

# Different strokes for pharmaceuticals and medical devices

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An uneasy calm hovers over the pharmaceuticals and medical devices segments, although both have been treated differently by US President Donald Trump's "reciprocal tariff" plan.

Pharmaceuticals have been exempted, for now, but medical device makers will face the 27 per cent tariffs outlined for India's exports to the US.

Pharma and medical device industry representatives are looking to the bilateral negotiations for greater clarity and direction.

In fact, the next three months will not see major changes in manufacturing plans, with the stage for negotiations now being set fol-

lowing the tariff announcement, said an industry-watcher.

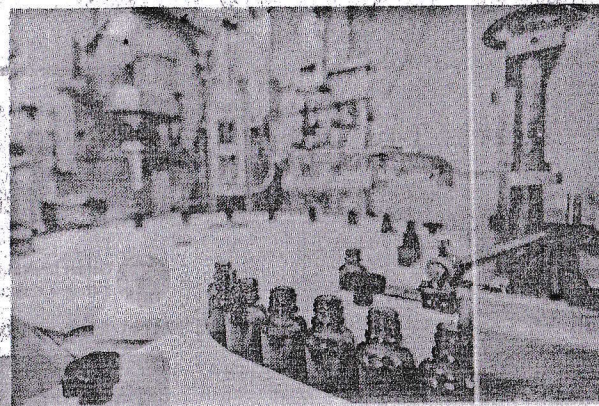
## CRITICAL ROLE

"The decision (to exempt pharma) underscores the critical role of cost-effective, life-saving generic medicines in public health, economic stability and national security," the Indian Pharmaceutical Alliance (IPA) said, earlier on Thursday. The IPA represents close to two dozen top drugmakers from India, including Sun Pharma, Dr Reddy's Laboratories, Zydus, Lupin, Cipla, etc, who have major exports to the US.

"The game is not over," a pharmaceutical industry insider, who did not want to be named, told *businessline*, pointing to surprises that could spring up during bilateral negotiations. "While drugmakers are apprehensive, they are prepared," the industry representative said.

Ahead of the tariff announcements, top executives with Cipla, Lupin and Piramal Pharma had indicated that they could beef-up their existing manufacturing in the US, if required.

The next three months



**IMBALANCE** India's medical device exports to the US stood at \$714.38 million (2023-24), while imports from the US to India were significantly higher at \$1,519.94 million. (STOCKCOM)

could see many things change because of bilateral negotiations that countries will enter into with the US and other countries, says Saurabh Agarwal, Tax partner, EY India. Only then will there be a finality on what the tariffs look like, he added.

## SUPPLY CHAIN DYNAMICS

IPA had often underscored the contribution of the Indian pharma industry's contribution to the US in terms of the cost saving to American patients, thanks to less expensive generic drugs.

They also stressed on the role Indian pharma companies could play in future to keep supply chains sustainable.

Industry estimates peg Indian pharma exports to the US at \$8.7 billion (FY23-24).

India and the US share a growing bilateral trade relationship, "with a shared vision to double trade to \$500 billion under the Mission 500 initiative," IPA said.

India is home to over 700 manufacturing plants approved by the US Food and Drug Administration

(USFDA). And Indian generic drugs account for over 40 per cent of all generic prescriptions in the US, translating into healthcare savings for them.

## MEDICAL DEVICES

Medical device-makers are hopeful the bilateral talks would address tariff and non-tariff barriers they face in the US, an industry representative said.

"India has been a key supplier of cost-effective, high-quality medical devices to the US, primarily in low-value high volume consumables categories. However, this new tariff may possibly impact Indian medical devices exports and we have to explore windows of opportunities where USA has been seeking to diversify its supply chain dependence on any one nation," said Rajiv Nath, with AIMED (Association of Indian Medical Device Industry).

India's medical device exports to the US stood at \$714.38 million (2023-24), while imports from the US to India were significantly higher at \$1,519.94 million, AIMED said, citing data from the Exports Promotion

Council of Medical Devices.

## PRIMARY OBSTACLE

Himanshu Baid, Managing Director, Poly Medisure, pointed to non-tariff barriers as being the "primary obstacle".

"Regulatory hurdles in the US are steep, with FDA (Food and Drug Administration) approval costs ranging from \$9,280 to over \$540,000, whereas US exporters face relatively minimal costs when entering India. Addressing these imbalances through bilateral collaboration is crucial," he said.

Between tariffs, non-tariff barriers and the 'Buy American' policy for government procurement, the US may become "less attractive for marketing and more attractive as an investment proposition in some products," observed Nath.

Manufacturing in low risk, low-priced, high-volume consumables and disposables had reduced in the US and shifted to Mexico, Puerto Rico, Ireland etc, he said, and it may take three-to-five years or even longer for manufacturing capacity to move back to the US.