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Research Article

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## INDIAN PHARMACEUTICAL INDUSTRY: A DIAGNOSTIC OVERVIEW

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### Abstract

It is often said that the pharmaceutical sector has no cyclical factor attached to it. Irrespective of whether the economy is in a downturn or in an upturn, the general belief is that demand for drugs is likely to grow steadily over the long-term. The Indian pharmaceutical industry is fragmented, but has grown rapidly due to friendly patent regime and low cost manufacturing structure. Intense competition, high volumes and low prices characterize the Indian domestic market. Exports have been rising at around 30% Compounded Annual Growth Rate (CAGR) over last few years. This study analysed the growth rate of export and import in pharmaceutical sector, further it sees how much pharmaceutical sector contribute to the export-import of India.

**Keywords:** Healthcare, Pharmaceutical industry, Import, Export.

### INTRODUCTION

The pharmaceutical industry develops, produces, and markets drugs or pharmaceuticals licensed for use as medications. Pharmaceutical companies are allowed to deal in generic and/or brand medications and medical devices. They are subject to a variety of laws and regulations regarding the patenting, testing and ensuring safety and efficacy and marketing of drugs. The Indian Pharmaceutical Industry today is in the front rank of India's science-based industries with wide ranging capabilities in the complex field of drug manufacture and

technology. The Pharmaceutical industry in India is the world's third-largest in terms of volume, technology, quality and range of medicines manufactured and stands 14th in terms of value. A highly organized sector, the Indianpharma Industry is estimated to be worth \$ 4.5 billion, growing at about 8 to9 percent annually. From simple headache pills to sophisticated antibiotics and complex cardiac compounds, almost every type of medicine is now made indigenously. In 2006, the market size of India's pharmaceutical logistics segment

(distribution) was valued at around \$200 million and the logistics/distribution industry has been growing at an average annual growth rate of 4% since 2002. Exports of pharmaceutical products from India increased from US\$6.23 billion in 2006-07 to US\$8.7 billion in 2008-09 a combined annual growth rate of 21.25%. According to PricewaterhouseCoopers (PWC) in 2010, India joined among the league of top 10 global pharmaceutical markets in terms of sales by 2020 with value reaching US\$50 billion.

The Indian Pharmaceutical sector is highly fragmented with more than 20,000 registered units. It has expanded drastically in the last two decades. The leading 250 pharmaceutical companies control 70% of the market with market leader holding nearly 7% of the market share. It is an extremely fragmented market with severe price competition and government price control. The pharmaceutical industry in India meets around 70% of the country's demand for bulk drugs, drug intermediates, pharmaceutical formulations, chemicals, tablets, capsules, orals and injectibles. There are about 250 large units and about 8000 Small Scale Units, which form the core of the pharmaceutical industry in India (including 5 Central Public Sector Units). These units produce the complete range of pharmaceutical formulations, i.e., medicines ready for consumption by patients and about 350 bulk drugs, i.e., chemicals having therapeutic value and used for production of pharmaceutical formulations.

Playing a key role in promoting and sustaining development in the vital field of medicines, Indian pharma industry boasts of quality producers and many units approved by regulatory authorities in USA and UK. International companies associated with this sector have stimulated, assisted and spearheaded this dynamic development in the past and helped to put India on the pharmaceutical map of the world.

## OBJECTIVES

1. To compare the growth rate of import and export of pharmaceutical industry for period of 2002-03 to 2010-11.
2. To find out the contribution of pharmaceutical import and export in total import and export of India.

## METHODOLOGY

The study is based on the data collected from Directorate General of Commercial Intelligence and Statistics, Government of India for period of 2002-03 to 2010-11. The data were collected from electronic data base of Ministry of Commerce, Government of India.

