growth only moderately slower in key economies such as the Chinese Mainland, India, and Brazil. Outcomes in developed economies are also mixed but largely remain subdued because of tight policy settings.



India Macroeconomic Analysis

GDP Growth Scenario

India's economy showed resilience with GDP growing at 8.2% in CY 2023. The GDP growth in CY 2023 represents a return to pre pandemic era growth path. Even amidst geopolitical uncertainties, particularly those affecting global energy and commodity markets, India continues to remain one of the fastest growing economies in the world.

Country	Real GDP Growth (CY 2023)	Projected GDP Growth (CY 2024)	Projected GDP Growth (CY 2025)
India	8.20%	7.00%	6.50%
China	5.20%	5.00%	4.50%
Russia	3.60%	3.20%	1.50%
Brazil	2.90%	2.10%	2.40%
United States	2.50%	2.60%	1.90%
Japan	1.90%	0.70%	1.00%
Canada	1.20%	1.30%	2.40%
Italy	0.90%	0.70%	0.90%
France	1.10%	0.90%	1.30%
South Africa	0.70%	0.90%	1.20%
United Kingdom	0.10%	0.70%	1.50%
Germany	-0.20%	0.20%	1.30%

Source: World Economic Outlook, July 2024

Countries considered include - Largest Developed Economies and BRICS (Brazil, Russia, India, China, and South)

Countries have been arranged in descending order of GDP growth in 2023).

There are few factors aiding India's economic recovery – notably its resilience to external shocks and rebound in private consumption. This rebound in private consumption is bringing back the focus on improvements in domestic



demand, which together with revival in export demand is a precursor to higher industrial activity. Already the capacity utilization rates in Indian manufacturing sector are recovering as industries have stepped up their production volumes. As this momentum sustains, the country may enter a new capex (capital expenditure) cycle. The universal vaccination program by the Government has played a big part in reinstating confidence among the population, in turn helped to revive private consumption.

Realizing the need to impart external stimuli, the Government stepped up its spending on infrastructure projects which in turn had a positive impact on economic growth. The capital expenditure of the central government increased by 37.4% increase in capital expenditure (budget estimates), to the tune of INR 10 trillion in the Union Budget 2023-2024. The announcement also included a 30% increase in financial assistance to states at INR 1.3 trillion for capex. The improvement was accentuated further as the Budget 2024-2025 announced an 11.1% increase in the capital expenditure outlay at INR 11.11trillion, constituting 3.4% of the GDP. This has provided much-needed confidence to the private sector, and in turn, attracted private investment.

On the lending side, the financial health of major banks has witnessed an improvement which has helped in improving the credit supply. With capacity utilization improving, there would be demand for credit from the corporate sector to fund the next round of expansion plans. The banking industry is well poised to address that demand. Underlining the improving credit scenario is the credit growth to the micro, small, and medium enterprise (MSME) sector as the credit outstanding to the MSME sector by scheduled commercial banks in the fiscal year 2024 grew by 14% to INR 10.31 trillion compared to INR 9.02 trillion as on 24 March 2023. The extended Emergency Credit Linked Guarantee Scheme (ECLGS) by the Union Government has played a major role in improving this credit supply.

As per the provisional estimates 2023-24, India's GDP in FY 2024 grew by 8.2% compared to 7.0% in the previous fiscal on the back of solid performances in manufacturing, mining, and construction sectors. The year-on-year increase in growth rate is also partly due to by a strong growth in investment demand led by public capital expenditure.



Source: Ministry of Statistics & Programme Implementation (MOSPI), National Account Statistics, 2023-24

RE stands for Revised Estimates, SAE stands for Second Advance Estimates



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Sectoral Contribution to GVA and annual growth trend



Source: Ministry of Statistics & Programme Implementation (MOSPI)

Sectoral analysis of GVA reveals industrial sector recovered sharply registering 9.5% y-o-y increase in FY 2024 against 2.1% in the previous fiscal. In the industrial sector, growth across major economic activity such as mining, manufacturing and construction sector rose significantly and it registered a growth of 7.1%, 9.9% and 9.9% in FY 2024 against a y-o-y change of 1.9%, -2.20%, and 9.44% in FY 2023, respectively. Utilities sector observed a marginal moderation in y-o-y growth to 7.5% against 9.44% in the previous years.

Talking about the services sector's performance, with major relaxation in covid restriction, progress on COVID-19 vaccination and living with virus attitude, business in the service sector gradually returned to normalcy in FY 2023. Economic recovery was supported by the service sector as individual mobility returned to the pre-pandemic level. The trade, hotel, transport, communication, and broadcasting segment continued to strengthen in FY 2023 and grow in FY 2024, although the growth hasn't shown substantial increases. In FY 2024, services sector grew by 7.6% against 10% y-o-y growth in the previous year.

Expansion in Service Sector

Services sector is a major contributor to the country's overall economic growth. In absolute terms, services sector GVA has increased from INR 68.78 trillion in FY 2019 to INR 86.6 trillion in FY 2024 (as per the provisional estimated), registering a CAGR of nearly 5%. Within Services sector, the GVA by financial, real estate and professional services-the largest contributing segment observed 6.3% CAGR while Public Administration, defence and other services I observed 4.5% CAGR and Trade, hotels, transport, communication, and services related to broadcasting witnessed 3.1% CAGR between FY 2019-24.

¹ Other services include Education, Health, Recreation, and other personal services.





Sources: MOSPI, CMIE Economic Outlook and Dun & Bradstreet Research Estimates ²

India's HSBC Services Purchasing Managers' Index, an important indicator to track service sector performance, measured 60.3 in July 2024 against 60.5 in the previous month. Since August 2021, the services sector has consistently remained above the threshold of 50, which distinguishes growth from contraction.

IIP Growth

Industrial sector performance as measured by IIP index; in FY 2024 it is growing at 5.9% (against 5.2% in FY 2023). Previously IIP index exhibited temporary recovery in FY 2022 from the low of Covid induced slowdown in industrial growth during FY 2020 and FY 2021. Manufacturing index, with 77.6% weightage in overall index, grew by 5.5% in FY 2023 against 4.7% y-o-y growth in FY 2022 while mining sector index too grew by 7.5% against 5.8% in the previous years. Mining & manufacturing both shown improvement according to previous except the Electricity sector Index, witnessed an improvement of 7.1% against 8.9% in the previous year.

² Projection as Based on CMIE Growth rate till FY 2029 and FY 2030 is based on Dun & Bradstreet assumption.





Source: Ministry of Statistics & Programme Implementation (MOSPI)

As per the use-based classification, most of the segments has shown growth for FY 2024 as compared to FY 2023. Capital good and primary goods were segments which faced less growth as compared to previous year. The contracting IIP data points towards adverse operating business climate as global headwinds, high inflation, and monetary tightening cumulatively impacted the broader industrial sector performance. In contrast all the segments except the above two have shown growth.



Monthly IIP Growth Trend



Source: Ministry of Statistics & Programme Implementation (MOSPI)

In the current fiscal FY 2025, the monthly IIP measured index has reported steady improvement over the last fiscal. However, the IIP index slowed to a 5-month low and just grew by 4.24% y-o-y in June against 6.18% in the previous month on the back of slowing growth in the manufacturing section. In June 2024, the manufacturing index growth slowed to 2.6% against 6.3% y-o-y growth in June 2023 and 5% in May 2023 while the electricity sector index and mining index exhibited substantial improvement and they grew by 8.6% and 10.3% in June 2024 against 0.9% and 6.4% growth in April 2023, respectively.



Sources: MOSPI

As per the use-based classification, growth in all segments slowed in June 2024 as compared to the previous month. Consumer non-durable declined by 1.4% in June 2024 against 2.5% increase in the previous month. In May 2024, all segments showed a substantial increase in growth.



Investment & Consumption Scenario

Other major indicators such as Gross fixed capital formation (GFCF), a measure of investments, gained strength during FY 2024 as it grew by 9% on a y-o-y basis against 7% yearly growth in the previous fiscal, while GFCF to GDP ratio measured an all-time high settled higher at 34%.



Sources: MOSPI

Private Final Expenditure (PFCE) a realistic proxy to gauge household spending, observed decelerated and registered 4% y-o-y growth in FY 2024 against 7% in FY 2023.

Inflation Scenario

The inflation rate based on India's Wholesale Price Index (WPI) exhibited significant fluctuations across different sectors from March 2023 to July 2024. Overall WPI saw a sharp decline to -1.2% in July 2023, primarily driven by steep drops in Fuel & Power and Manufactured Products, reflecting reduced global demand and falling input costs.



However, a recovery was noted by June 2024, with WPI reaching 3.4%, supported by a strong rise in Primary Articles and a rebound in Fuel & Power prices. By July 2024, while Primary Articles growth moderated to 3.1%, the WPI remained positive at 2.0%, indicating stabilization in the market after earlier volatility.



Source: MOSPI, Office of Economic Advisor.



Source: CMIE Economic Outlook

Retail inflation rate (as measured by the Consumer Price Index) in India showed notable fluctuations between March 2023 and July 2024. Rural CPI inflation peaked at 7.63% in July 2023, before declining to 4.10% in July 2024. Urban CPI inflation followed a similar trend, rising to 7.20% in July 2023 and then dropping to 2.98% in July 2024. Overall, the national CPI inflation rate increased to 7.44% in July 2023 but moderated to 3.54% by July 2024, indicating a gradual easing of inflationary pressures across both rural and urban areas over the period. CPI measured below 6% tolerance limit of the central bank since September 2023. As a part of an anti-inflationary measure, the RBI has hiked the repo rate by 250 bps since May 2022 to the current 6.5% while it has been holding the rate at 6.5% since 8 Feb 2023.



India's Growth Outlook

India's economy has exceeded expectations, registering an 8.2% growth in FY24. High-frequency indicators such as automobile sales, e-way bills, cargo traffic, and exports signal sustained growth momentum into Q2 FY25. However, the rural demand outlook is tied to the monsoon, where inconsistent rainfall could impact the agriculture sector and inflation. The government is proactively boosting grain storage capacity to mitigate these risks. On the credit front, the Reserve Bank of India (RBI) has kept the policy rate unchanged, with inflation expected to average around 5% in FY25. Despite stable policy rates, lending rates may rise due to the incomplete transmission of earlier hikes, while strong credit growth in the private sector suggests potential capacity expansion. Supply-side challenges persist, particularly in food storage infrastructure. The government has launched a massive initiative to enhance grain storage capacity by 70 million tonnes over the next five years. The recent long-term agreement for operating Iran's Chabahar Port is also set to bolster trade and supply chain resilience.

In terms of trade, India's recent agreements, particularly with the European Free Trade Association (EFTA) and Oman, are opening new markets and opportunities for exports. The proposed mega-distribution hub in the UAE by 2025 will further support India's global trade ambitions, particularly in Africa, Europe, and the US.

Politically, the continuation of the National Democratic Alliance (NDA) government signals sustained reforms, with optimism around labour and land reforms. The government is also taking steps to control retail inflation by managing food prices and import duties. The external environment remains cautious, with geopolitical tensions, particularly in Gaza, posing potential risks to global stability.

Overall, India's short-term growth outlook remains positive, underpinned by strong domestic demand, proactive government measures, and expanding global trade relationships, despite some challenges in the rural economy and supply chain infrastructure.

India's Projected Economic Growth

Looking ahead to 2024, India's projected GDP growth of 6.8% in 2024 stands out as the fastest among major emerging markets, significantly outpacing China's 4.6%, and Brazil's 2.2%. This robust growth trajectory is expected to sustain at 6.5% annually from 2025 to 2029, reflecting strong economic fundamentals and continued momentum.





This decent growth momentum in near term (CY 2024) is accompanied by a slowdown in inflation, as well as various other factors in the medium to long term that will support the economy. These include enhancements in physical infrastructure, advancements in digital and payment technology, improvements in the ease of doing business and a higher quality of fiscal expenditure to foster sustained growth.

