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## "Innovation Should Be Given a Boost Through Tax Incentives"

Joe C Mathew May 27, 2020

Four Indian pharma companies have just signed a partnership agreement with US-based Gilead for supply of its experimental coronavirus drug Remdesivir. Satish Reddy, President, Indian Pharmaceutical Alliance (which represents 24 leading pharma firms) and Chairman of Dr. Reddy's Laboratories, speaks to Business Today's Joe C. Mathew about how home-grown firms are serving India and the world during the Covid-19 crisis. Edited excerpts.

### **What has been the impact of lockdown on the Indian pharmaceutical industry?**

The industry is not at pre-pandemic levels of capacity utilisation. On an average, we are at the 60-70 per cent mark at the moment. We continue to maintain adequate inventory, despite the challenges in import and export due to delays at airports and ports across the country.

### **Did IPA member companies see a surge in business? How has the industry tackled lockdown-linked disruptions?**

There has been increased demand for active pharmaceutical ingredients (APIs) and sales in a few markets such as the US, Europe and Russia have been good. Demand in India has dropped a bit due to the lockdown. Several companies have innovated to tide over the crisis - one example is the readiness kit we have deployed for sales representatives. The industry is also leveraging virtual platforms to facilitate healthcare access. Our company has a dedicated helpline for both doctors and patients to make medicines available wherever needed. We have a plan and have adapted our strategy to the new way of doing business. I do not foresee shortage of medicines or supply disruptions.

### **What are the lessons learnt?**

With every crisis comes a learning opportunity. Covid-19 has been no exception. One major takeaway has been the power of collaboration. We saw companies that usually compete in the market come together and collaborate. Examples of this were seen across functions. Collaboration was also evident in our work with the government. Indian pharma firms have, throughout the crisis, worked in an integrated manner with the government to ensure safe and continuous supply of medicines. The Central and state governments have also been responsive to the needs of critical industries. While many Indian pharma companies were already investing significantly in automation and digitisation, the pandemic has demonstrated the true potential of technology. What was more exploratory

in the past is now a lifeline for industries. I see technology and digitisation playing a greater role in the near future.

**The pandemic has shown India's dependence on imports for raw materials. The prime minister talks of self-reliance. How does one achieve it?**

Yes, there is a need to become more self-sufficient with regards to pharma. This is economically significant and essential for the health security of the country. Covid-19 has helped us expedite our efforts towards self-sufficiency. Government support is essential to achieve this objective. We are still awaiting details about the recently launched API policy and the investment push of Rs 10,000 crore. It is a significant step towards self-sufficiency. The IPA is working closely with the government towards this objective.

**Will the industry come together to develop generics if the government wants to supply them to the world?**

The IPA believes in a balance between public health and intellectual property rights. Both are extremely important. Indian pharma is already the largest supplier of generics globally. Of course, we would be happy to work together with the government.

**Is the pandemic impacting global growth plans of domestic pharma companies?**

In the middle of this global crisis, Indian pharma has proven to be consistent and reliable. While this pandemic has thrown up several challenges, it has also created an immense opportunity for the industry. Countries across the globe are now looking at alternative suppliers - Indian pharma can tap this and reclaim the ground it had lost to countries such as China. We have also seen the power of collaboration. I am hoping this will result in greater collaboration in the future. As governments across the world take measures to bolster economies, it will compel them to curtail expenditure across categories, including healthcare. I foresee a greater inclination towards more cost-effective drugs and generics, and therein lies another immense opportunity for us, since we have gained a reputation of being a supplier of high quality and cost-effective drugs to the world.

**Will it open up new markets and more opportunities in existing ones? Will it mean more local production in key export markets?**

Opportunities in the API segment are visible with more companies wanting to de-risk their over-reliance on China. While most countries may want to increase local production, it would take some time for any trend to be visible due to the large lead time. We would work according to the local needs of the country and ensure we meet our commitment of serving patients.

**What should the government do to strengthen the Indian pharmaceutical industry?**

In the immediate and short term, there is need to support and streamline pharma manufacturing. Consistent implementation of policies such as movement of manufacturing personnel and streamlining logistics and support to ancillary suppliers is the need of the hour. And these need to be done across states. Our industry is research-based, we owe

our success and world dominance to our R&D efforts. The government needs to recognise both the need as well as the inherent risk of innovation in this industry. Innovation should be given a boost through tax incentives, greater access to capital and industry-academia collaboration. The government also needs to look at liberalising drug prices. Easing these restrictions will incentivise the industry to scale up production of essential drugs. We appreciate the government's move to promote domestic manufacturing of key starting materials and APIs. In this regard, accelerating planned investments in infrastructure for bulk drug parks from five years to within two years will go a long way in achieving self-sufficiency. Financial incentives such as soft loans or loans with longer moratorium could incentivise investments. We need to achieve self-sufficiency, as well as capitalise on the shift-away from countries such as China. The time for that is now.

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