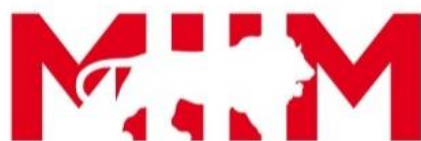


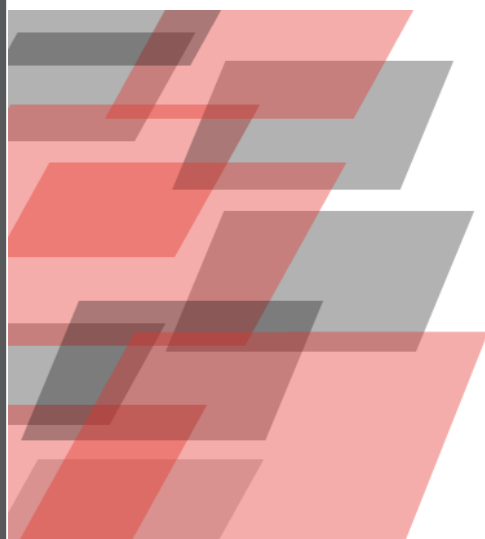
AUGUST 2021

# MIIM REPORT ON INDIAN PHARMACEUTICAL INDUSTRY



MAKE IN INDIA MITTELSTAND!

## Make in India Business Support Programme for German Mittelstand and Family Owned Enterprises



### INSIDE THIS EDITION

- SECTOR OVERVIEW – MEDICAL DEVICES
- GOVERNMENT POLICIES – PLI
- OPPORTUNITIES FOR INVESTORS
- MIIM AND UPCOMING EVENTS



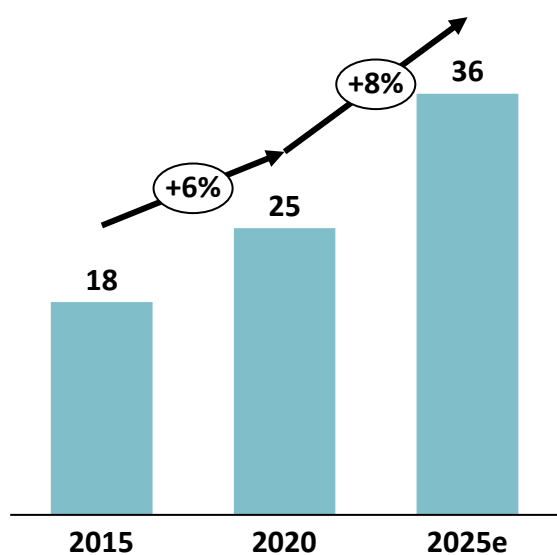
Embassy of India  
Berlin

# 1. SECTOR OVERVIEW – PHARMACEUTICALS

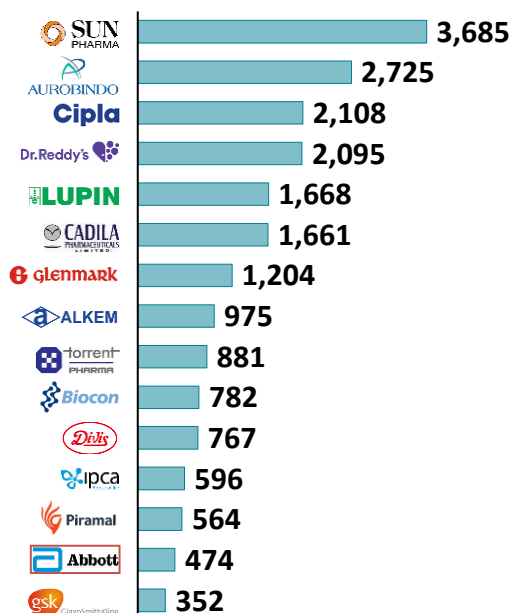
- Indian pharma market valued at 25 bln EUR in 2020 and ranks 3rd worldwide for production by volume and 14th by value. India is the source of 60,000 generic brands across 60 therapeutic categories and 500 different Active Pharmaceutical Ingredients (APIs). The country contributes 3.5% of total drugs and medicines exported globally and accounts for 20% of global exports of generic drugs.
- Maharashtra and Gujarat in the western region accounts for >55% of the country’s pharma industry whereas, Andhra Pradesh and Karnataka account for ~33% of API production and ~40% of biotech industry in the country.
- Indian pharma industry has strong ecosystem of >3,000 manufacturers, however, the market is fragmented market and there is no clear market leadership.