On the demand side, improving employment conditions and moderating inflation are expected to stimulate household consumption. Further, the investment cycle is gaining traction, propelled by sustained government capital expenditure, increased capacity utilization and rising credit flow. Additionally, there are positive signs of improvement in net external demand, as reflected in the narrowing merchandise trade deficit. Despite the supply disruptions, exports clocked positive y-o-y growth in December 2023 and January 2024.

From uplifting the underprivileged to energizing the nation's infrastructure development, the Government has outlined its vision to propel India's advancement and achieve a 'Viksit Bharat' by 2047 in the interim budget announced on Ist Feb 2024. Noteworthy positives in the budget include achieving a lower-than-targeted fiscal deficit for FY2024 and setting a lower-than expected fiscal deficit target for FY2025, proposing dedicated commodity corridors and port connectivity corridors, providing long-term financing at low or nil interest rates to the private sector to step up R&D (Research & Development) in the sunrise sectors.

Achieving a reduced fiscal deficit of 5.8% in FY2024 and projecting a lower than-anticipated fiscal deficit of 4.9% as announced in the interim budget in July 2024 for the current fiscal year (FY 2025) are positive credit outcomes for India. This showcases the country's capability to pursue a high-growth trajectory while adhering to the fiscal glide path. There has been a significant boost to capital expenditure for two consecutive years; capital expenditure – which is budgeted at 3.4% of GDP (INR 11.1 trillion/USD 134 billion) for fiscal year 2024-25 – is at a 21-year high (3.3% of GDP in fiscal year 2023-24. The enhancement of port connectivity, coupled with the establishment of dedicated commodity corridors (energy, mineral and cement), is poised to



enhance manufacturing competitiveness. This strategic move aims to fulfil India's export targets and reduce logistics costs.

India's optimistic economic outlook is underpinned by its demographic dividend, which brings a substantial workforce that boosts labor participation and productivity. The burgeoning middle class and urbanization contribute to increased domestic consumption, driven by rising incomes and purchasing power. Extensive investments in infrastructure, encompassing roads, railways, ports, and digital connectivity, are enhancing productivity and efficiency, with government initiatives like the Smart Cities Mission and PM Gati Shakti creating a conducive growth environment. This digital transformation, catalyzed by initiatives such as Digital India, is fostering a tech-driven economy marked by enhanced internet penetration, digital payments, and e-governance, thereby fueling growth in sectors like fintech, e-commerce, and digital services. The push to position India as a global manufacturing hub through Make in India and PLI (Production Linked Incentive) schemes is further boosting industrial output, exports, and domestic production capabilities. Compared to other major emerging markets facing demographic and economic challenges, India's combination of demographic strengths, policy reforms, and strategic initiatives positions it as a standout performer and a significant driver of global economic growth in the foreseeable future.

Some of the key factors that would propel India's economic growth.

Strong Domestic Demand

Domestic demand has traditionally been one of the strong drivers of Indian economy. After a brief lull caused by Covid-19 pandemic, the domestic demand is recovering. Consumer confidence surveys by Reserve Bank / other institutions points to an improvement in consumer confidence index, which is a precursor of improving demand. India has a strong middle-class segment which has been the major driver of domestic demand. Factors like fast paced urbanization and improving income scenario in rural markets are expected to accelerate domestic demand further. PFCE as a percentage of GDP increased to 58% during FY 2022 and FY 2023 while in FY 2024 it settled at 56%. There are two factors that are driving this domestic demand: One the large pool of consumers and second the improvement in purchasing power. As per National Statistics Office (NSO), India's per capita net national income (at constant prices) stood at INR 1.06 lakhs in FY 2024 against 99,404 in FY 2023 and 87,623 in FY 2018. This increase in per capita income has impacted the purchasing pattern as well as disposable spending pattern in the country. Consumer driven domestic demand is majorly fueled by this growth in per capita income.

India's Per capita GDP trends

India is poised to become the world's third-largest economy with a projected GDP of USD 5 trillion within the next three years, driven by ongoing reforms. As one of the fastest-growing major economies, India currently holds the position of the fifth-largest economy globally, following the US, China, Japan, and Germany. By 2027-28, it is anticipated that India will surpass both Germany and Japan, reaching the third-largest spot. This growth is bolstered by a surge in foreign investments and a wave of new trade agreements with India's burgeoning market of 1.4 billion people. The aviation industry is witnessing unprecedented orders, global electronics manufacturers are expanding



their production capabilities, and suppliers traditionally concentrated in southern China's manufacturing hubs are now shifting towards India.

To achieve its vision of becoming the world's third-largest economy by 2027-28, India will need to implement transformative industrial and governmental policies. These policies will be crucial for sustaining the consistent growth of the nation's per capita GDP over the long term.





From CY 2024-29, India's per capita GDP is projected to grow at a compound annual growth rate of 9.4%. This growth will be driven by the service sector, which now accounts for over 50% of India's GDP, marking a significant shift from agriculture to services.

Digitization Reforms

Ongoing digitization reforms and the resultant efficiency gains accrued would be a key economic growth driver in India in the medium to long term. Development of digital platforms has helped in the seamless roll out of initiatives like UPI (Unified Payments Interface), Aadhaar based benefit transfer programs, and streamlining of GST (Goods and Services Tax) collections. All of these have contributed to improving the economic output in the country. Some of the key factors that have supported the digitization reforms include – the growth in internet penetration in India together with drop in data tariffs, growth in smartphone penetration, favorable demographic pattern (with higher percentage of tech savvy youth population) and India's strong IT (Information Technology) sector which was leveraged to put in place the digital ecosystem. All these factors are expected to remain supportive and continue to propel the digitization reforms in India.

Increased adoption of digital technology and innovation, inclusive and sustainable practices, business-friendly and transparent regulations, and heightened corporate research and development (R&D) investments will further bolster the country's growth. These factors will collectively support employment growth across both private and public sectors, including micro, small, and medium enterprises (MSMEs).



Indian Pharmaceutical Industry

Indian pharmaceutical industry is ranked as the third largest in the world, in terms of volumes of drugs manufactured and thirteenth largest, in terms of value. The Country is also the world's largest supplier of cost-effective generic drugs, and accounts for nearly one fifth of the global trade in generic drugs. India has achieved an enviable position in global generic drug market on the back of its strength in organic chemical synthesis and process engineering.

Indian pharmaceutical industry, which followed process patent structure for close to 30 years -till the amendment of Patent Act in 2005- was favorable for generic drug manufacturers. The process patent structure allowed industry to launch low-cost alternatives to innovator drugs, if the manufacturing process was different. India with its technically skilled labor force was able to reverse engineer patented drugs, and hence became one of the largest and most developed generic drug markets in the world.

The strong generic drug manufacturing infrastructure developed during the process patent regime helped India to become the leading exporter of generic drugs. Additionally, heavy investments in the manufacturing infrastructure which includes the highest number of US FDA certified facilities (outside the US), also ensured Indian drug manufacturers to meet the quality standards mandated by regulated drug markets like the US and EU.

Today India accounts for nearly 60% of the global vaccine production. This includes nearly 70% of WHO demand for vaccines to combat Diphtheria, Tetanus, Pertussis and BCG vaccine as well as nearly 90% of measles vaccine demand. Nearly 80% of the antiretrovirals drugs used to combat AIDS used globally is supplied by Indian pharmaceutical companies.

The change in pharmaceutical patent regime have resulted in increased focus on Research & Development initiatives. Today, in the field of innovator drugs as well as biologics, Indian pharmaceutical industry is considered a leader among developing economies.

Key segments in Indian pharmaceutical industry are:

- Active Pharmaceutical Ingredient / Bulk Drug Manufacturers
- Formulation Manufacturers
- Contract Research and Manufacturing Service Companies
- Biotechnology Companies



Market Scenario

India's strong position in generic drug manufacturing has been a major growth driver for the pharmaceutical industry. With patents expiring on several blockbuster drugs globally, Indian pharmaceutical companies have capitalized on the opportunity to produce and export cost-effective generic alternatives, boosting turnover. Between FY 2019 – FY 2024, annual turnover in the Indian Pharmaceutical Industry increased at a CAGR of 9.9%, growing from INR 2,585 Bn in FY 2019 to and estimated INR 4,142 Bn in FY 2024.



Source: Annual Report, Department of Pharmaceuticals, Dun & Bradstreet Estimates

Additionally, the pharma companies have been expanding their footprint in global markets. Strategic acquisitions, partnerships, and compliance with international quality standards have enabled Indian firms to increase their exports, thereby enhancing their revenue streams. Increased investment in research and development (R&D), innovation in drug formulations, and the development of new therapeutic segments have also driven industry growth. The focus on biopharmaceuticals, vaccines, and biosimilars has opened new revenue channels.

The COVID-19 pandemic significantly impacted the pharmaceutical industry, with increased demand for medications, vaccines, and healthcare products. Indian pharmaceutical companies played a crucial role in global vaccine supply, and the surge in demand for COVID-19-related treatments and healthcare products contributed to higher turnover during FY 2021, with a year-on-year growth of 13%.

Furthermore, efforts to enhance the supply chain infrastructure, reduce dependency on raw material imports, and increase domestic production of Active Pharmaceutical Ingredients have bolstered industry growth. Government initiatives like the Production Linked Incentive scheme for promoting domestic manufacturing of critical APIs and key starting materials have provided a significant boost.



Key Demand Drivers

The domestic demand for drugs & pharmaceuticals is driven by increasing number of old populations, higher spending on healthcare, penetration of health insurance products, as well as rise in incidence of diseases. Exports also plays a large part in shaping the demand scenario in the industry, as India is the largest exporter of generic medicines in the world.

Domestic Demand Scenario: Key Factors

<u>Aging Population</u>: Demand for healthcare products & services is highest among people aged 60 and above. Hence the size of this population segment has a significant impact on demand. According to population census conducted in 2011 there were 104 million people falling in the said age bracket, making up to nearly 8.6% of total population. By 2026 this population segment is expected to reach nearly 173 million.

<u>Improvement in Affordability</u>: The per capita income level in India has gone up substantially, as the industrial growth created hundreds of thousands of jobs. The disposable income level among Indians, particularly among urban population has improved considerably. This has directly resulted in increasing the pool of people who can access healthcare products and services.

Nutraceuticals:

Nutraceuticals, functional foods or dietary supplements, have emerged as a pivotal force driving the growth of the Indian pharmaceutical industry. As consumers increasingly prioritize health and wellness, the demand for these products has surged, creating a lucrative market for pharmaceutical companies. Nutraceuticals offer a unique blend of nutrition and pharmaceutical benefits, addressing a wide range of health concerns, from immunity and digestive health to cognitive function and weight management. This growing demand has spurred pharmaceutical companies to invest in research and development, expand their product portfolios, and establish a strong presence in the nutraceutical market. As a result, the Indian pharmaceutical industry has witnessed a significant increase in revenue, exports, and employment opportunities. Moreover, the rising demand for nutraceuticals has also led to a corresponding increase in the demand for Active Pharmaceutical Ingredients (APIs), the essential building blocks of these products. This has created a positive ripple effect throughout the pharmaceutical value chain, benefiting API manufacturers, suppliers, and distributors.

The Indian nutraceutical market is projected to grow at a CAGR of 10-12% over the next few years. This growth is expected to drive a corresponding increase in the demand for APIs used in nutraceutical production. The Indian government has also recognized the potential of the nutraceutical industry and has implemented various policies and initiatives to promote its growth. These measures include tax incentives, research and development support, and quality control regulations.

Personal Care Products



Personal care products, encompassing a wide range of items from skincare and haircare to cosmetics and toiletries, have become an integral part of modern lifestyles. The increasing emphasis on personal grooming and well-being has fueled a surge in demand for these products, driving growth within the Indian pharmaceutical industry. Pharmaceutical companies have capitalized on this trend by expanding their product lines to include personal care items, leveraging their expertise in formulation, quality control, and distribution. The demand for personal care products has created a significant market for Active Pharmaceutical Ingredients (APIs), which are used in the production of various personal care formulations. As consumers seek products with natural and therapeutic properties, there is a growing preference for APIs derived from herbal and botanical sources. This has led to increased demand for herbal extracts, essential oils, and other natural ingredients, stimulating growth in the API market.

