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## Pandemic spurs growth of drug industry's R&D spending

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Wednesday, July 13, 2022, 08:00 Hrs [IST]

Covid-19 pandemic has prompted Indian drug manufacturers to raise their research and development spending significantly. This will allow for the quick discovery and creation of new drugs that will benefit people worldwide.

Drug manufacturers believe that an increase in R&D spending will lead to growth of the domestic industry. India's domestic pharmaceutical market is estimated at USD 42 billion in 2021, it is likely to reach USD 65 billion by 2024 and may further expand to reach USD 120-130 billion by 2030, according to India Brand Equity Foundation (IBEF).

Said Shaunak Amin, managing director, Alembic Pharmaceuticals Limited, "Alembic is investing heavily on R&D. The company is spending 10-12 per cent of revenues on R&D, which is higher than industry, to develop a pipeline of complex products. While investing in R&D, it has also undertaken a capex of Rs. 2,000 crore, to build three new factories to make oncology oral solids and injectables, general injectables, ophthalmic and oral solids".

"Alembic's India branded business has posted a strong growth rate for the third consecutive quarter. Strong operational performance is attributed to consistent efforts of the team and strengthening of customer relationships. Branded business witnessed market outperforming growth across most of the key products and therapy areas," said Amin.

"Although most pharmaceuticals manufactured are still generic versions, the pandemic prompted Indian drug manufacturers to raise their R&D spending significantly. Due to a significant supply disruption, Indian pharmaceutical companies want to develop more active pharmaceutical ingredients (APIs) locally to rely less on Chinese imports. To lower dependency on China for API, the government has also announced a large incentive scheme with an exemption in tax to boost the local production of API, which is expected to last until 2030," said Karan Chechi, research director, TechSci Research.

"Because of demographic changes and increased household wealth, it is anticipated that the domestic drug industry will grow consistently in the upcoming years. While the demand for treatments of cardiovascular illnesses and other chronic diseases will rise, the growing middle class can increasingly afford high-quality medications. Most Indian pharmaceutical companies have strong financial sheets and can create cash. Gearing and reliance on bank financing are both minimal. The Indian drug industry can accomplish an objective of two-fold digit development by 2030 through a large group of measures, including administrative help from the government like expansion in monetary portions for medical care and advancement in drug development. Setting a rational valuing strategy structure, working on administrative endorsement processes, making a different Ministry of Pharmaceuticals and devoted zones for the production of prescription drugs are several measures through which the government can assist the businesses to achieve their target," added Chechi.

"The pharmaceutical sector depends heavily on R&D. Major pharmaceutical companies' performance is mainly dependent on developing and discovering new drugs, and their allocation of capital expenditures (capex) reflects this. The pandemic has impacted the R&D spending of the drug industry. Many companies found themselves hurrying to step up to help the general people on top of having to halt the clinical studies for some of their drugs. By giving patients and healthcare professional's access to medical supplies, a number of these businesses assisted. However, several pharmaceutical corporations including Zydus Cadila, Dr Reddy's increased their R&D efforts to create vaccines," said pharmaceutical consultant Dr Sanjay Agrawal.

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