*Indian pharma market valued at 25 bln EUR in 2020 (global rank-14th) is a source of 60 thsd generic brands and 500 APIs; estimated growth of 8% CAGR to reach 36 bln EUR by 2025*

Market Development and outlook, bln EUR

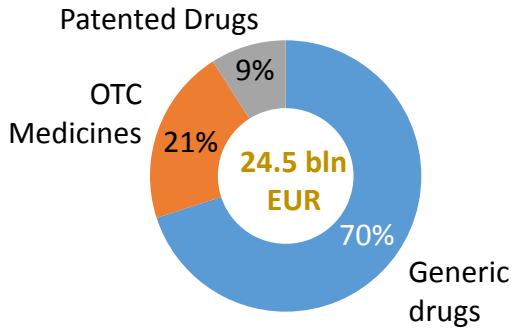


Player Landscape, Net Sales, bln EUR, 2021



Pharma Market Segmentation – Drug Categories

Segmentation by Drug categories, 2020 (bln EUR)



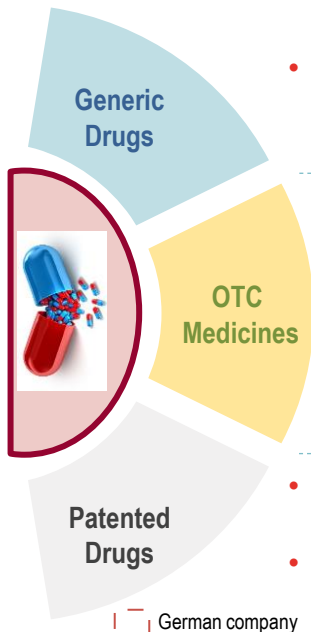
*Growth Drivers: Rising fatal diseases, access to healthcare, low-cost manufacturing, rising investments and regulatory/policy support drives*

- Generic drug medications have the identical properties of the original patented drug in
  - Content- Active Pharmaceutical Ingredient, health efficacy, dosing, safety, strength, quality, mechanism and the usage pattern
- Generic drugs (70% of total demand) growth driven by
  - Rising healthcare budget, ageing population, growing obesity, diabetes and cardiovascular diseases, ongoing patent cliff of blockbuster drugs in US and Europe
- Over-the-counter (OTC) drugs are legally allowed to be sold by pharmacists without a prescription
  - OTC facilitates faster, cheaper access to healthcare; yet their concerns include misuse and adverse health impact
  - Key drivers include- rising self medication by consumers and focus by manufacturers on more OTC products
- Patented drugs are proprietary non-prescription drugs; protected by trademark with incomplete ingredient disclosure

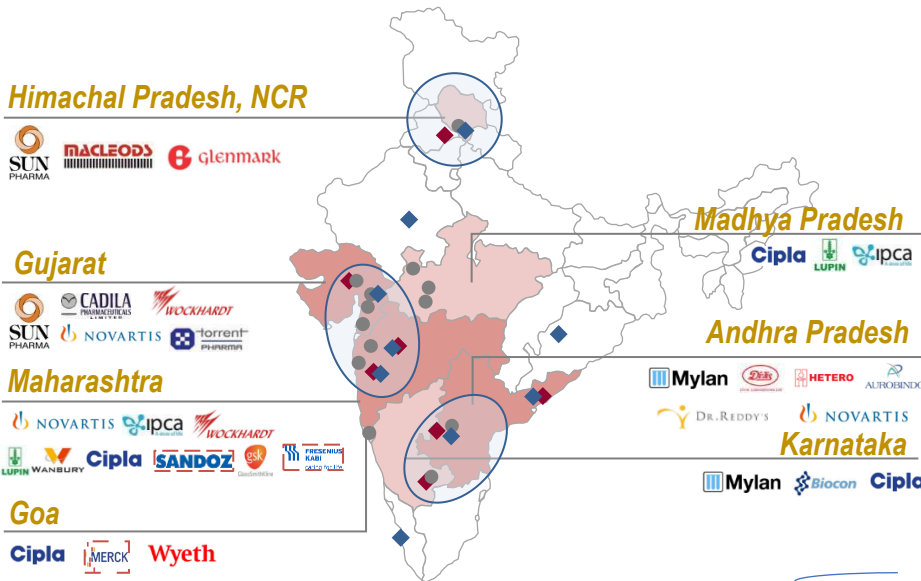
Key Insights

- Off-patented generic drugs are sold mainly by global companies due to diversified portfolio
- Govt. initiatives- ‘Jan Aushadhi, Free Essential Drug and Sehat’ are expected to accelerate the demand for generic drugs
- Customer awareness of cost-effectiveness, self-medication and rising investments by manufacturers to drive future growth
  - Analgesics/ pain killer segment is expected to witness highest growth
- Rising R&D projects and new product innovations are fueling the growth of the patented drug segment
- Regional companies lead the patented drug market- primarily due to their strong distribution network