In addition to driving demand for APIs, personal care products also contribute to the growth of the pharmaceutical industry in other ways. For example, many personal care companies are investing in research and development to develop new products that combine elements of personal care and pharmaceuticals. These products, often referred to as "cosmeceuticals," offer consumers a range of benefits, including improved skin health, hair growth, and overall well-being.

Veterinary products

The Indian pharmaceutical industry is significantly driven by the demand for veterinary products. The country's vast livestock population, coupled with rising awareness of animal health and increasing disposable incomes, has created a robust market for veterinary pharmaceuticals. This demand for veterinary products, in turn, drives the demand for Active Pharmaceutical Ingredients (APIs), the essential building blocks of these medications.

Veterinary pharmaceuticals encompass a wide range of products, including vaccines, anthelmintics, antibiotics, and other treatments for various animal diseases. As the livestock sector expands and becomes more sophisticated, the demand for these products is expected to grow steadily. Indian pharmaceutical companies have been quick to capitalize on this opportunity, investing in research and development to develop innovative veterinary solutions.

<u>Penetration of Health Insurance Products</u>: It is estimated that nearly 70% of healthcare cost in India is met through out of pocket expenditure, creating a dent in the financial health of Indians. The health insurance penetration in India is estimated to be abysmally low at 20%. This high out of pocket expenditure is restricting a sizable segment of patients from accessing pharmaceutical products.

The recent move by the Government of India to launch National Health Protection Mission is expected to increase the health insurance penetration. The target of the program is to provide a health cover of INR 5 lakh per family, to about 10.7 crore families belonging to poor & vulnerable population segment. This would significantly improve the number of patients who can access healthcare products.



<u>Higher Incidences of Lifestyle Diseases</u>: As per a study by Confederation of Indian Industry (CII), approximately 5.8 million Indians die every year from heart disease, stroke, cancer, and diabetes. These medical conditions which are collectively labeled as a lifestyle disease, as their origin is often associated with changes in lifestyle to a consumption-oriented unhealthy lifestyle.

WHO puts the number of diabetes patients in India at 51 million, making it the diabetes capital of the world. The number of patients suffering from cardiovascular diseases is estimated at 25 million, accounting for 60% of total cardiovascular patients in the world.



Source: Dun & Bradstreet Research

These lifestyle diseases, which was once confined to older people is increasingly affecting the younger population, those typically in the age range of 25 to 44. In the national census conducted in 2011, the number of people in the age group 25 to 44 was estimated at 348 million. If the population growth in this segment continues its historical trend, by 2021 there would be close to 423 million people in the age group 25 to 44, translating into a larger base of patients with lifestyle diseases.

Drugs meant to treat these lifestyle diseases are some of the most expensive in the world. Consequently, the expenditure on drugs in the country with a sizable number of patients with lifestyle disease would be one of the highest in the world.

India with its rising number of patients with lifestyle diseases presents an attractive market for pharmaceutical companies. However, most drugs to treat lifestyle diseases are still under patent protection, making it out of bounds for Indian pharmaceutical companies. Nevertheless, the patent protection period of few of these medicines is reaching its end stages, presenting opportunities for generic drug manufacturers in India.

<u>Export Demand</u>: India exported nearly INR 1,794 Bn worth of drugs & pharmaceutical products in FY 2024, making it one of the major pharmaceutical exporters globally. Majority of this export goes into regulated markets including the US, UK and Japan. This include exports of both on-patent and off-patent drugs. India's



ascension to the top of global pharmaceutical product exports happened within a span of 10 to 12 years. Annual exports were only INR 90 Bn in FY 2005, but by FY 2019 it crossed INR 1,000 Bn, and by FY 2024, it crossed INR 1,700 mark. In fact, most of the major Indian pharmaceutical companies derive nearly half of their annual revenue from exports.



Export of Pharmaceutical Products

Export of Formulations³

India is the leading exporter of generic formulations in the world, supplying low-cost pharmaceutical formulations to nearly 200 countries across the globe. These include highly regulated markets like US, EU and Japan as well semi-regulated markets across Asia, Africa, South America, Middle East and Africa. Generic drug formulation dominates the pharmaceutical exports from India, while those of biologics, and biosimilars are picking up (but still remain low). The export of API / bulk drugs from India is low, as domestic manufacturing volume well below demand.

Pharmaceutical exports in FY 2024 totalled INR 1,803 Bn, marking a year-on-year growth of 15% over previous year's figures. The financial years 2022 and 2023 posed significant challenges for Indian pharmaceutical companies due to numerous quality control issues with their drugs reported in countries such as Gambia, Sri Lanka, and Uzbekistan. In 2023, Indian-produced medications faced heightened scrutiny after complications arose in patients following cataract surgeries at government hospitals.

Additionally, the deaths of 88 children in Gambia and Uzbekistan linked to Indian-made cough syrup tarnished India's reputation as a leading global pharmaceutical provider. In response, the Indian government revised the rules under Schedule M of the Drugs and Cosmetics Rules, 1945, in January 2024, establishing new quality standards to align with current global regulatory requirements. Thus, on the back of improved quality standards and increasing market opportunities bolstered by healthy demand in countries like the US, exports recorded healthy growth rate in FY 2024.



Source: Directorate General of Foreign Trade





USA is the largest export market for pharmaceutical formulations, accounting for a share of 35% in total exports in FY 2024. Other major markets include UK, Belgium, South Africa and Netherlands. Together these five markets accounted for nearly 46% of the total exports in FY 2024.



Source: Directorate General of Foreign Trade

Regional Analysis: Pharmaceuticals Exports from India

Middle East

The Middle East has emerged as significant market for Indian pharmaceutical exports. The exports to the Middle East surged from INR 181 billion in FY 2020 to INR 364 billion in FY 2024, indicating a CAGR of over 15%. This growth can be attributed to the region's growing population, increasing healthcare spending, and the demand for affordable medicines. In FY 2024, the Middle East contributed 20.2% to India's total pharmaceutical exports. Saudi Arabia, the United Arab Emirates, and Iran have been among the top destinations for Indian exports within the Middle East.





Source: Central Intelligence Agency (CIA)

Europe

Europe has been a stalwart market for Indian pharmaceutical exports, consistently exhibiting growth over the period. The exports to Europe increased from INR 149 billion in FY 2020 to INR 303 billion in FY 2024, reflecting a compound annual growth rate (CAGR) of approximately 13%. This growth can be attributed to several factors, including India's reputation for producing high-quality generic drugs, a strong regulatory framework, and increasing demand for affordable healthcare solutions. Europe contributed 16.8% to India's total pharmaceutical exports, with exports reaching INR 303 billion. The region's large population, mature healthcare systems, and regulatory frameworks have contributed to its sustained demand for Indian-made pharmaceuticals. The UK, Germany, and France have been among the top destinations for Indian exports within Europe.





Source: Directorate General of Foreign Trade

Latin America

Indian pharmaceutical exports to Latin America have also witnessed a steady upward trajectory. The exports rose from INR 63 billion in FY 2020 to INR 116 billion in FY 2024, registering a CAGR of around 10%, accounting for 6.4% of the total exports. The region's growing population, rising healthcare expenditure, and increasing awareness of generic drugs have contributed to this growth. India's ability to offer cost-effective alternatives to branded drugs has made it a preferred supplier for Latin American countries. Brazil, Mexico, and Argentina have been key markets for Indian pharmaceutical companies.



Source: Directorate General of Foreign Trade

Brazil

Brazil has emerged as a significant market for Indian pharmaceutical exports, with shipments reaching INR 34 billion in FY 2024. The country's large population, growing middle class, and increasing healthcare spending have made it an attractive destination for Indian companies. In FY 2024, Brazil accounted for 1.9% of India's total pharmaceutical exports.





Source: Directorate General of Foreign Trade

Russia

India's exports to Russia have declined slightly in recent years, reaching INR 30 billion in FY 2024. The Russian market, characterized by its large population and growing healthcare needs, offers potential for Indian pharmaceutical companies. However, economic sanctions and geopolitical factors have impacted trade flows.



Source: Directorate General of Foreign Trade

Turkey

India's exports to Turkey have shown a steady increase, reaching INR 10 billion in FY 2024. Turkey's growing economy, increasing healthcare spending, and a favorable regulatory environment have contributed to its attractiveness as a market for Indian pharmaceuticals.





Source: Directorate General of Foreign Trade

Japan

India's exports to Japan have remained stable, reaching INR 8 billion in FY 2024. Japan's stringent regulatory standards and a focus on high-quality pharmaceuticals have made it a challenging market for Indian exporters. Nevertheless, Indian companies have been able to gain a foothold in certain segments, particularly generic drugs.





China

While China is a major player in the global pharmaceutical market, India's exports to this region have remained relatively small. The exports have increased from INR 3 billion in FY 2020 to INR 6 billion in FY 2024. However, the Chinese pharmaceutical market is highly competitive, and Indian companies face



challenges in gaining market share. Regulatory hurdles and competition from domestic manufacturers have posed challenges.



Source: Directorate General of Foreign Trade

Egypt

India's exports to Egypt have remained relatively small, reaching INR 2 billion in FY 2024. Egypt is a developing market with a growing population, but it faces economic challenges that limit its pharmaceutical market growth.



Source: Directorate General of Foreign Trade

South Korea

India's exports to South Korea have remained relatively stable. The exports have increased from INR I billion in FY 2020 to INR 2 billion in FY 2024. The Korean market, known for its advanced healthcare



infrastructure and stringent quality standards, requires Indian companies to meet stringent regulatory requirements.



Source: Directorate General of Foreign Trade

Product Analysis: Pharmaceuticals Exports from India

HS Code 29420090 Pharmaceuticals

HS Code 29420090 encompasses a diverse range of pharmaceutical products, including diloxanide furoate, cimetidine, famotidine, and other unspecified (nes) compounds. These drugs serve vital roles in treating various medical conditions, such as gastrointestinal disorders, ulcers, and allergies.

India's exports of HS Code 29420090 pharmaceuticals have exhibited a steady growth trajectory over the past few years. The total value of exports increased from INR 68.20 billion in FY 2020 to INR 96.61 billion in FY 2024, reflecting a compound annual growth rate (CAGR) of approximately 7.4%.





Source: Directorate General of Foreign Trade

HS Code 29349990 Pharmaceuticals

HS Code 29349990 encompasses a diverse range of other heterocyclic compounds used in the pharmaceutical industry. These compounds serve as essential building blocks for various medications, including anti-infective agents, anti-inflammatory drugs, and cardiovascular medications.

India's exports of HS Code 29349990 pharmaceuticals have experienced fluctuations over the past few years. While there was a slight decline from FY 2021 to FY 2023, the exports rebounded in FY 2024, reaching INR 43.54 billion. This indicates a continued demand for these compounds in the global market.




Source: Directorate General of Foreign Trade

HS Code 29215990 Pharmaceuticals

HS Code 29215990 covers aromatic polyamines and their derivatives, as well as their salts, representing a niche but significant segment within India's pharmaceutical exports. Aromatic polyamines play a crucial role in various biological processes, including cell growth, proliferation, and differentiation. Their derivatives and salts have applications in diverse areas such as cancer therapy, anti-inflammatory treatments, and neurodegenerative diseases. The demand for these compounds has been steadily increasing, driven by advancements in medical research and the development of innovative therapeutic approaches.

India's exports of aromatic polyamines and their derivatives have exhibited fluctuations over the past few years. While the segment experienced a significant decline from FY 2020 to FY 2021, it witnessed a resurgence in subsequent years. This volatility can be attributed to several factors, including market dynamics, regulatory changes, and the competitive landscape.





Source: Directorate General of Foreign Trade

Import Dependency for Raw Materials

Despite the advances in pharmaceutical manufacturing, India remains completely dependent on imports for its Active Pharmaceutical Ingredient (API)/ Bulk Drug needs. According to Ministry of Chemicals and Fertilizers, India imports nearly USD 3.6 Bn worth of API/Bulk Drug for its pharmaceutical industry. Nearly two third of these imports comes from China. This indicates the overwhelming dependency of Indian pharmaceutical industry on Chinese API imports. More than 100,000 tons of API required for manufacturing antibiotics is imported to the country every year⁴.