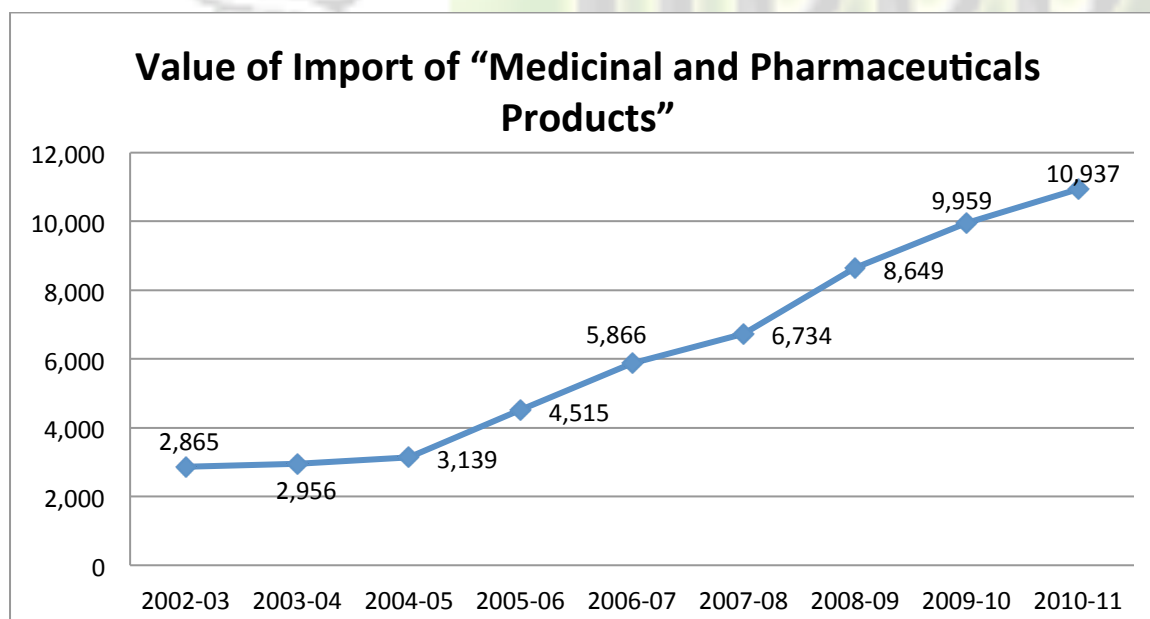
### Imports

As per the Directorate General of Commercial Intelligence and Statistics (D.G.C.I.S.) Kolkata, value of imports of "Medicinal and Pharmaceuticals Products" for the period 2002-03 to 2010-11 is as under:

**Table 1: Value of Import of “Medicinal and Pharmaceuticals Products”(Rs. in Crore)**

Year	Value of Import of “Medicinal and Pharmaceuticals Products”	Growth (%)
2002-03	2,865	-
2003-04	2,956	3.18
2004-05	3,139	6.19
2005-06	4,515	43.84
2006-07	5,866	29.92
2007-08	6,734	14.79
2008-09	8,649	28.43
2009-10	9,959	15.15
2010-11	10,937	9.82

(Source: Directorate General of Commercial Intelligence and Statistics (DGCIS), Kolkata)

**Figure 1: Trend of Import**

It may be observed that the imports shown declined in growth in the year 2010-11 compared to previous year. The country is almost self-sufficient in production of most of formulations/ pharmaceuticals products. As such imports are being resorted to on quality

& economic considerations and not necessarily due to non-availability from domestic sources. Manufacturers of Drugs & Pharmaceuticals are free to produce any drugs approved by the Drug control authorities. Import of Drugs & Pharmaceuticals is regulated as per the Foreign Trade Policy of

Government of India. Import of some drugs and drug intermediates are restricted under current Foreign Trade Policy. These restrictions are basically due to common HS codes assigned to some narcotic substances or similarity to some Ozone Depleting

Substances (ODS) with pharmaceutical products.

