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Budget 2009 fails to pep-up biotech

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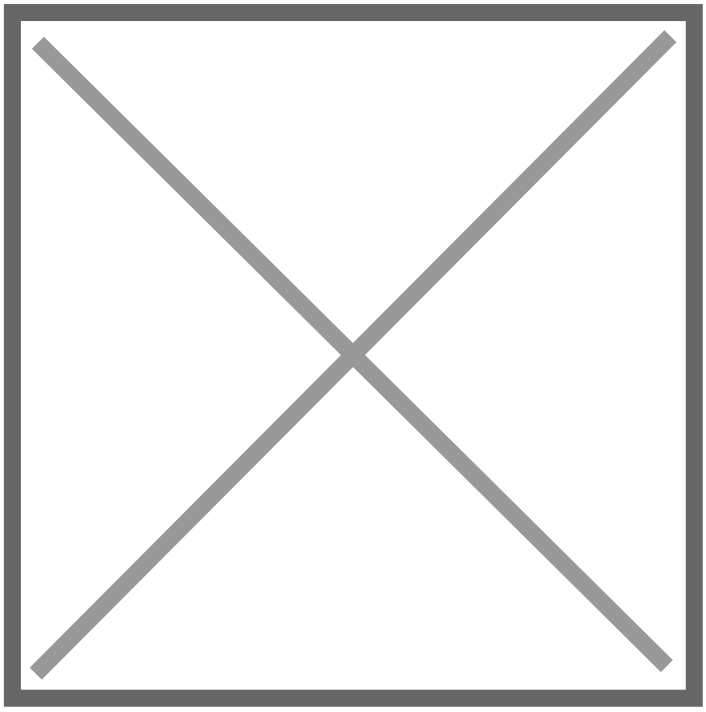

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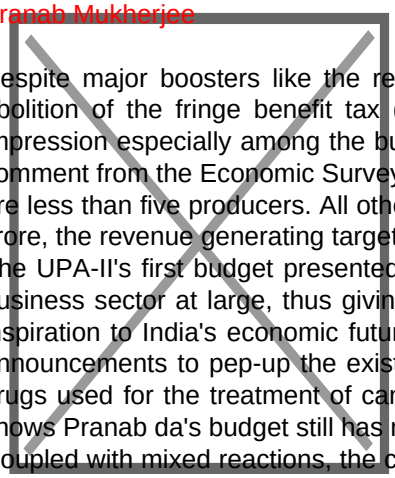
Pranab Mukherjee



Despite major boosters like the removal of surcharge on personal income tax, enhanced group specific exemptions and abolition of the fringe benefit tax (FBT), Budget Ã¢â?¬â?? 2009, gives lukewarm benefits to all, and fails to make any impression especially among the business sector including the pharmaceutical industry. It hasn't taken into account a critical comment from the Economic Survey which said that the 'drugs price control should be limited to essential drugs in which there are less than five producers. All other should have been decontrolled'. Compared to the Economic Survey's annual Rs 25,000 crore, the revenue generating target of Rs 1,120 crore this fiscal is a pittance, say experts.

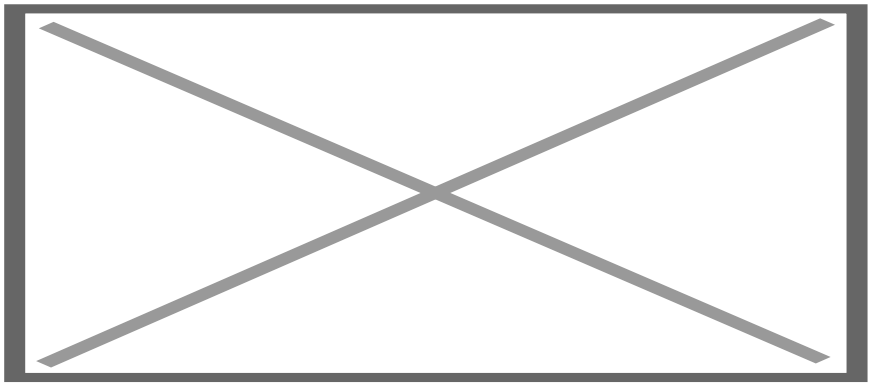
The UPA-II's first budget presented before the House on July 6, by finance minister Pranab Mukherjee, couldn't sweep the business sector at large, thus giving very little scope to enhance the development of the country, and provide an optimistic inspiration to India's economic future. Like other markets, pharma and biotech industry too look disappointed with no major announcements to pep-up the existing scenario. For instance, the market for two life-saving drugs and other nine specified drugs used for the treatment of cancer, Hepatitis-B and arthritis is marginal and doesn't have much impact on the industry; shows Pranab da's budget still has miles to go.Â