⁴ https://pib.gov.in/PressReleaseIframePage.aspx?PRID=1606725

This dependency on China exposed the Indian pharmaceutical industry to risks earlier this year when API supply from China was disrupted due to Covid impact. Consequently, the price of common APIs used by the pharmaceutical industry went up several times causing significant financial strain to the domestic pharmaceutical industry.

Since then the price level has come down, as supply disruption has been mitigated. Nevertheless, the covid pandemic has forced the pharmaceutical industry and Government to take steps to prevent any recurrence of such a scenario. The major step has been two key policies to improve the bulk drug / API manufacturing scenario in India, namely the Product Linked Incentive (PLI) scheme for bulk drug manufacturing and bulk drug park scheme.

Execution of Production Linked Scheme

PLI scheme for promotion of manufacturing of KSM / DI / API is widely expected to help Indian pharmaceutical industry to scale down its raw material imports. As per Department of Pharmaceuticals, Indian pharmaceutical industry is heavily dependent on import of 53 critical APIs, and the policy has been designed to specifically target the domestic production deficit of these crucial input materials.

Towards this, the department has identified 41 KSM / DI / API which needs to be manufactured at large scale If India is to reduce its import dependency. As a first step the department has identified 50 companies to manufacture these 41 compounds. Depending on the compound and the method of synthesis, the incentive scheme would run till the end of this decade. Given the wide scope of products eligible for PLI and the fairly long period of incentive support, the department of pharmaceutical is hoping to steadily decline API imports and by the end of this decade to become self-sufficient in raw materials or to drastically reduce the import dependency.

Regulatory Scenario

Indian pharmaceutical industry is guided by two notable regulatory aspects, namely The Patent (Amendment) Act 2005 and Drug (Control) Act, 1950. The former changed the intellectual property (IP) framework in Indian pharmaceutical industry, making it illegal to market generic formulations of drugs that are under patent protection.

Patent Framework

Indian pharmaceutical industry made a name for itself as the global hub for generic drugs due to its ability to synthesize generic formulations of innovator drugs. The IP framework prevailing before the Patent Act of 2005 was favoring domestic companies and offered little / no protection to patented drugs that were being



marketed in the country. The introduction of The Patent (Amendment) Act 2005 shifted the IP framework in favor of innovator pharmaceutical holding patent on their products. This change forced Indian pharmaceutical sector to reinvent itself. The growth in export of generic formulations (of off-patent drugs) to developed markets took off around the same time, as Indian pharmaceutical companies began to look at alternative markets for their products.

Drug Price Regulatory Framework

Price control in Indian pharmaceutical industry was first introduced in early 1960s, due to the national emergency caused by India China war. Since then the price control regulations have remained in place with the Government modifying key regulations from time to time. The latest revisions regulating the price of drugs marketed in India happened in 2013, when "The Drug (Price Control) Order, 2013" came into force. The primary objective behind the drug price control regulations is to ensure availability of essential medicines at affordable prices.

The new order defines the methodologies adopted to fix the ceiling price of drugs, margin to retailer as well as maximum retail price that can be charged. As per the latest update (happened in August 2018) the Government has notified ceiling price for 857 pharmaceutical formulations. The process of identifying formulations that need to be brought under price control as well as fixing the ceiling price is done by National Pharmaceutical Pricing Authority (NPPA), an independent regulator constituted under the Department of Pharmaceuticals. The mandate of NPPA is to ensure availability and accessibility of essential medicines at affordable prices.

Notable Government Schemes

Pradhan Mantri Bhartiya Janaushadhi Pariyojana (PMBJP): The scheme, formerly known as Jan Aushadhi program, is intended to ensure the availability of quality generic medicines at affordable prices. The scheme is currently implemented by a registered body – Bureau of Pharma PSUs of India (BPPI) – and covers more than 800 formulations and 154 surgicals & consumables across major therapeutic segments including anti-infectives, anti-allergic, anti-diabetics, cardiovascular, anti-cancer, and gastro-intestinal medicines, among others.

The medicines, at discounted price, is sold through PMBJP kendras that are spread across the country. As on November 2018 nearly 4,400 such kendras are functioning across the country. It is estimated that patients avail savings in the range of 50 – 90% on medicines purchased from such kendras.

Scheme for Development of Pharmaceutical Industry: The objective of the scheme is to ensure drug security in the country, by increasing the competitiveness and efficiency of the domestic pharmaceutical industry. Indian pharmaceutical industry depends on imports for its bulk drug/API needs, bulk of which is sourced from China. The scenario is similar in the case of medical device industry. The scheme intends to reduce the import dependency. Several sub-schemes have been formulated to achieve this objective. Those are



- Assistance to Bulk Drug Industry for Common Facility Center
- Assistance to Medical Device Industry for Common Facility Center
- Pharmaceutical Technology Upgradation Assistance Scheme
- Assistance for Cluster Development
- Pharmaceutical Promotion Development Scheme

Foreign Direct Investments

The Government has opened pharmaceutical manufacturing to foreign players by relaxing the Foreign Direct Investment cap. As per the current regulatory framework FDI, up to 100% under automatic route is allowed for greenfield project. For brownfield projects, FDI up to 100% is allowed under government approval process. However, up to 74%, FDI in brownfield projects does not require Government approval.

Schemes to improve bulk drug production in India

The Government of India has notified a Production Linked Incentive (PLI) scheme for promoting the domestic production of Key Starting Materials (KSM)/Drug Intermediates (DI) / Active Pharmaceutical Ingredients (API) as well as pharmaceutical formulation products. The gazette notification was published on 21 July 2020.

The need for PLI scheme: Despite being a major pharmaceutical manufacturing and export hub, India is dependent on imports for pharma raw materials (namely APIs). As per the data quoted in the notification, APIs accounted for nearly 63% of total pharmaceutical products imported to India in FY 2019. Industry sources cite that the domestic pharmaceutical industry meets more than 80% of its raw material demand through imports. This high import dependence is a major risk that has the potential to derail the growth prospect of the industry.

If India is to lay claim to the tag of pharmacy to the world, it is imperative that all aspect of drug making is concentrated in domestic market. Moreover, bulk of the raw materials imported comes from China. This high concentration of imports from a single market further increases the risk for the industry. All these factors have prompted the Government to initiate a policy that would encourage domestic API manufacturing. It is a known fact that the preference for imported raw materials was purely due to economic reason.

Domestic API firms are not able to match the low price offered by imports and thus eventually lost out to cheaper imports. The policy had to address this economic reason, and hence the need for an incentive structure. Moreover, the thrust on indigenization is in line with the Atmanirbhar Bharat scheme that is currently promoted by the Government.

The Scheme:

• The PLI scheme provides incentives on the production of 41 eligible products notified by the Department of Pharmaceuticals. These 41 products cover the 53 APIs that is considered critical and is entirely met through imports. The scheme has outlined a minimum threshold investment and



minimum annual production volume for each of these 41 products and has also capped the number of eligible applicants in each product category. These 41 products cover KSMs, DI and API that are made either through fermentation or chemical synthesis (4 fermentation based KSM/DI, 10 fermentation based niche KSM/DI/API, 4 chemically synthesized KSM/DI and 23 chemical synthesis based KSM/DI/API).

- The total incentive outlined by the policy is approximately INR 6,940 Crore while the incentive period is for production happening between FY 2021 and FY 2030. Considering the complexity involved in production process, a gestation period is allotted to the selected applicant to start manufacturing. This is 2 years in the case of fermentation based compound and one year in the case of chemical synthesis. It is mandated that the incentive is applicable only on domestic sales, and the incentive would be calculated on the net sale of the eligible product made in the domestic market.
- The incentive rate is flat 10% for chemically synthesized product throughout the term period while for fermentation based product it is staggered into three buckets. For fermentation based product the incentive rate of 20% is applied for period FY 2023-24 to FY 2026-27, 15% for period FY 2027-28 and 5% for the period FY 2028-29. The Government has also fixed the maximum incentive that can be disbursed for each of the year and for each class of product. The incentive is calculated on the sales price of the eligible product, which should be quoted by the applicant in the application. The quoted sales price is only for incentive calculation and need not be the actual sales price on which the product is sold by the applicant.
- However, the quoted sales price in the application will remain fixed throughout the tenure of the scheme and is the maximum price on which incentive can be sought. For incentive calculation the incentive rate would be applied to net sales, calculated based on actual sales price or quoted sales price in the application, whichever is lower. Incentive disbursal can happen either twice a year (6 month period) or once a year.
- Investment criteria: The policy has outlined committed investment & production capacity for each
 of the 41 products that is included in the scheme. The investment can include that incurred on setting
 up manufacturing infrastructure (plant & equipment and associated utilities), R&D infrastructure and
 buildings. However, there is a cap of 20% of total investment in the case of expense for setting up
 buildings to house the manufacturing infrastructure. The Government has also mandated that the
 plant & machinery and other utilities that would be used for manufacturing the eligible products
 cannot be old / second hand / refurbished. It can be either purchased upfront or leased in the name
 of the applicant.

The Impact of PLI scheme on Indian bulk drug industry



The API/ bulk drug manufacturing in India has been struggling, despite the strong growth in formulation business. Ideally the strong formulation segment is a clear indicator of strong bulk drug demand and a positive sign for domestic API manufacturers. However, in India's case this did not happen as domestic industry could not meet the competitive pricing set by imports. The liberal import regime in API segment meant low cost manufacturing destinations like China could fully exploit the growing demand.

Chinese API industry can produce at low cost due to the subsidies and benefits provided by the Chinese Government. This subsidy cushion helps Chinese API firms to price their products at very low rate in Indian market. The economic consideration offered by low price have allured formulation makers to ditch domestic APIs in favor of imports. Indian API industry found it hard to match the import price, as the cost of production was high. Moreover, the industry did not have the subsidies and schemes to protect its bottom-line. This scenario continued and eventually domestic API industry lost out to imports, becoming just a foot note in the Indian pharmaceutical story.

Although bulk drug industry has long raised the matter, highlighting the risk of import dependency, very little was done to alleviate this risk. Although the Government unveiled a bulk drug policy, it has remained a nonstarter. It took the covid pandemic to bring this issue to limelight. The covid disruptions in China during late last year and early this year led to suspension of API imports from that country. This led to a situation of severe deficit, resulting in spike in cost of various APIs used by the pharma industry, with some rising as high as 70 to 100%. This price rises seriously impacted the Indian pharmaceutical industry and threatened to disrupt the industry functioning. However, the improvement in covid scenario in China led to easing of situation as API imports resumed. Nevertheless, this short deficit and price hike scenario did raise uncomfortable questions on import dependency. The PLI launched could be construed as Government's response to those concerns.

The success of this program will depend on the response from the industry. On paper the incentive structure looks robust, however the effectiveness can only be measured once the program is implemented. The PLI scheme has a window of 120 days (from the date of notification) for applicants to apply. Approval and selection would happen only once this 120 day is over, which would be early 2021.

Scheme for Promotion of Bulk Drug Park

The Union Government in March 2020 approved a scheme titled "Promotion of Bulk Drug Parks", which was later notified via Government Gazette on 21 July 2020. As the name implies, the objective of this scheme is creation of bulk drug parks that would help in building a sustainable bulk drug product infrastructure in the country. The scheme focuses on providing the common infrastructure facilities (CIF) - associated with bulk drug manufacturing – in a dedicated space. The scheme has a budget outlay of INR 3,000 crore meant towards setting up three such parks, in three separate states. The financial support will be in the form of grant-in-aid, with nearly 90% of the cost in the case of North East state / Hilly terrain states and up to 70% support in case of other states.



The state governments would be taking the lead in setting up parks, by setting up a State Implementation Agency (SIA). The interested state governments can apply for this scheme, and on selected will be the provided the financial support in the form of a grant-in-aid. This financial assistance will be used for setting up the bulk drug park with CIF that will include effluent treatment, solvent recovery & distillation, steam generation & distribution, laboratories, testing centers, and other supporting units. The bulk drug units that will come up in the park can utilize these CIFs. The core objective of the scheme is to reduce the manufacturing cost involved in bulk drug production, which will accrue due to the usage of CIFs, optimization of resources and economies of scale that the park provides.