**Exports**

As Per DGCIS, Kolkata Exports of “Drugs and Pharmaceuticals and Fine Chemicals” for the period 2002-03 to 2010-11 are below:-

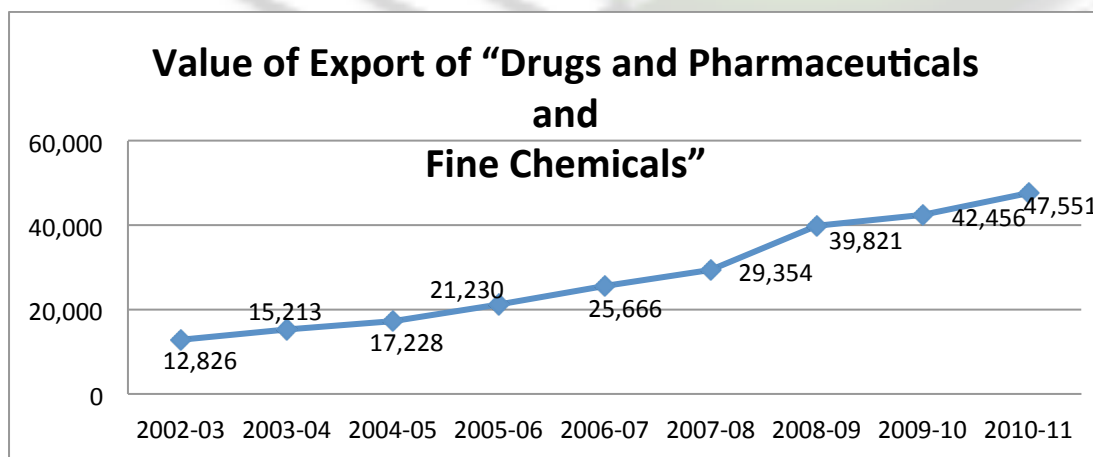
**Table 2: Value of Export of “Drugs and Pharmaceuticals and Fine Chemicals”**

(Rs in cr.)

Year	Value of Export of “Drugs and Pharmaceuticals and	Growth (%)
2002-03	12,826	-
2003-04	15,213	18.61
2004-05	17,228	13.25
2005-06	21,230	23.23
2006-07	25,666	20.89
2007-08	29,354	14.37
2008-09	39,821	35.66
2009-10	42,456	6.62
2010-11	47,551	12.00

(Source: Directorate General of Commercial Intelligence and Statistics (DGCIS), Kolkata)

