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 business/prime
page for
all brands

The Indian pharmaceutical industry finds itself in a Catch-22 situation. It is elated about the government's higher spend on healthcare in Budget 2021, but realises that some of its demands such as restoration of weighted average deduction on research and design (R&D) extension of production linked scheme to formulations, and a new plan of export incentives, have not been met.

Finance Minister Nirmala Sitharaman announced an outlay of Rs 223,846 crore for health and wellbeing in Budget 2021. This was an increase of 137 percent compared to 2020, when the outlay on healthcare stood at Rs 94,452 crore. The rise was primarily led by Rs 35,000 crore allotment for COVID-19 vaccines.

The finance minister also announced a new scheme called the PM Atmanirbhar Swasth Bharat Yojana for boosting the primary, secondary, and tertiary healthcare, with a budgetary outlay of Rs 64,180 crore spread over six years.

This funding would be used to develop capacities of health care systems, develop institutions for detection and cure of new and emerging diseases.

To be sure, the pharma industry sees increase in healthcare spending as positive, due to the cascading effect it will have on the industry.

"India has been witnessing a growing demand for healthcare beyond metros, and the Budget's provisions towards creating infrastructure through integrated public health labs in districts, rural and urban health and wellness centres, in addition to block public health units, will help drive deeper healthcare penetration in Tier 2-6 cities," said Umang Vohra, MD & Global CEO, Cipla.

He added: "Citizens will also significantly benefit from the country's COVID-19 vaccination drive with Rs 35,000 crore being earmarked for the same. Overall, we are pleased to see solid budgetary allocations towards healthcare."

Sudarshan Jain, Secretary General, Indian Pharmaceutical Alliance, concurred. "The initiatives are pointers to increased investment in healthcare infrastructure and will strengthen the sector going forward."

Satish Reddy, Chairman of Dr Reddy's Laboratories appeared more circumspect. He welcomed the Budget proposals but said the success would depend on execution.



"As with all Budgets, there are concrete proposals that are encouraging but it is the execution that finally matters and I hope this time the government gets it right," he said.

Expectations not met

There are several other areas, however, where Budget 2021 hasn't met the industry's expectations.

"While the increased budgetary allocations are re-assuring, there are no tax proposals specific to this sector. Direct tax incentives would have further encouraged the private sector to invest and engage in R&D and help position India as an innovation hub. Also, rationalising GST rates on critical/lifesaving drugs and healthcare services would have made them more affordable," consulting firm Deloitte said.

Pharmaceutical manufacturers, who were anticipating the extension of production-linked incentive (PLI) to formulations, like the one given to active pharmaceutical ingredients and intermediates, were also left disappointed.

The pharmaceutical sector has come under sharp focus in FY21, due to the COVID-19 pandemic. Coronavirus has exposed the vulnerability of the Indian drug industry's over-reliance on Chinese raw materials, sometimes as high as 80 percent, exposing it to the vagaries of price hikes and shortages. The government is also worried about drug security, especially antibiotics in cases of emergencies like natural calamities and wars.

Given this backdrop, the government made 53 bulk drugs eligible for a production-linked incentive worth Rs 6,940 crore. In addition, the government also announced Rs 3,000 crore funding to set up two bulk drug parks and one intermediate park to boost local manufacturing.

Demand to restore tax benefit offered on R&D expenditure

The government had introduced a weighted tax deduction of 200 percent on company expenditure on in-house R&D in the 2010 Budget, to boost innovation in the country. In weighted tax deduction, double the amount spent on R&D is deducted from the profit of the company providing them additional cash to invest further in research and development.

While the tax incentive isn't specific to the pharma industry, its companies have been major beneficiaries as they have increased their average R&D spend from 5.3 percent of revenue in FY12 to 8.5 percent in FY20.

However, the 200 percent weighted deduction on R&D was short-lived, with the government in the 2016 Budget cutting it to 150 percent from 2017 onwards and to 100 percent from 2020 onwards.

The industry, which was expecting the announcement of a new scheme of export incentives or subsidies in place of the now scrapped Merchandise Exports from India Scheme (MEIS) to promote pharmaceutical exports, was also left in lurch.

Under MEIS, the government provides duty benefits at different rates depending on product and country. The government had to scrap MEIS, as it wasn't compliant with WTO regulations. Pharma companies were major beneficiaries of the scheme. India's pharmaceutical exports rose 9.5 percent to \$20.58 billion in FY20.



Putting all rumors to rest on Vivo staying away from IPL 2021, Brijesh Patel, Chairman, IPL Governing Council announced that Vivo is back on board as Indian Premier League's title sponsor for this year.