The time period for the scheme is FY 2020-21 to FY 2024-25, and all three bulk drug parks should be operational by then. Half of the area of the park will be reserved for bulk drug manufacturing units. It will not be open to formulation manufacturing. The units should be manufacturing either APIs/KSMs/DI, the list of which has been given by the scheme. The scheme lists out nearly 450 APIs and 24 KSM/DI as eligible products and the units should be manufacturing these products. Currently the country is dependent on imports for these products, and the bulk drug park is aimed at reducing the import dependence.

Impact of Budget: Key policy measures and impact

The heightened investment in Health Infrastructure and comprehensive approach to health demonstrate a firm commitment to fortifying the country's healthcare systems. The budget prioritizes the expansion of healthcare education with the establishment of new AIIMS and new nursing colleges. The Union Budget further outlines efforts to enhance the healthcare workforce by promoting skill development to address the shortage of skilled professionals in the medical devices sector. The budget has a stronger focus on pharma R&D through center of excellence and collaborative research which would boost innovation in the country. These policy pushes are essential as India pharma sector aim to move up the value chain.

- Total budgetary allocation to the Ministry of Health and Family Welfare increased to `892 bn in FY24 (BE), compared to `791 bn in FY23 (RE).
- The Government's capital outlay towards National Health Mission to remain stable at ` 290 bn in FY24 (BE).
- Allocation of ` 68 bn towards establishment of new AIIMS
- Government spending on developing healthcare infrastructure, under Pradhan Mantri Ayushman Bharat Health Infrastructure Mission (PMABHIM), increased to `42 bn in FY24 (BE) like FY23 (BE), though an increase of I23% over FY23 (RE) due to slower implementation in FY23. This also include the outlay transferred to state Government / Union Territories towards implementation of the program.
- Budgetary allocation towards Pradhan Mantri Swasthya Suraksha Yojana decreased to ` 34 bn in FY24 (BE), compared to ` 83 bn in FY23 (RE)



- A new initiative to spur research and innovation in the pharmaceutical sector will be initiated through centers of excellence, and industry investment in targeted R&D will also be encouraged.
- Support will be provided for dedicated multidisciplinary courses in medical devices at existing institutions to secure a skilled workforce for futuristic medical technologies, advanced manufacturing, and research.
- Three centers of excellence in Artificial Intelligence will be established at premier educational institutions. Industry leaders will collaborate on interdisciplinary research, creating innovative applications and scalable solutions in the domains of agriculture, health, and sustainable cities
- 100 labs for developing applications using 5G services will be set up in engineering institutions and will cover, applications such as smart classrooms, precision farming, intelligent transport systems, and health care applications.
- 157 new nursing colleges will be established in co-location with the existing 157 medical colleges established since 2014.
- A Mission to eliminate Sickle Cell Anaemia by 2047 will be launched
- Facilities in selected ICMR Labs will be made available for research by public and private medical college faculty and private sector R&D teams for encouraging collaborative research and innovation



PLI Scheme: Current Scenario

PLI Scheme for Pharmaceutical Products

According to the Government notification, pharmaceutical companies applying for the PLI will be grouped into three segments – Group A, B & C. The grouping is based on their Global Manufacturing Revenue (GMR). Criteria for segmenting applicants into three defined groups:

- Group A: Applicants with GMR more than or equal of INR 5,000 Crore in FY 2020
- Group B: Applicants with GMR between INR 500 Crore and INR 5,000 Crore in FY 2020
- **Group C:** Applicants with GMR less than INR 500 Crore in FY 2020. This group will have a subgroup specifically for MSME applicants.

The overall incentive offered under the PLI is INR 15,000 Crore, and the incentive allocation pattern is INR 1,000 Crore for Group A, INR 2,250 Crore for Group B, and INR 1,750 Crore for Group C.

The Department of Pharmaceuticals have approved a total of 55 applicants for availing the incentive.

Group A	II Companies (9 Domestic & 2 MNC)
Group B	9 Domestic
Group C	20 non-MSME & 15 MSME

Source: Department of Pharmaceuticals

PLI Scheme for Key Starting Materials (KSM)/ Drug Intermediates (DI) & Active Pharmaceutical Ingredients (API)

Department of Pharmaceutical have identified 41 compounds (KSM / DI / API), manufacturing of which will be eligible for PLI. These 41 compounded are classified into four segments, and a total of 50 companies has been approved to avail the incentive.

Target Segment	Description	Number of Approved Applicants
Segment A	Fermentation based KSM / Drug intermediates	4
Segment B	Fermentation based niche KSM / Drug Intermediates / API	6
Segment C	Key chemical synthesis based KSM / DI	5
Segment D	Other chemical synthesis based KSM / DI / API	35



Impact of Union Budget

- The total budgetary allocation to the Ministry of Health and Family Welfare increased by 13% to ₹876.5 bn in FY25 (BE), from ₹776.2 bn in FY24 (RE).
- The allocation for Pradhan Mantri Ayushman Bharat Health Infrastructure Mission (PMABHIM) increased by 52% to ₹32 bn in FY25 (BE), from ₹21 bn in FY24 (RE), to support health infrastructure, surveillance and health research funding needs.
- The budgetary allocation towards Pradhan Mantri Swasthya Suraksha Yojana has increased by 16% to ₹22 bn in FY25 (BE), from ₹19 bn in FY24 (RE), to address regional imbalance in healthcare services.
- The allocation for Ayushman Bharat-Pradhan Mantri Jan Arogya Yojana (PM-JAY), the government's universal health coverage scheme, has been increased by 7% to ₹73 bn in FY25 (BE), from ₹68 bn in FY24 (RE).
- The allocation towards National AIDS and STD control Programme increased by 19% to ₹28.9 bn in FY 25 (BE), from ₹24.2 bn in FY 24 (RE).
- The allocation of fund for Anganwadi Centres has been reduced to ₹212.0 bn in FY25 (BE), from ₹215.23 bn in FY24 (RE).
- The allocation to the department of pharmaceuticals has been increased to ₹40.9 bn in FY25 (BE), from ₹27 bn in FY24 (RE).
- The allocation to Production-Linked Incentive (PLI) Scheme for promotion of domestic manufacturing of critical Key Starting Materials (KSMs)/Drug Intermediates (DIs) and Active Pharmaceutical Ingredients (APIs) in India has been increased to ₹580 mn in FY25 (BE), from ₹161 mn in FY24 (RE).
- Allocation to PLI Scheme for domestic manufacturing of medical devices has been increased to ₹850 mn in FY25 (BE), from ₹482 mn in FY24 (RE).
- The allocation for the development of pharmaceutical industry has increased to ₹13 bn in FY25 (BE), from ₹2.65 bn in FY24 (RE).
- The allocation to the Department of Pharmaceutical's PLI schemes has been increased considerably to ₹21.43 bn in FY25 (BE), from ₹16.96 bn in FY24 (RE).
- The custom duty on Laboratory Chemicals under heading 9802 increased to 150% from 10%.
- Three cancer drugs Trastuzumab Deruxtecan, Osimertinib and Durvalumab have been exempted from customs duty in pursuit of the fight against cancer.



- The basic custom duty on x-ray tubes and flat panel detectors used in medical x-ray machines under the Phased Manufacturing Programme has been proposed to be reduced to 5% in FY25 (BE), from 15% in FY24 (RE).
- All types of polyethylene used in manufacture of orthopaedic implants have been exempted from customs duty.
- Special-grade stainless steel, titanium alloys and cobalt-chrome alloys used in the manufacture of artificial body parts have been exempted from customs duty.
- Custom duty applicable on ammonium nitrate was raised from 7.5% in FY24 (RE) to 10% in FY25 (BE).
- The government has proposed to develop DPI applications at population-scale for productivity gains, business opportunities and innovation by the private sector.

The budgetary allocations reflect the government's prioritisation of public health. A significant surge in funding across various initiatives that focus on strengthening healthcare and related services. Moreover, targeted allocations towards specific health programmes, such as the Pradhan Mantri Swasthya Suraksha Yojana and the National AIDS and STD Control Programmes signify, the government's efforts to improve nationwide healthcare. Moreover, the government's plan to change the basic customs duty (BCD) on medical equipment will be beneficial in increasing the domestic manufacturing capacity. Further, reduction in taxes in conjunction with the financial support provided through development-related incentives and PLI schemes will go a long way in the pharmaceutical sector's growth. Overall, the Budget exhibits the government's efforts to improve India's healthcare infrastructure, prioritise preventive healthcare measures and combat life-threating diseases.



Growth Forecast

The global dominance of Indian pharmaceutical industry, primarily in generic formulation space is set to continue in the foreseeable future. The patent cliff which lifted the patent protection of numerous blockbuster drugs has been a major enabler in the growth of formulations. Indian firms have been able to capitalize on the patent cliff by the timely launch of generic versions in the US market. Although the recent spike in US FDA adverse comments on the manufacturing facilities of leading Indian pharmaceutical companies has impacted exports, the correction action by companies concerned would reverse the impact.

As the acceptance of generic drugs increases in the developed markets, particularly the US, India's position in the global generic market will continue to rise. The move in the US market towards an affordable healthcare framework, aided by supportive Government policies, will augur well for Indian companies already present in the US market. Exports, which has been the mainstay of Indian pharmaceutical space, would be instrumental in driving the future growth.

On the domestic front, the favorable demand created by increasing older population, and rise in incidences of lifestyle diseases would continue to facilitate domestic revenue growth. However, the lifestyle disease segment is largely addressed by patented drugs by innovator pharmaceutical companies, who are primarily multinational players. The presence of Indian generic pharmaceutical companies in this segment is low.

During FY 2015-22, the annual revenue turnover in Indian pharmaceutical industry grew by a CAGR of 8%, on the back of strong domestic and export demand. However, the spread of covid-19 pandemic negatively impacted the revenue growth in FY 2022, especially the growth in export revenue. Given the essential nature of the product, this moderation in growth experienced in FY 2022 is widely considered to be temporary in nature. Revenue growth in the sector is expected to normalize over the next couple of years, as export growth picks up along with continuation of strong domestic demand.

Based on this expected developments, the annual revenue turnover in pharmaceutical industry is expected to reach INR 7,300 Bn by FY 2030, growing by a CAGR of 10% during FY 2024-30.





Dun & Bradstreet Estimates and Research



Active Pharmaceutical Ingredient (API) Overview

An Active Pharmaceutical Ingredient (API) refers to the substance within a pharmaceutical product that produces the intended therapeutic effect. APIs are the core elements of a drug, acting on biological systems to achieve a desired medical outcome. For example, in a commonly used painkiller like ibuprofen, the active ingredient responsible for reducing pain and inflammation is the API—ibuprofen itself.

APIs can be produced through two primary means:

- **Chemical Synthesis:** Many APIs, especially those used in small-molecule drugs, are synthesized through chemical reactions.
- **Natural Sources:** Some APIs are derived from biological materials such as plants, animals, or microorganisms, a process that is more common in biologics, including vaccines and therapeutic proteins.

The development of APIs is integral to treating a vast array of medical conditions, from chronic diseases like diabetes and hypertension to more acute or severe illnesses such as cancer, infections, and autoimmune disorders.

The Role of APIs in Drug Manufacturing

APIs are the central components in any pharmaceutical product, and their development, synthesis, and regulation are vital to ensuring that medications work as intended. The following outlines the key roles that APIs play in drug manufacturing:

Therapeutic Effect

The primary function of an API is to deliver a therapeutic effect by interacting with specific biological targets in the body. For instance, an API may bind to receptors, enzymes, or proteins, thereby altering physiological processes and producing the desired medical outcome—whether it's reducing pain, controlling blood pressure, or fighting infection. The success of any drug hinges on the performance of its API.