Key Players



Pharma Clusters and Key States



- **Maharashtra and Gujarat** in the western region accounts for >55% of the country's pharma industry
- **Bulk Drug Parks Scheme:** Grant-in-aid of 336.4 mio EUR for 3 bulk drug parks over 2021-25 for easy access to world class common and R&D infrastructure; applications from 14 states under evaluation

● Key pharma and biotech production hubs      ◆ Special economic zones for pharma  
 ◆ Key biotech parks      ■ States cumulatively accounting >70% of pharma production  
 □ German company

*German companies in India; Bayer, Sandoz, Fresenius Kabi, Merck, Boehringer Ingelheim*

Key Trends

**Technology Penetration and Leverage:** End-to-end technology penetration in value-chain generating new trends in diagnostics and drug sales (e-commerce)

**Aggressive Drug Development:** >7 Indian firms are focused on developing anti-viral/vaccines for COVID-19 containment (f. Biocon, Serum Institute, Bharat Biotech etc)

**Self-Reliant India Vision:** Govt. proposal to manufacture 39 APIs in-house, promote use of local products; reduce supply/ import uncertainty from China

**Platform Development by PE Firms:** PE firms invest in high growth pharma players with new parallel acquisitions (Samara Capital acquired Adcock Ingram India & added select brands of Novartis)

**Booming Contract Research and Manufacturing Services:** Cost-quality proposition-potential savings of ~30-40 percent

**Rising Export Competence:** Largest supplier of generic medicines globally (~20% of global export volume); Industry is #3 by volume and #13 by value, globally

**Growing In-organic Growth :** Strategic M&A accounts ~70% of total business alliances/ partnership

**Private Equity(PE) Investments on Rise** (f.e. Chrys Capital, GIC and CPPIB invested 322 mio EUR in Mankind Pharma; TPG infused 124.2 mio EUR in Sai Life Sciences)



## 2. GOVERNMENT POLICIES – PRODUCTION LINKED INCENTIVES

### PHARMA



PLI scheme  
Total outlay **1.7 bn EUR**  
over 7 years

*Under Department of  
Pharmaceuticals under  
Ministry of Chemicals &  
Fertilizers, Government of  
India*

#### Background/ Rationale

- Indian pharmaceutical industry is the 3rd largest in the world by volume and is USD 40 billion in terms of value.
- At present a major component of Indian exports are low value generic drugs while a large proportion of the demand for patented drugs is met through imports.

#### PLI Scheme highlights

- Product segments
  - Category 1 will include bio-pharmaceuticals; complex generic drugs; patented drugs or drugs nearing patent expiry; cell based or gene therapy drugs; orphan drugs; special empty capsules like HPMC, Pullulan, enteric etc.; complex excipients; Phyto-pharmaceuticals and other drugs as approved, (10% incentive on incremental sales)
  - Category 2 will have active pharmaceutical ingredients/key starting materials/drug intermediates (10% incentive on incremental sales)
  - Category-3 will cover drugs not covered under previous categories and also drug manufactured outside India. (5% incentive on incremental sales)
- The rate of incentive on incremental sales (over base year) of goods covered under Category 1 & 2 will be 10% for FY 2022-26, 8% for 2026-27 and 6% for 2027-28.

### ACTIVE PHARMACEUTICAL INGREDIENTS (API)



PLI scheme  
Total outlay **0.8 bn EUR**  
over 5 years

*Under Department of  
Pharmaceuticals under  
Ministry of Chemicals &  
Fertilizers, Government of  
India*

#### Background/ Rationale

- The scheme intends to boost domestic manufacturing of identified KSMs, Drug Intermediates and APIs by attracting large investments in the sector and thereby reduce India's import dependence in critical APIs.

