

'Excise removal can trigger Rs 5k crore pharma investment'

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Gujarat could attract fresh investment worth Rs 5,000 crore in the pharmaceuticals sector, if the excise on pharma products, currently 4 per cent, was removed, the Gujarat wing of the Indian Drug Manufacturers' Association (IDMA) believes.

"Currently, nearly 60 per cent of the net pharma production in the country, amounting to around Rs 25,000 crore, is from the excise-free zones, and small and medium players in the state are the worst-hit," said Kamlesh Patel, chairman, IDMA, Gujarat State Board.

There are four such tax havens in the country — Sikkim, Himachal Pradesh, Jammu & Kashmir and Uttarakhand — he added.

There are around 800 pharma manufacturing units in Gujarat, and of this, nearly 70 per cent are SMEs engaged in contract manufacturing for bigger players.

IDMA, which represents the small and medium pharma companies of India, has approached the Centre before the forthcoming Union Budget for 2010-11 for abolition of the 4 per cent excise on pharma

products, as nearly 60 per cent of the country's production comes from excise-free zones.

"This could act as a big boost for SMEs to set up shop here," Patel said.

While the Vibrant Gujarat Summit of January 2009 attracted nearly Rs 6,000 crore worth investment in the pharma sector, around Rs 600 crore consisted of projects planned by 71 SMEs. However, nothing much has come up on the ground so far.

Industry insiders claimed that most companies are waiting for land from the Gujarat Industrial Development Corporation (GIDC). The net land requirement is estimated at around 1.5 lakh acres.

Gujarat had seen an exodus of many pharmaceutical units to tax-exempted states such as HP, Uttarakhand and Sikkim, as pharma is a cost-sensitive business. The state's share in national pharma production, once 42 per cent, fell below 20 per cent after the pharma tax-free zones were formed.

"Pharma production in Gujarat is picking up now. We hope that by the end of this year, the state's share will reach around 35 per cent of national pharmaceutical production," Chirag Doshi, secretary of IDMA, said.

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