Drug Formulation

APIs are rarely used alone. In most cases, they are combined with **excipients**, which are inactive substances that serve various purposes such as improving the API's stability, solubility, or absorption in the body. The formulation of the API and excipients must be carefully controlled to ensure the drug delivers the right dose consistently and safely.

• **Distribution and Bioavailability:** Formulation impacts how the API is absorbed, distributed, metabolized, and excreted from the body, collectively known as its pharmacokinetics. Effective drug formulation ensures the API reaches the target tissue at the required concentration to produce the desired effect.



• **Consistent Efficacy:** Drug manufacturers must standardize the formulation process to guarantee that each batch of the pharmaceutical product provides consistent efficacy and meets safety standards.

Quality Control

Maintaining the quality of APIs is critical for the safety and effectiveness of the final pharmaceutical product. APIs must meet stringent criteria for purity, potency, and stability before they can be included in drug formulations. **Good Manufacturing Practices (GMP)** require that APIs be free from contaminants and adhere to specific quality benchmarks throughout the manufacturing process.

- **Purity:** Impurities in APIs can affect drug efficacy and safety, making rigorous purification processes and testing essential.
- **Potency:** The concentration of the API must be tightly controlled to ensure that the correct dose is delivered.
- **Stability:** APIs must remain stable under specified conditions to maintain their effectiveness over time.

Regulatory Compliance

APIs are subject to stringent regulatory requirements, with governing bodies such as the U.S. Food and Drug Administration (FDA) and the European Medicines Agency (EMA) closely overseeing the entire production process. Manufacturers must provide extensive documentation on the API's synthesis, quality, and safety testing. Regulatory compliance ensures that APIs meet international standards for safety and efficacy before they can be included in pharmaceutical products sold to consumers.

Types of APIs

APIs are generally classified into two main categories:

Synthetic APIs

Synthetic APIs are produced through chemical synthesis. These APIs are commonly used in small-molecule drugs, which make up the majority of pharmaceutical products on the market. Synthetic APIs are typically easier to mass-produce and offer cost advantages, making them widely available in treatments for conditions such as cardiovascular diseases, infections, and neurological disorders.

- Advantages: Synthetic APIs tend to be more cost-effective to produce, especially for large-scale manufacturing. They are often more stable and easier to regulate for consistent quality.
- **Prevalence:** Synthetic APIs dominate the market, particularly in areas like pain management, antibiotics, and chronic disease management.



Natural APIs

Natural APIs are derived from biological sources, including plants, animals, and microorganisms. These are frequently used in the production of biologics—complex drugs such as vaccines, monoclonal antibodies, and gene therapies. While natural APIs represent a growing share of the pharmaceutical market, they are more challenging to manufacture and require more stringent handling procedures.

- Advantages: Natural APIs are vital for developing advanced therapeutics, especially in immunology, oncology, and gene therapy.
- **Challenges:** The production of natural APIs can be more complex and costly, as it often involves sophisticated extraction, fermentation, or biotechnology processes.

Manufacturing Process

The manufacturing process of APIs involves multiple stages to ensure that the final product is of high quality and meets regulatory standards. The key steps include:

Synthesis

The production of an API often begins with the synthesis of raw materials, which undergo a series of chemical reactions to form intermediates. These intermediates are further processed to create the final active ingredient. The synthesis process is highly controlled, with precise parameters to ensure consistency.

Purification

Once synthesized, the API is purified to remove impurities that could affect the efficacy or safety of the drug. Purification methods may involve filtration, crystallization, or chromatography, depending on the specific requirements of the API.

Quality Assurance

After production, the API undergoes rigorous testing to confirm it meets the necessary quality standards. This includes testing for purity, stability, and potency. The API must also be free from contaminants or degradation products that could compromise its safety.



Global Trends and Challenges

The API market is subject to several global trends and challenges that influence its development and production:

Outsourcing

In a bid to reduce costs and focus on core competencies, many pharmaceutical companies outsource the production of APIs to **Contract Manufacturing Organizations (CMOs)**. These organizations specialize in API manufacturing and offer the expertise, technology, and scalability needed to meet demand. Outsourcing allows pharmaceutical companies to save on infrastructure and operational costs.

Emerging Markets

Countries such as **India** and **China** have emerged as significant players in API manufacturing, offering cost advantages due to their lower labor and production costs. India, in particular, is known as the "pharmacy of the world," supplying a large proportion of generic drugs and APIs globally. However, the increasing reliance on imports from these countries has led to concerns about **supply chain vulnerabilities**, which became evident during the COVID-19 pandemic.

Innovation

As the pharmaceutical industry evolves, the demand for **biologics** and **advanced therapies** continues to grow. This shift is driving innovation in API production methods, with companies investing in new technologies such as **biotechnology**, **continuous manufacturing**, and **green chemistry** to produce APIs more efficiently and sustainably.



Indian API Scenario

The Indian pharmaceutical industry has witnessed steady growth over the years, contributing approximately 1.72% to the nation's GDP. With an estimated value of INR 4,142 billion in FY 2024, the industry is projected to reach INR 7,377 billion by FY 2030. This expansion is fuelled by increasing demand for affordable, high-quality medicines, both within India and internationally. In 2023, India ranks third in the world by pharmaceutical production volume and 14th by value. Indian pharmaceutical exports have seen a 103% growth from INR 90,415 crores in 2013-14 to INR 1,83,422 crores in 2021-22, reinforcing its reputation as the "Pharmacy of the World" by supplying 20% of global demand for generic drugs.

Active Pharmaceutical Ingredients (API), a crucial component of the pharmaceutical industry, account for approximately 35% of the market. APIs, the biologically active components in drugs, are key to their therapeutic effects. India is the third-largest producer of APIs globally, with an 8% market share and over 500 types of APIs produced. Despite its strong position, the Indian API market remains highly dependent on China for raw materials, with imports fulfilling 70% of the nation's needs. However, India's API market is expected to grow at a rapid CAGR of 13.7%, positioning itself to gain a larger share in the global pharmaceutical supply chain.⁵

India holds the distinction of having the highest number of United States Food and Drug Administration (USFDA) compliant pharmaceutical plants outside of the United States. The country is home to 500 API manufacturers, contributing approximately 8% to the global API industry. As the world's largest supplier of generic medicines, India accounts for 20% of the global supply, producing around 60,000 generic brands across 60 therapeutic categories.⁶

The Indian government has introduced several initiatives to reduce dependency on imports and bolster domestic API production. In 2020, the Production Linked Incentive (PLI) scheme was introduced with a budget of INR 6,940 crore to promote the production of Key Starting Materials (KSMs), Drug Intermediaries (DIs), and APIs. Additionally, the "Promotion of Bulk Drug Parks" scheme, with a budget of INR 3,000 crore, is aimed at developing bulk drug parks in states like Himachal Pradesh, Gujarat, and Andhra Pradesh. These initiatives, along with 100% FDI in pharmaceutical projects and a focus on intellectual property protection, aim to strengthen India's global competitiveness in the API market. ⁷

While India has made strides in reducing its API import dependency, challenges remain, including competition from Chinese manufacturers, stringent environmental regulations, and volatile pricing. Nevertheless, with strong government support, ongoing investments, and rising global demand for contract manufacturing, the outlook for India's API sector is positive. The industry is expected to grow at a CAGR of 7-8% by 2029,

⁵ Invest India



⁶ Ministry of Pharmaceutical Annual Report FY 2024

⁷ Invest India

positioning India as a key player in the global pharmaceutical supply chain, provided it can overcome existing structural and regulatory challenges.

"China+I" strategy

The "China+I" strategy has emerged as a significant trend in the global pharmaceutical industry, driven by concerns over geopolitical risks, supply chain disruptions, and intellectual property theft associated with relying solely on China for API manufacturing. This strategy involves diversifying API sourcing away from China to reduce dependence and mitigate potential risks.

Several global pharmaceutical companies have adopted the "China+I" strategy, seeking alternative locations for API manufacturing. India, with its robust pharmaceutical industry, has emerged as a preferred destination for many companies. India's competitive cost structure, skilled workforce, and strong regulatory framework make it an attractive option for API manufacturing.

The shift towards India as part of the "China+I" strategy is expected to accelerate in the coming years. Several factors are driving this trend, including:

- **Geopolitical risks:** Increasing tensions between the United States and China have heightened concerns about the security of supply chains reliant on China. India, with its strong political and economic ties with the United States, is seen as a safer alternative.
- **Supply chain disruptions:** The COVID-19 pandemic highlighted the vulnerabilities of global supply chains, particularly those heavily reliant on China. India's ability to maintain production during the pandemic has reinforced its position as a reliable source of APIs.
- Intellectual property theft: Concerns about intellectual property theft in China have prompted many pharmaceutical companies to seek alternative manufacturing locations. India's strong intellectual property protection laws offer a more secure environment for innovation.
- **Government support:** The Indian government has implemented various initiatives to promote the growth of the pharmaceutical industry, including incentives for API manufacturing. These measures are expected to further attract global companies to India.

As the "China+I" strategy gains momentum, India is well-positioned to benefit from the increased demand for API manufacturing. The country's strong pharmaceutical industry, coupled with its competitive advantages, make it an attractive destination for global companies seeking to diversify their supply chains.

Regulatory Landscape

The regulatory landscape of the Active Pharmaceutical Ingredients (API) industry in India is governed by multiple agencies and policies aimed at ensuring the quality, safety, and efficacy of pharmaceutical products while fostering growth in the sector. The primary regulatory bodies overseeing the API industry include the Central Drugs Standard Control Organization (CDSCO), the Ministry of Health and Family Welfare, and the



Drug Controller General of India (DCGI). These agencies enforce stringent compliance with local and international standards for manufacturing, testing, and distribution of APIs.

Key Regulations and Guidelines:

Drugs and Cosmetics Act, 1940, and Rules, 1945:

 This act is the principal legislation governing the pharmaceutical industry, including API manufacturing in India. It regulates the import, manufacture, distribution, and sale of drugs and APIs. The Act ensures that APIs meet quality standards, including those related to labeling, packaging, and licensing of manufacturers.

Good Manufacturing Practices (GMP):

 Compliance with GMP guidelines, as outlined in Schedule M of the Drugs and Cosmetics Rules, is mandatory for API manufacturers. GMP regulations focus on maintaining product quality and safety through proper manufacturing practices, equipment, premises, and staff training. International bodies such as the World Health Organization (WHO) and the International Conference on Harmonisation (ICH) guidelines also influence GMP standards in India.

Regulation on Imports:

 India relies heavily on imports for Key Starting Materials (KSMs) and Drug Intermediates (DIs) for API manufacturing, especially from China. The Directorate General of Foreign Trade (DGFT) and the CDSCO regulate the import of these materials, ensuring that the imported APIs and intermediates meet quality standards before use in pharmaceutical production.

Environmental and Compliance Regulations:

 API manufacturing is subject to stringent environmental regulations due to the chemical-intensive nature of the processes involved. The Ministry of Environment, Forest and Climate Change (MoEF&CC) monitors environmental compliance related to emissions, waste management, and the handling of hazardous chemicals. Manufacturers must adhere to guidelines from the Central Pollution Control Board (CPCB) and State Pollution Control Boards (SPCBs) to minimize environmental impact.

Export Standards:

Indian API manufacturers must comply with international regulatory standards for exports, including certifications from the U.S. Food and Drug Administration (USFDA), European Medicines Agency (EMA), and Japan's Pharmaceuticals and Medical Devices Agency (PMDA). Indian APIs often undergo audits and inspections by these international regulatory bodies to ensure compliance with global quality standards.



USFDA Compliance:

The United States Food and Drug Administration (USFDA) plays a critical role in regulating the global Active Pharmaceutical Ingredients (API) industry, ensuring that APIs meet stringent quality, safety, and efficacy standards. India holds a significant position in the global API market, with over 500 API manufacturers contributing approximately 8% to the global API supply. Notably, India has the highest number of USFDA-compliant pharmaceutical manufacturing plants outside the United States, underlining the country's commitment to adhering to international regulatory standards.

