NEWSLETTER

INDIA NEEDS TO STEP UP EFFORTS TO PROMOTE SELF-SUFFICIENCY IN BULK DRUGS SECTOR

Amidst the constant coverage of the COVID-19, a key policy development in promoting local manufacturing of bulk drugs on March 21, 2020 has missed media limelight. The government approved two schemes, with a total allocation of Rs. 10,000 crore, to promote domestic manufacturing of bulk drugs and other intermediate materials used in producing medicines.

One of the two schemes is the Scheme on Promotion of Bulk Drug Parks, under which the union cabinet approved Rs. 3,000 crore to be given as grant-in-aid to states for setting up common infrastructure facilities for three bulk drug parks over five years. Under the other scheme, Production Linked Incentive Scheme, the government will provide financial incentives to manufacturers of 53 identified bulk drugs to enhance production. Of these 53 bulk drugs, 26 are fermentation based, while 27 are chemical synthesis based bulk drugs.

Both the schemes will promote domestic manufacturing of bulk drugs by attracting investment and reduce our dependence on imports for bulk drugs, which are the key raw materials for manufacturing medicines. Official data suggests that India depends on imports upto 80-100% for some specific bulk drugs. Government assistance to common infrastructure facilities will benefit manufacturers of bulk drugs by reducing their overhead costs.

Import dependence

India imports USD 3.56 billion worth bulk drugs or drug intermediates annually from the world, 68% of which from China alone because of cost advantage. In fact, the volume of raw materials imported for producing antibiotic medicines more than doubled in three years from 5591 metric tonne in 2017 to 11230 metric tonne in 2019.

Exports

These measures will not only improve the self sufficiency of the country in drugs and pharmaceuticals, but also strengthen our position in world exports. While India imports USD 3.56 billion worth bulk drugs, it also exports USD 3.9 billion worth of these commodities to different countries. India is also a major exporter of finished drugs or medicines worth USD 14.38 billion annually. India's pharmaceutical industry ranks 3rd in terms of volume and 14th in terms of value in the world.

Note: the data for the above analysis has been sourced from Press Information Bureau

Policy actions – road ahead

While the above measures will enhance India's indigenous capacity to produce raw materials for medicines, the government should also focus on the following issues which are seen as barriers to India's attaining self-sufficiency in bulk drugs sector

The government should revive the three sick public sector undertakings (PSUs), viz. Indian Drug & Pharmaceuticals Limited (IDPL), Hindustan Antibiotic Limited and Bengal Chemicals & Pharmaceuticals Limited. Hindustan Antibiotic Limited, which was a major supplier of key starting materials (KSM) for manufacturing medicines, suffered market share because of cheap imports from China.

In 2019, the government decided to close IDPL and its subsidiary Rajasthan Drugs and Pharmaceuticals Ltd (RDPL) and divest stake in Hindustan Antibiotics Ltd and Bengal Chemicals and Pharmaceuticals Ltd (BCPL).

The ongoing COVID-19 crisis is an opportunity to rethink this decision and revitalize these PSUs and enhance domestic capability in pharmaceutical manufacturing.

It is argued that the Drug Price Control Order (DPCO) and the capping of prices discouraged private investment in bulk drugs and encouraged import of these products at low prices from China. The DPCO is alleged to be restraining the freedom of pricing and competition in the bulk drug market, thereby discouraging private investment in this sector.

The Draft Pharmaceutical Policy 2017, which aimed to reform the DPCO, has not seen the light of the day as the industry is not satisfied with some of the provisions in the policy. It is high time that the government reduces the scope of the DPCO and finalises Draft Pharmaceutical Policy 2017 by addressing some of its lacunae.

NOTIFICATIONS

Press Information Bureau

- Extension of Rebate in Taxes on Export of Garments and Made-ups
- Amendment in tariff notification
- Group of Ministers (GoM) review actions for management of COVID-19
- Cabinet approves India-Germany agreement on railways

DGFT

- Amendment in export policy for Hydroxychloroquine
- Amendment in export policy for ventilators
- Modalities for import of urad for fiscal year 2020-21
- Proformae of application and end use certificate for GAICT of SCOMET items
- Institution/Continuation of Proceedings under IBC, 2016
- Restriction on import or pulses

CBIC

- Amendment in notification
- Exchange rate notification

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