**Figure 2: Trend of Export**

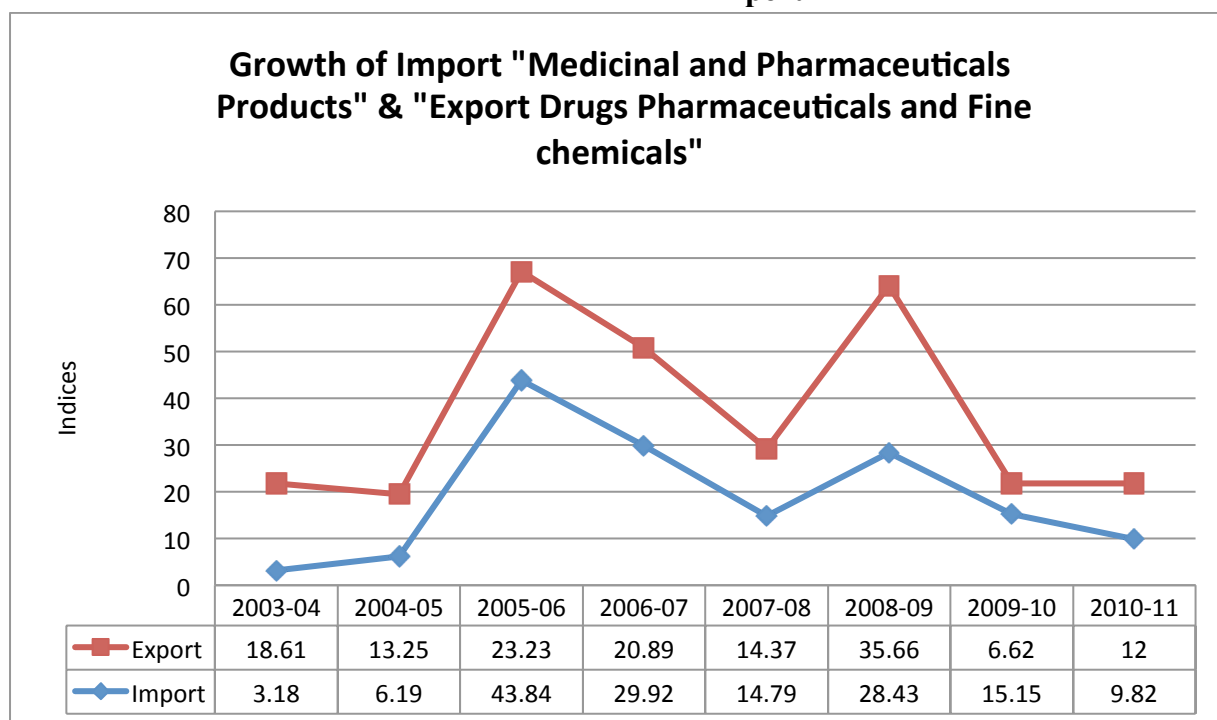


It may be observed that the export in figures is been continuously rising but when looked into the percentage of the last few years, figures

shown decline in the year 2009-10 compare to previous year which means that India register a low revenue compare to previous year however again it register a increasing trend

which result in increase in the revenue of India.

**Figure 3: Comparative study of Import and Export**



(Source: DGCIS, Kolkata)

Now, when looked at the comparative study of the import and export. There's been continuing up and down in the figures. Increase in import over previous year mean that India is buying pharmaceutical products more from outside of India than in India thus for India a more preferable situation would be where India is exporting more and the import are less in comparison to the export. Here, one thing is mentionable that due to scarcity of resources no country can be self-dependent thus arise the need for importing products and globalisation have provided excellent opportunities to all countries to import the products those are not available in country. India is no exception keeping in mind the

above thing India has to look out for the option to satisfy the demand, however India has managed to keep the imports low and exports high as evidently it can be seen from year 2003-04 and 2004-05 but later due to growing demand, increasing population and gradually outdated technology start taking over export and import starting to increase from year 2005-06 that again in year 2006-07 import increases 29.92 % and export registered only 20.89 % growth this trend continue till 2008-09. In 2008-09 again export (35.66 %) was more than import (28.43 %) however in next year import (15.15 %) increase more than double of export (6.63 %) in the same year. In the year 2010-11 export increases 12 % while import only increases 9.82 %, thus it can be observed that there is

export.

Items/Years	2006-07	2007-08	2008-09	2009-10	2010-11
<b>A: Total National Exports</b>	<b>571779</b>	<b>655864</b>	<b>840755</b>	<b>845534</b>	<b>1142649</b>
(a) Drugs Pharmaceuticals and Fine chemicals	25666	29354	39821	42456	47551
<b>Share in Total Export %</b>	<b>4.5</b>	<b>4.5</b>	<b>4.7</b>	<b>5.0</b>	<b>4.2</b>
<b>B: Total National Imports</b>	<b>840506</b>	<b>1012312</b>	<b>1374436</b>	<b>1363736</b>	<b>1683467</b>
(b) Medicinal and Pharmaceuticals Products	5866	6734	8649	9959	10937
<b>Share in Total Import %</b>	<b>0.7</b>	<b>0.7</b>	<b>0.6</b>	<b>0.7</b>	<b>0.6</b>
<b>(c) Trade Balance (a)-(b)</b>	<b>19800</b>	<b>22620</b>	<b>31172</b>	<b>32497</b>	<b>36614</b>

The share of Exports of the “Drugs Pharmaceuticals and Fine Chemicals” in the total National Exports declined from 4.50% to 4.20% during the period 2006-07 to 2010-11, However in the absolute terms there is growth in Exports. The share of imports is declined 0.7% to 0.6% in the corresponding period. Looking at the figures it can be observed that export is hovering around 4 % to 5 % most of the time, while import is under 1 % all the time thus it can be observed that export plays important role and more dominate than import.

## CONCLUSION

The pharmaceutical industry is a knowledge driven industry and is heavily dependent on research and development for new products and growth. Any economy cannot self-sustain, it needs to look out in the world for the other option thus analysing the pattern for export

and import is necessary. It can be concluded while looking at the figures that India is less dependent on import, it remains mainly 0.6 % - 0.7% in Indian national import while export remains mainly around 4.5 % to 5 % which is a good sign for India, it will generate foreign currency. It can be said that India is shining in pharmaceutical sector as the export are growing more than import.

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