Compliance with USFDA regulations is essential for Indian API manufacturers seeking to export to the United States, as these guidelines govern the quality of APIs used in drug formulations. The USFDA conducts regular inspections of manufacturing plants to ensure adherence to Good Manufacturing Practices (GMP), which encompass quality control, production processes, and facility standards. India's compliance with these standards is a key factor in maintaining its global competitiveness and expanding its footprint in regulated markets such as the U.S.

Given India's dominance in the production of generic medicines, the country's ability to consistently meet USFDA requirements further reinforces its role as a key supplier to the global pharmaceutical industry. Indian API manufacturers must continually focus on maintaining USFDA approvals and investing in quality control to sustain their position in the global market.

Government Support and Incentives:

Production Linked Incentive (PLI) Scheme:

 To reduce import dependency, especially from China, the government launched the PLI scheme with an outlay of INR 6,940 crore. This initiative aims to incentivize domestic manufacturing of APIs, DIs, and KSMs by offering financial support and subsidies to manufacturers meeting specific production targets.

Bulk Drug Parks:

 The government has announced the creation of three bulk drug parks in states like Gujarat, Himachal Pradesh, and Andhra Pradesh. These parks are expected to provide world-class infrastructure, including common utilities and waste management systems, to help manufacturers reduce costs and increase the global competitiveness of India's API industry.

FDI Policy:

 The government allows 100% Foreign Direct Investment (FDI) in Greenfield pharmaceutical projects and up to 74% in Brownfield projects under the automatic route. This policy aims to attract foreign investment, encourage technology transfer, and improve the domestic production capacity of APIs.

Challenges in the Regulatory Landscape:



Complex Approval Processes:

• The approval process for manufacturing new APIs can be lengthy, involving multiple agencies and stringent documentation requirements. Delays in environmental clearances and complex licensing procedures often hamper the ability of manufacturers to scale up production quickly.

Compliance with International Standards:

 As India strengthens its position in the global API market, manufacturers face challenges in meeting the evolving regulatory standards of different countries. The frequent audits by international regulators such as the USFDA or EMA require robust quality control mechanisms, which add to operational costs.

Pricing Regulations:

 APIs are also subject to pricing regulations by the National Pharmaceutical Pricing Authority (NPPA), especially for essential medicines listed in the National List of Essential Medicines (NLEM). While this ensures affordable medicine prices domestically, it may limit the profitability of API manufacturers.

In conclusion, the regulatory environment of India's API industry is comprehensive, aiming to balance safety, quality, and economic growth. However, the industry's success will depend on continuous improvements in regulatory processes, enhanced infrastructure, and consistent adherence to both domestic and international standards.

Threats & Challenges

Dependence on imports for raw material needs

Although India has made rapid strides in formulation manufacturing, becoming the formulation production hub in the world, the domestic production of Key starting material (KSM) and other input materials required by the pharma industry is low. India has a large dependence on imports to source the key raw materials required for manufacturing API, with bulk of this imports coming from countries like China. The over dependence on imports is a key threat, as any disruption could impact the production. The Covid-19 pandemic that disrupted the global trade flow had a significant impact on the Indian pharma industry, as there was a dearth of raw material availability.

Tight Quality Control

Pharmaceutical industry (including manufacturing of formulations and Active Pharmaceutical Ingredients) maintains high quality standards, and firms have to abide by the quality regulations and manufacturing practices outlined by global regulatory agencies like US FDA. In order to be eligible to export to some of the leading pharmaceutical markets in the world, the production units should be certified by agencies like US FDA. Both formulation & API manufacturers thus has to ensure that the proper quality standards and manufacturing



processes are followed. Any compliance lapse would invite stringent penalties, including suspension of exports. Indian pharmaceutical firms of late has seen an increase in warning letters from US FDA, with respect to quality standards.

Threat from Imports

Indian API industry faces stiff competition from imported API, mainly coming from low-cost destinations like China. It is estimated that more than 70 – 75% of the API requirements of Indian pharmaceutical industry is met by imports. Domestic manufacturers has been struggling to match up to the competition posed by imports. However, the recent initiatives by the Indian Government to reduce the over reliance on imports is slowly improving this situation. The Government have announced & implemented several policies in the past few years to improve the domestic API manufacturing scenario. Although the full impact is yet to be felt, these initiatives are improving the operating environment and eventually is expected to develop the domestic API production landscape. However, till that happens, imports would play a key role and they would continue to pose strong threats to domestic industry.



Competitive Scenario

Indian pharmaceutical industry is known as the generic drug manufacturing hub in the world. More than 10,000 generic drug manufacturers operate in the country, manufacturing anything from over-the-counter products to prescription drugs. Despite this fragmented nature of the industry, nearly half of the industry revenue is contributed by to 25 to 30 companies.

All the major pharmaceutical companies have considerable exposure to export market, particularly the US market. Presence of the largest base of US FDA approved manufacturers (outside of the US) as well as approvals from regulatory agencies like MHRA-UK, TGA-Australia, MCC-South Africa, among others.

The generic drug industry in India is dominated by home grown Companies like Sun Pharmaceuticals, Dr. Reddy's Laboratories, Lupin, Cadila Pharmaceuticals, Cipla, IPCA, Aurobindo, and Natco Pharmaceuticals, to name just a few.

However, the strength of Indian pharmaceutical companies in drug development is limited. The market for patented drugs for critical illnesses is dominated by multinational innovator pharmaceutical companies. High capital investment involved in developing an innovator compound has created a strong entry barrier in this sector. After the transition in patent regime, several large pharmaceutical companies have started to focus on drug development, but they are yet to make considerable progress in this area.

All major global innovator pharmaceutical companies, including Gilead Sciences, Bayer, AstraZeneca, GlaxoSmithKline, Merck, and Sanofi are present in India. These companies have established a dominant position in the lucrative lifestyle disease segment, where most of the drugs are under patent protection.

Barrier to entry

The competitive landscape for API manufacturing in India is characterized by a mix of established players and emerging companies. The entry barriers for new players in this sector are relatively high due to several factors.

One of the significant entry barriers for new players in the Indian API market is the high capital requirements. The establishment of API manufacturing facilities requires substantial investments in infrastructure, equipment, and technology. Additionally, obtaining regulatory approvals and certifications is a complex and time-consuming process, further increasing the initial costs of entry.

Another entry barrier is the need for technical expertise and specialized knowledge in API manufacturing. The production of APIs involves intricate processes and strict quality control measures, requiring a skilled workforce with deep understanding of the industry. Attracting and retaining qualified personnel can be challenging, especially for new entrants.



Furthermore, the Indian API market is highly competitive, with established players benefiting from economies of scale, established distribution networks, and strong relationships with customers. New entrants may face difficulties in competing with these established players, particularly in terms of pricing and market share.

Key Players Profiling

Aarti Drugs Limited

Aarti Drugs Limited is an Indian pharmaceutical company with a strong focus on the manufacturing and marketing of APIs (Active Pharmaceutical Ingredients) and intermediates. Established in 1984, the company has grown to become a global player in the pharmaceutical industry, serving customers in over 60 countries.

Aarti Drugs offers a wide range of APIs and intermediates for various therapeutic areas, including anti-infectives, cardiovascular, anti-inflammatory, and others. The company's product portfolio includes both generic and specialty APIs, catering to the diverse needs of the pharmaceutical industry. Aarti Drugs is committed to providing high-quality products that meet stringent international standards, ensuring the safety and efficacy of the final formulations.

In addition to its manufacturing capabilities, Aarti Drugs also provides contract research and development services. The company's R&D team works closely with clients to develop new APIs and improve existing products.

Orchid Pharma Limited

Orchid Pharma Limited is a multinational pharmaceutical company headquartered in India. With a strong global presence, Orchid Pharma is engaged in the research, development, manufacturing, and marketing of a wide range of pharmaceutical products.

The company's product portfolio includes a diverse range of formulations, including tablets, capsules, injectables, and topical preparations. Orchid Pharma focuses on therapeutic areas such as anti-infectives, cardiovascular, anti-inflammatory, and others. The company is committed to providing innovative and affordable healthcare solutions to patients worldwide.

Orchid Pharma has a strong research and development infrastructure, enabling it to develop new products and improve existing ones. The company's manufacturing facilities are equipped with stateof-the-art technology, ensuring the production of high-quality pharmaceutical products.

Granules India Limited



Granules India Limited is an Indian pharmaceutical company with a strong focus on the manufacturing and marketing of APIs (Active Pharmaceutical Ingredients) and intermediates. Established in 1991, the company has grown to become a global player in the pharmaceutical industry, serving customers in over 100 countries.

Granules India offers a wide range of APIs and intermediates for various therapeutic areas, including anti-infectives, cardiovascular, anti-inflammatory, and others. The company's product portfolio includes both generic and specialty APIs, catering to the diverse needs of the pharmaceutical industry. Granules India is committed to providing high-quality products that meet stringent international standards, ensuring the safety and efficacy of the final formulations.

In addition to its manufacturing capabilities, Granules India also provides contract research and development services. The company's R&D team works closely with clients to develop new APIs and improve existing products.

Year	Raw Material Cost	Power & Fuel	Salaries & Wages	SGA Expenses	Interest Expense	PBDIT Margin	Net Margin
FY 2019	45.9%	4.1%	11.3%	5.1%	2.9%	18.4%	7.3%
FY 2020	45.9%	3.8%	11.3%	4.9%	2.7%	21.2%	9.5%
FY 2021	44.7%	3.5%	10.2%	5.0%	1.9%	17.3%	6.3%
FY 2022	49.0%	3.8%	10.1%	5.0%	1.5%	20.6%	11.3%
FY 2023	49.0%	4.5%	11.2%	5.1%	2.1%	15.1%	6.1%

Financial Analysis

Source: CMIE Prowess IQ, Dun & Bradstreet Research, Based on a Sample of 28 Companies

Consolidated net sales of the sample companies displayed a healthy CAGR of 10.03% between FY 2019 - FY 2023. FY 2022 showed a significant annual increase of 18%, mainly stemming from price growth and new product launches, with FY 2023 furthering the growth by 2%.

Raw material expenses, accounting 44% - 49% between FY 2019 – FY 2023, form a major part of sales. The rise in percentage share as a share of net sales rises from price increases observed in APIs. According to various sources, the pharmaceutical industry experienced a significant rise of over 100 percent in the prices of crucial raw materials, known as active pharmaceutical ingredients, from levels before the pandemic. This substantial increase is linked to higher costs of essential components, materials, and solvents used in the production of these drugs.



The disruption in the supply chain resulting from the Russia-Ukraine war also contributed to the price surge due to increased freight costs. Additionally, the notable inflation in 2022 and 2023 played a role, and the control of imports by a few agents resulted in a form of cartelization, leading to a drastic price hike.

With increasing sales, Salary and Wages and SGA Expenses have been seen to maintain their share of sales since 2019, standing at nearly 11.2% and 5.1% respectively. Over FY 2022, Power & Fuel, Salary & Wages, and Interest Expenses have all been seen to increase their shares in FY 2023.

The profitability in the pharma industry declined in FY 2023. In the given sample companies, shares of operating profit and net profit have both been seen to decline. This can be attributed to rise across costs in the sample companies. Mainly, interest expenses saw an increase of nearly 41% in FY 2023. This increase in costs across has led to a decline in profitability.



Ratio Analysis

Debt Equity Ratio



Source: CMIE Prowess IQ, Dun & Bradstreet Research, Based on a Sample of 28 Companies

Consolidated debt equity ratio of sample pharma companies has exhibited an increase in the ratio from the level of 0.12 times to 0.15 times over the last year. However, in comparison to FY 2019, the ratio has significant improved from 0.43 times in FY 2019 to 0.15 times in FY 2023 where the consolidated debt increased by approximately 35% on y-o-y basis while net worth grew by roughly 15%. In the last five-years, consolidated borrowing for expansion has decreased at a CAGR of -4.69% as compared to a positive 23.66% CAGR exhibited by networth, which has resulted in this positive change in ratio.