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He said that 2020 was a tough year for all sponsors but everyone stuck by us and we should appreciate that.

Last year was a struggle especially for the Chinese phone brand Vivo which had to back out as title sponsor of IPL 13 due to anti-China sentiment which escalated after the border clash between India and China at Galwan valley where 20 army personnel were killed in the face-off.

There were speculations that Vivo will be replaced by Dream11 which was the title sponsor last year. However, the fantasy sports platform had struck a one year deal for Rs 222 crore, lower than Vivo's 2190 crore deal for five years which brought its yearly breakup to around Rs 440 crore.

While many believed that Vivo was out of IPL this year, Moneycontrol had reported that there was no clear decision on IPL title sponsorship. A person close to the development had said that "It would not be correct to say Vivo has gone out of IPL."

And Brijesh Patel made it clear during the IPL auction on February 18 that Vivo is staying in the league.

Union Home Minister and senior Bharatiya Janata Party (BJP) leader Amit Shah reached West Bengal on February 18 to launch the fifth and final phase of his party's 'Poriborton Yatra' at Indira Maidan, South 24 Parganas district.

business/markets/warren-zimmerman

Shah, who is on a two-day political tour, said the fight of the BJP is to make Bengal 'Sonar Bangla'. In his address, Shah also said, "it is not our aim to bring BJP government after removing Mamata Banerjee's government."

The home minister also said that if the BJP government is voted to power in the state then it will provide more than 33 percent reservation to the women in West Bengal. Shah added that his



government promises to improve the law and order situation in the state and work for fishermen of the region.



"This is not a change in power, this is about bringing respect to Gangasagar, about bringing a change in the fishermen of the region. Can law and order situation be fine in West Bengal as long as there is Mamata Banerjee's government here? Can Bengal walk on the path to progress?"

Meanwhile, West Bengal Chief Minister and TMC party supremo Mamata Banerjee and her nephew Abhishek Banerjee, who is also the local party MP, are slated to address a party workers' meeting at Pailan in South 24 Parganas.

"It will be a politically important day. Both Shah and Didi will address rallies in the same district," a senior South 24 Parganas TMC leader told Times Now.

A Pakistani Taliban militant who nine years ago is alleged to have shot and badly wounded Nobel Laureate Malala Yousafzai has threatened a second attempt on her life, tweeting that next time, "there would be no mistake." Twitter on February 18 permanently suspended the account with the menacing post.

The threat prompted Yousafzai to tweet herself, asking both the Pakistan military and Prime Minister Imran Khan to explain how her alleged shooter, Ehsanullah Ehsan, had escaped from government custody.

Ehsan was arrested in 2017, but escaped in January 2020 from a so-called safe house where he was being held by Pakistan's intelligence agency. The circumstances of both his arrest and escape have been shrouded in mystery and controversy.

Since his escape, Ehsan has been interviewed and has communicated with Pakistani journalists via the same Twitter account that carried the Urdu-language threat. He has had more than one Twitter account, all of which have been suspended.

The government is investigating the threat and had immediately asked Twitter to shut down the account, said Raoof Hasan, an adviser to the prime minister.

Ehsan, a longtime member of the Pakistani Taliban or Tehrik-i-Taliban Pakistan as they are known, urged Yousafzai to "come back home because we have a score to settle with you and your father." The tweet added that "this time there will be no mistake."

Yousafzai, who has setup a fund that promotes education for girls worldwide and even financed a girls' school in her home in the Swat Valley, called out the government and the military over Ehsan's tweet.



"This is the ex-spokesperson of Tehrik-i-Taliban Pakistan who claims the attack on me and many innocent people. He is now threatening people on social media," she tweeted. "How did he escape?" Associated Press queries to the military were unanswered.



The charges against Ehsan include a horrific 2014 attack on a Pakistani army's public school that killed 134 — mostly children, some as young as five years old.

He also claimed responsibility for the 2012 shooting of Yousafzai in Swat Valley. In the attack, the gunman walked up to Yousafzai on a school bus in which she was travelling, asked for her by name and then fired three bullets. She was just 15 years old at the time and had enraged the Taliban with her campaign for girls education.

Her father, Ziauddin Yousafzai, a teacher, ran a school in Swat Valley for boys and girls. In 2007 when the Pakistani Taliban took control of the area, they forced girls out of schools and ruled with a brutal hand until 2009, when they were driven out by the Pakistani military.

During his years in military custody, Ehsan was never charged. Authorities also later never explained how he left the country and travelled to Turkey, where he is believed to be living today.

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