Healthcare

Budget 2020: Focus on public healthcare to spur pharma sector growth, says Troikaa CMD Ketan R Patel

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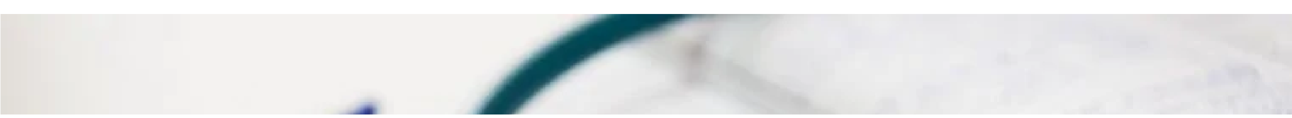
- The government's focus on nutrition and health will provide an indirect boost for pharmaceuticals companies.
- Decision to provide impetus to medical device manufacturers will be a boon for the domestic industry.



KETAN R PATEL

Marathon Union Budget 2020, tried to enshrine the vision of Prime Minister Narendra Modi to have a ‘Healthy India’ which is quite encouraging, but up to what extent the government will succeed remains to be seen.

A total of Rs 1,16,900 crore has been allocated to boost public healthcare, which includes the provision of Rs 69000 crore for expanding PM’s Jan Arogya Yojana (PMJAY), which is only a 10 percent increase compared to the last year’s healthcare budget of Rs 62,659.12 crore. Further allocation of Rs 12,300 crore for Swachh Bharat Mission to reduce open defecation free (ODF), which is also in a way healthcare spend.

While the budgetary allocation of Rs 35,600 crore for the nutrition-related programme – PM Poshan Abhiyan, seems to be one of the most ambitious healthcare programmes, as the government seems to

In November 2019, the Government of India released a Comprehensive National Nutrition (CNN) survey, which was Asia's biggest survey with a sample size of 1 lakh, where for the first time 0-19 year's age group for the non-communicable disease are taken into consideration to check malnutrition. It was found that Indian children have a major deficiency of Vitamin D, Vitamin A and Vitamin B12, along with a few other micronutrients.

So to some extent, even the government's focus on nutrition health, with such a huge spend allocated for nutrition health is commendable and obviously it will provide some kind of indirect positive boost for pharmaceuticals companies as well.

Formulation sector needs attention

However, it's disappointing and heart-wrenching to see how the government missed out to take note of the importance of the pharmaceutical industry as a major stakeholder to push for 'healthy India'.

This budget has focused more on providing the impetus for medical device manufacturers, as the country imports almost 70-75 percent of its medical devices. This is a good move by the government, which will further boost localisation medical device manufacturing, which will not only bring down the device prices but it will also save foreign exchanges for the national exchequer.

It would have been a great move if the government could have also

Share

However, everything is not lost, the pharma sector did get a small consolation gift as the budget provided Rs 1,000 crore scheme to be anchored by EXIM Bank along with SIDBI for mid-size companies to boost technology up-gradation, R&D, business strategy and other export supports.

Interestingly, the support is not kept exclusive for pharmaceuticals, as others like auto component makers and other selected sectors can also avail the scheme.

Even though in a way, we can say that debt funding for exports in sectors like pharma, auto etc. is a move in the right direction, but the amount of Rs 900 crore allocated between all Industries is grossly inadequate.

In view of the tight cash flows, it would have been rather much better if the government could have pushed for low-interest funding for the exporters, which in turn could have enhanced competitiveness and give a fillip to exports.

Pharma industry is passing through a major tectonic shift, wherein in future, most of the pharmaceutical players have to focus on R&D and launch commercially viable patented drugs in the market to survive and grow globally.

Not only in terms of new drugs but also in terms of buying technologically advanced equipment and machinery, the industry needs fund and it would have much better if the fund allocation has

Start-up culture

The government has also missed out to encourage start-up culture in the pharmaceutical sector, where young brains could have brought in more innovation. In highly developed countries, including in developing economies like China, start-ups in the pharmaceutical sector is highly encouraged as the risk-taking ability is key to new innovation and drug discovery.

Even though this budget tried its level best by focusing on health and medical services including medication and expanding the hospital network to uplift the public healthcare, it may bring some businesses for the pharma sector, especially from demand coming from tier-II and tier-III districts as this government plan to add more than 20,000 empanelled hospital under PMJAY for the poor. But again, a direct boost for the industry is missing in this Union Budget.

From the corporate tax perspective for the pharma sector, the tax rates for all companies were already reduced in September 2019 therefore, there was no further room for any more tax sops, except concessional tax rate of 15 percent which was extended to new power generation companies.

Exemption from tax audit having turnover up to Rs 5 crore in case of a business which carries out less than 5 percent of their business in cash is an encouraging move, as the pharma sector has many MSME players.

I believe that this will give a much-required impetus to the small about complying tax audit.

Last but not least, the traversing journey from routine quality to zero-defect quality as proposed in the Union Budget, may impact the cost of production significantly for the industry. In the pharma sector, the rigid drug price control will come in the way of achieving this goal.

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