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ASIA EDITION

Bulk drug imports from China to stay at alarming 65% despite PLI schemes in India

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India continues to rely heavily (>50%) on some of the critical Key Starting Materials (KSMs) from China



The Indian pharmaceutical industry has demonstrated impressive growth over the years, achieving a Compound Annual Growth Rate (CAGR) of approximately 7% during FY14-FY23.

As of FY23, the industry's market size has soared to approximately $49.78 billion. Concurrently, the total pharma imports have also exhibited a similar CAGR of about 7%, reaching $7.9 billion during FY23.

When we delve into the specifics of pharma imports, it is evident that bulk drugs hold a significant share, accounting for approximately 55% of the total imports. Formulations follow closely, contributing around 30% to 35%, while the rest comprises Ayush & Herbal and Surgical products.

In light of the projects completed during FY23 and the estimated projects to be completed during FY24 and FY25 under the Production-Linked Incentive (PLI) scheme, CareEdge Ratings anticipates a positive impact on the industry'fs reliance on imports from China. By the end of FY24, it is estimated that the dependency on Chinese imports is expected to decrease to 69%.

During the next two years, FY24 and FY25, the Indian Pharma Industry is expected to grow by approximately 7%-9%. This growth will lead to incremental requirements for APIs (Active Pharmaceutical Ingredients), which are expected to be met through enhanced capacity additions under the PLI schemes. As a result, the overall dependency on the import of bulk drugs from China is likely to continue to be high.

"The PLI scheme 1 & 2 although supposed to play a critical role to develop the Key Starting Materials (KSMs) and APIs at competitive prices and reduce dependency, the results of the same have not been very encouraging. As per the industry, combating the pricing war with Chinese players would be extremely challenging. India currently needs an entire ecosystem beginning with dedicated universities, R&D driven by cutting-edge technology, large bulk drug parks (focused exclusively on life-saving KSMs) with common infrastructure and substantial support from the government. Nevertheless, deriving the

existing benefits from PLI schemes, CareEdge Ratings expects the import dependency to taper marginally and the same is expected to be about 69% and 65% by the end of FY24 and FY25, respectively", said D. Naveen Kumar, Associate Director at CareEdge Ratings.