

Think beyond PLI: For global scale in drug inputs, back innovation, help contain land & energy costs

Krishna Prasad Chigurupati, Chairman and Managing Director, Granules India Ltd said, "In order to enhance competitiveness on a global level, companies need to enhance scalability through innovation. PLI schemes will not help unless companies use innovation as innovative technologies can help reduce waste and help reduce cost in terms of power or the use of energy."

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In the generic industry, the cost of API is very critical whereas in the NCE space, the sustainability of the company which makes API is more relevant. (Representational image)

"Companies should use efficient technologies to bring scalability and compete globally for the success of Production linked Incentive (PLI) schemes in pharmaceuticals," said Dr Satyanarayana Chava, Founder & CEO, [Laurus Labs](#) on subject of Creating Global Scale and Impact with APIs on the occasion of concluding day of FE Pharma Summit on March 25. We need to think beyond the PLI scheme and first become a powerhouse in petrochemicals, he added.

Echoing similar views, Krishna Prasad Chigurupati, Chairman and Managing Director, [Granules India](#) Ltd said, "In order to enhance competitiveness on a global level, companies need to enhance scalability through innovation. PLI schemes will not help unless companies use innovation as innovative technologies can help reduce waste and help reduce cost in terms of power or the use of energy."

Dr. Satyanarayana Chava added that in order to sustainably produce APIs and remain competitive there is a need to manufacture low cost APIs adding that dependency on foreign countries is not the solution. Besides the input cost pressure, the Indian companies are facing the challenge of high, raw material cost, land and energy cost. As of today, 35% of revenues of the company go into land acquisitions. Government should therefore focus on creating infrastructure where it is easy for industry to put large capex not on the land but on machinery and building infrastructure"

There is a need for cleaner and greener efficient processes for companies to be profitable. As of today 20% renewable energy India has can be utilised. Adherence to GMPs, quality protocols and quality manpower will help enhance our credibility in gaining self reliance in APIs.

Talking about the importance and market of APIs, Dr. Satyanarayana Chava informed, "APIs constitute 50% of revenues. As of today we don't buy any API or intermediates from China. We buy only starting materials from China and as of today 45% of all imports put together come from foreign companies. Dependence on imported raw materials is coming down. Our dependency on imports in general is coming down from two-thirds of our purchases in 2016 to 45% of raw material purchases today."

He further added that APIs is very important for the generic industry where it contributes anywhere between 20% and 80% of the formulation cost. Whereas in the case of new chemical entities (NCEs) space or big pharma, the API cost is negligible or less than 5% of their cost. In the generic industry, the cost of API is very critical whereas in the NCE space, the sustainability of the company which makes API is more relevant.

Echoing similar views, Krishna Prasad Chigurupati said, "API is a very important component in a pharma business with formulations being the delivery systems. Today in this competitive world, when there is a lot of consolidation of customers in the US, there is tremendous price erosion year on year and the only way to beat this is to be competitive on the APIs by making low cost APIs."

He further added that we need to manufacture freely available material and then gradually produce APIs using different technologies which are not commonly available technologies like flow chemistry, biotransformation, fermentation. The only way to cut down costs is to use all these technologies. These technologies can be tweaked to our needs. One of the advantages technologies offer is not only cut cost but also our energy needs which are going to be clean, efficient and contribute to sustainability. Artificial Intelligence (AI) is also going to play a key role and companies like us are working on it.

"World is moving towards doing business with sustainable companies. Companies should plan long term sustainability goals to provide value to shareholders and not take shortcuts due to cost pressures," Dr. Satyanarayana Chava concluded.