#### PLI Scheme highlights

- Target Segments: 41 products from Key Starting Material (KSM), Drug Intermediaries (DI) and Active Pharma Ingredients (API)
- Project Eligibility: Applicable for greenfield projects
  - Minimum annual production capacity defined per product
  - Minimum committed investment per product of 2 to 45 mio EUR
  - Domestic Value Add (DVA) of min 90% on fermentation-based product and 70% for chemical synthesis-based product
- Base year: FY 2019-20 considered as base year
- Incentive: PLI of 5-20% of net domestic sales of locally produced product
- Eligibility: Applicant net worth to be >30% of the total proposed investment in the project

### 3. OPPORTUNITIES FOR INVESTORS

*Indian pharmaceuticals offer key opportunities to be 'supply self-sufficient', leverage exports of essential drugs, preferred investment and clinical trails/ CRAMS and penetrating new markets*

#### Active Pharma Ingredients

- Proposal to manufacture 39 APIs in-house to reduce imports from China
- Budget of 1.8 bln EUR for COVID-19 health system package

#### Exports

- Current COVID-19 crisis can be leveraged to export essential drugs (HCQ1, paracetamols) to leading export hubs - majorly impacted by COVID-19

#### Leveraging Global Diplomacy

- Reduced exports from China; countries plan to de-risk China; seek new-import hubs; can be leveraged by India's diplomatic global synergies

#### Investment Preference

- High preference to India driven by Govt. support, rising demand, export quality, cost advantage to US/ EU, skilled resources and 100% FDI

#### Bulk Drug Parks

- Govt. plans 3 bulk new drugs parks by 2025 by investing 0.4 bln EUR.
- Additional incentives on manufacturing critical drug intermediates & API

#### Clinical Trials

- Opportunities to explore research and development services and outsourcing of research and clinical trials

#### High-end Drugs

- Growing demand, rising diseases, Govt. support/ funding and rising exports offers high potential to scale up production of high-end drugs in India

#### Penetration in Rural Market

- ~70% population resides in rural India; pharma players have huge potential to develop/ leverage tier II/ III markets by leveraging technology

#### Contract Services

- Significant cost-quality proposition with Contract manufacturing- CRAMS opportunities in India, wherein potential savings to the tune of 30-40%

#### Market Accessibility/ Investing Options

##### Greenfield Entry



##### Brownfield Entry



##### Strategic Alliances



Organic Growth-Standalone Basis

Distribution Partnership

Contract Manufacturing Alliance

Joint Venture/ Strategic Partnership

Mergers and Acquisitions

*Indian healthcare industry provides with greenfield, brownfield and strategic alliance entry options where MIIM is well positioned to be 'Partner of Choice' for leveraging India market opportunities*

## 4. ABOUT MIIM

### About MIIM

'MIIM' is a market-entry support programme for German Mittelstand and family owned enterprises launched in 2015 by Embassy of India in Berlin, Germany and is driven by Government of India's national programme, 'MAKE IN INDIA'.

The objective of MIIM programme is to facilitate investments by German Mittelstand and family-owned companies in India and to provide market entry related services.

The MIIM program has enrolled a total of 151 companies which represent a cumulative declared investment of 1.4 bn EUR to India.

As a part of MIIM program, members are exposed to a wide range of business support services under a single platform. The program is being implemented with the support of its Knowledge Partner - Euro Asia Consulting – EAC, Facilitation Partners including Central and State Government Ministries in India and also key industry partners who can support the companies in various aspects of market entry into India. Offered services includes Strategy consulting, M&A, operational market entry support, tax & legal support, financial services and other services.

### Key MIIM Members: Snapshot











### Upcoming Events

#### MIIM Webinar on "Opportunities in Indian Medical Device Industry"

- Date: 26 August 2021; Time: 10:00 AM – 11:00 AM CET
- Register [here](#)

#### MIIM Webinar on "Overview of Indian Chemical Industry and Opportunities"

- Date: 31 August 2021; Time: 10:00 AM – 11:00 AM CET
- Register [here](#)

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MAKE IN INDIA MITTELSTAND!

## MAKE IN INDIA BUSINESS SUPPORT PROGRAMME FOR GERMAN MITTELSTAND AND FAMILY OWNED ENTERPRISES

### MIIM PROJECT TEAM:

(Dr.) Mrs. Anju Kumar | Head MIIM Project Team | Deputy Chief of Mission |  
Embassy of India, Berlin

Mr. Saketa Raja Musinipally | MIIM Project Team | Second Secretary (Head of Chancery  
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