Interest Coverage Ratio





Source: CMIE Prowess IQ, Dun & Bradstreet Research, Based on a Sample of 28 Companies

Interest coverage ratio (ICR) of the sample companies exhibited improvement over the period FY 2019-23 from the level of 6.13 times to 7.25 times on account of relatively higher rate of growth in operating profits (4.73% CAGR) than interest expense (1.19% CAGR). During FY 2022, substantial rise in net sales by nearly 18% translated in improved ICR, while an increase of approximately 41% in interest expenses observed in FY 2023 led to the fall in ratio from 13.59 times in FY 2022 to 7.25 times in FY 2023.



Key Ratio

Ratios	Average Value
Gross Margin	37.8%
Net Margin	8.0%
Current Ratio	2.25
Quick Ratio	I.65
Account Receivables Days	0
Inventory Days	85
Account Payable Days	76
RONW	9.4%
ROA	7.4%
ROCE	14.8%
Long Debt-Equity	0.14
Networth to Total Liabilities	56.5%
Interest Coverage Ratio	9.71
Fixed Asset Turnover	2.84
Asset Turnover	0.93
WC Turnover Ratio	3.11
Inventory Turnover	5.20
Fixed Assets to Networth	0.42
Sales to Capital Employed	0.84

Source: CMIE, Dun & Bradstreet Research, based on a Sample of 28 Companies Average of FY 2021, 22 & 23 values



Company Profile- AnIon Healthcare Limited⁸

Anion Healthcare Limited

Company Profile:



Incorporated in 2013, Anlon Healthcare Limited, headquarter in Gujarat, is a R&D driven chemical manufacturing company, specialized in manufacturing of high purity advance pharmaceutical intermediates and Active Pharmaceutical Ingredients which serves as raw material for API in pharmaceutical formulations, as nutritional ingredients in nutraceuticals formulations, as ingredients in personal care products, and as ingredients in animal health products. The company has expanded its operations in 15 countries including Italy, Germany, South Korea, China, Japan, Brazil, Argentina, Mexico, Egypt, Turkey, UK, UAE, and others.

The Company is one of the few manufacturers of Loxoprofen Sodium Dihydrate, which is a notable API that is widely used in treatment of pain /inflammation association with conditions including rheumatoid arthritis, osteoarthritis, lower back pain, frozen shoulder, neck-shoulder-arm syndrome, tooth pain or after surgery, injury or tooth extraction

Products Offering:

Pharmaceutical Intermediates: It includes Loxoprofen Acid, N-methyl Desloratadine, Ketoprofen Ethyl Ester (KEE), 2-Phenylpropanoic acid (2-PPA), Methyl-2-oxocyclopentanecarboxylate (MCP), Ethyl IH-tetrazole-5-carboxylate (IH-tetrazole) and others.

Active Pharmaceutical Ingredients (API): It includes Loxoprofen Sodium Dihydrate, Ketoprofen, Dexketoprofen trometamol, Ketoprofen Lysinate, Loxapine Succinate, Desloratadine, Loratadine and others.

Nutraceutical API: It includes L-Arginine, L-Carnitine L-Tartrate, L-Glutamine, Histidine hydrochloride Monohydrate, Cysteine Hydrochloride, N-Acetyl L-Cysteine, Taurine, and others.



⁸ As per the information available in public domain.

	Personal Care: It includes Piroctone olamine, Sodium sarcosine 40%, and					
	Ethyl 2-Phenylpropionate.					
	Veterinary API: It includes Ketoprofen and Tolfenamic Acid.					
	Custom Chemical Manufacturing: AnIon Healthcare provides custom					
	manufacturing services for complex or novel chemical compounds, tailoring					
	the manufacturing process to meet specific customer requirements, including					
	producing chemicals with purity levels that exceed industry standards. The					
	company's deep domain knowledge and expertise enable them to reduce					
	existing impurities and employ appropriate processes to achieve the desired					
	level of purity.					
	Strategies					
	Expand Product Portfolio: The company continue to expand offerings in					
	current business segments as well as diversify into new products.					
	Improve cost management and operational efficiencies: Enhance					
	profitability by continuing to improve cost management and operational					
	efficiencies.					
	Health and safety: The company endeavour to continuously maintain a safe					
	workplace environment for employees, contractors, visitors, and local					
	community and promote healthy & wellbeing.					
	Strengths					
	Product Portfolio: They have expertise in manufacturing of Pharmaceutical					
anlon	Intermediate and APIs.					
	Strong Customer Base and Relationship: They provide quality of products					
	and customer centric approach by offering products meeting the customers'					
	specifications.					
	In-house QA / QC and R&D for quality control: They have QC / QA and					
	a four R&D Laboratory for testing the raw materials employed in the					
	manufacturing process.					
	Experience: The Promoters and management team, experience in the					
	industry suggests a strong foundation for the company's growth.					



Key Performance Indicators⁹

Companies	CMP*	EPS (₹)	PE Ratio	RONW (%)	NAV (Per Share)	Face Value	Revenue from Operation (₹ in Lakhs)	Other Income (₹ in Lakhs)	Total Income (₹ in Lakhs)
Anlon Healthcare limited	[•]	6.68	[•]	45.92	13.14	10.00	6658.37	10.82	6,669.19
Listed peers									
Kronox Lab Sciences Limited	149.85	5.81	26.72	32.20	17.87	10.00	8986.24	157.79	9,144.03
AMI Organics Limited	2,354.55	11.91	197.70	6.47	183.05	10.00	68758.29	1378.58	70,136.87
Supriya Lifescience Limited	732.95	14.80	49.52	14.61	101.31	2.00	57037.00	1063.50	58,100.50

Current Market Price as on April 15, 2025



⁹ D&B has included the KPI indicators as provided by the Company

Financial Analysis

Indicator	Units	Anlon F	lealthcare L	imited	Supriya Lifeciences Limited			
Years		FY'24	FY'23	FY'22	FY'24	FY'23	FY'22	
Total Income	₹ in Lakh	6669.19	11312.00	5753.64	58100.5	47042.7	53762.60	
Total Revenue from Operation	₹ in Lakh	6658.37	11287.74	5714.27	57037	46093.8	53004.90	
Current Ratio	Multiple	2.01	1.97	2.00	5.17	4.85	4.99	
Debt Equity Ratio	Multiple	3.55	9.00	38.81	0.01	0.03	0.04	
Debt Service Coverage Ratio	Multiple	1.49	1.46	0.56	-	-	-	
EBDITA	₹ in Lakh	1556.94	1265.74	580.57	18361.11	I 3838.6	22156.10	
Operating EBDITA Margin	in %	23.35	18.51	23.25	31.60	29.42	41.21	
Profit after tax	₹ in Lakh	965.71	582.00	-10.77	11911.40	8985.7	15181.00	
Net profit Ratio	in %	14.50	5.16	-0.19	20.50	19.00	28.00	
Return on Equity	in %	67.99	130.37	-6.29	15.00	13.00	33.29	
Return on Capital Employed	in %	16.29	17.16	9.38	-	-	-	
Return on Net Worth	in %	45.92	78.92	-6.93	-	-	-	
Fixed Asset Turnover Ratio	Multiple	2.89	4.14	2.22	-	-	-	
Net Cash from/ (used in) Operating Activities	₹ in Lakh	-322.60	-248.97	-175.40	11330.70	6618.70	4880.10	



Net Cash from/ (used in) Investing Activities	₹ in Lakh	-336.90	-33.49	-38.60	-17357.50	-13314.50	-5982.20
Net Cash from/ (used in) Financing Activities	₹ in Lakh	824.58	226.59	280.73	-2235.90	-336.80	14965.20
No of Customers		39	48	63	-	-	-
Revenue From Top 10 Customers	₹ in Lakh	5040.81	8791.26	4607.72	-	-	-


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Indicator	Units	Kronox La Lim	b Sciences ited	AMI Organics Limited			
Years		FY'24	FY'23	FY'22	FY'24	FY'23	FY'22
Total Income	₹ in Lakh	9,144.03	9,749.81	8,334.03	70136.87	61673.400	52,289.73
Total Revenue from Operation	₹ in Lakh	8,986.24	9,557.79	8,224.75	68758.29	61673.40	52,013.50
Current Ratio	Multiple	6.07	3.89	3.23	1.76	2.87	3.30
Debt Equity Ratio	Multiple	-	0.15	0.40	0.30	0.01	0.00
Debt Service Coverage Ratio	Multiple	N.A.	192.86	19.47	2.47	316.17	0.63
EBDITA	₹ in Lakh	2989.69	2363.09	2077.31	8969.73	12698.13	10793.79
Operating EBDITA Margin	in %	32.70	24.24	24.93	12.79	20.59	20.64
Profit after tax	₹ in Lakh	2135.13	1640.32	1361.06	4,368.49	11222.47	7,194.61
Net profit Ratio	in %	0.24	0.17	0.16	6.34	13.51	13.83
Return on Equity	in %	0.65	0.26	0.33	0.07	0.15	21.10
Return on Capital Employed	in %	0.42	0.43	0.47	9.34	19.21	0.19
Return on Net Worth	in %	-	-	-	-	-	-
Fixed Asset Turnover Ratio	Multiple	3.4	6.01	9.30	-	-	-
Net Cash from/ (used in) Operating Activities	₹ in Lakh	1741.51	1966.49	898.45	10084.77	5572.80	-969.15



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Net Cash from/ (used in) Investing Activities	₹ in Lakh	-1731.22	-551.68	-756.24	- 33735.10	-2047.34	- 12246.89
Net Cash from/ (used in) Financing Activities	₹ in Lakh	0.00	-1339.56	-66.63	23548.25	-1443.89	14026.25
No of Customers		-	-	-	-	-	-
Revenue From Top 10 Customers	₹ in Lakh	-	-	-	-	-	-

Note: For All the companies Standalone balance sheet is considered.

Source: Annual Reports of the respective companies / www.bseindia.com and www.nseindia.com

Notes:

- (a) Total income includes revenue from operation and other income
- (b) Current Ratio is a liquidity ratio that measures our ability to pay short-term obligations (those which are due within one year) and is calculated by dividing the current assets by current liabilities
- (c) Debt- equity ratio is calculated by dividing total debt by total equity. Total debt represents long term and short-term borrowings. Total equity is the sum of equity share capital and other equity.
- (d) Debt service coverage ratio is calculated by EBITDA divided by (Principal + Interest)
- (e) EBITDA means Earnings before interest, taxes, depreciation and amortization expense, which has been arrived at by obtaining the profit before tax/ (loss) for the year and adding back finance costs, depreciation, and amortization expense.
- (f) EBITDA margin is calculated as EBITDA as a percentage of total income.
- (g) Net Profit for the year represents the restated profits of our Company after deducting all expenses.
- (h) Net Profit margin is calculated as restated profit & loss after tax for the year divided by total income. Return on Equity is calculated as Profit for the year, as restated, attributable to the owners of the Company for the year divided by net

worth of the Company at the end of year.

- (i) Return on capital employed calculated as Earnings before interest and taxes divided by average capital employed (average capital employed calculated as average of the aggregate value of total equity, total debt of the current and previous financial year).
- (j) Fixed Asset Turnover is calculated by dividing a company's net sales by the value of its net assets



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A N G Lifesciences India Ltd.
Aculife Healthcare Pvt. Ltd.
Adcock Ingram Ltd.
Akums Lifesciences Ltd.
Alivira Animal Health Ltd.
Amrutanjan Health Care Ltd.
Arjuna Natural Pvt. Ltd.
Bharat Parenterals Ltd.
Embio Ltd.
Everest Organics Ltd.
Fermenta Biotech Ltd.
Hester Biosciences Ltd.
Kopran Ltd.
Mangalam Drugs & Organics Ltd.
Medispray Laboratories Pvt. Ltd.
Medplus Health Services Ltd.
Nestor Pharmaceuticals Ltd.
S M S Lifesciences India Ltd.
Samrat Pharmachem Ltd.
Sentiss Pharma Pvt. Ltd.
Sequent Scientific Ltd.
Supriya Lifescience Ltd.
Themis Medicare Ltd.
Theon Pharmaceuticals Ltd.
Vineet Laboratories Ltd.
Vivek Pharma-Chem(India) Ltd.
Wanbury Ltd.
Z C L Chemicals Ltd.