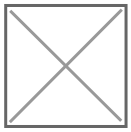
Coupled with mixed reactions, the czars of the Indian biotech industry share their happiness as well as disappointment on the budget and its repercussion in the ensuing financial year. *BioSpectrum* takes a first person account of the Union Budget 2009

Sanjeev Saxena, chairman & CEO, Actis Biologics, Mumbai, said, Ã¢â?¬Å?This year's budget is more for the common man than for the corporate world. Incentives proposed should have some impact on the investments and hence, may refuel the growth of economy. Abolishing the FBT is welcome, as corporate India should be ready to start taking more trips and hence this should refuel the aviation industry with the result the transport industry will also see a change.Ã¢â?¬? To Saxena, the problem with this budget is that no incentives have been provided for R&D or the pharma and biotech sector. Ã¢â?¬Å?I would have been happier had he (FM) put in incentives which would have been allocated for new technology development or new drug development. Also, direct investments into the biotech would have been highly desirableÃ¢â?¬?.

Dr GSK Velu, managing director, Trivitron Group, said, Ã¢â?¬Å?In the budget there is nothing substantial for healthcare sector. For medical devices segment, we were asking the same benefit which has been offered to other even non-critical segments like mobile phones in which raw materials and components imported for ultimate manufacturing in India should be allowed duty free import. To our surprise, even this year, this was not announced. All attempts has been in the direction of encouraging imports and disincentivising local manufacturing initiatives. We are most disappointed with this. Even for healthcare sector, infrastructure status has not been granted which has been a long term demand from the healthcare Industry.Ã¢â?¬? Ã¢â?¬Å?Overall, it's a disappointing budget for healthcare services and medical devices segment,Ã¢â?¬? Velu quips.

Â Â This year's budget failed to provide the much-sought impetus to the pharmaceutical industry, feels **Supratim Majumdar, industry analyst, Healthcare Practice, South Asia and Midldle East, Frost & Sullivan** Ã¢â?¬Å?When R&D and innovation are the buzzwords in the industry, and the R&D spending as a proportion of revenue is continuously increasing year-on-year, the finance Bill remained silent on incentives for R&D investment,Ã¢â?¬? he said. Pointing out on the increased allocation for National Rural Health Mission over and above the outlay in interim budget will expand the access of healthcare facility, Majumdar said, Ã¢â?¬Å?This consumption-oriented budget if implemented means more money in the hands of people, and that's going to increase private healthcare expenditure which include expenses for medicines. That can be a boost for the pharma industry.Ã¢â?¬? He told that reduction of customs duty for 10 specified drugs and two life-saving heart devices from 10 to 5 percent and 7.5 to 5 percent respectively, along with total exemption from excise duty and countervailing duty will make the medicines more affordable for patients. TheseÂ include influenza vaccine and nine other specified drugs used for treating breast cancer, Hepatitis-B and rheumatic arthritis.Â





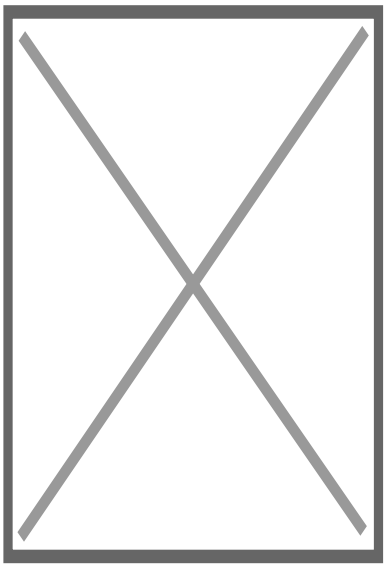
But there's something for the industry to cheer up. Pharma exporters hurt by the global economic turmoil are going to benefit from the one-year extension of the Export Credit Guarantee Scheme till March 2010;Â the decision to reduce customs duty on life-saving drugs as well as some of the vaccine and cancer treatment products have lightened the heart of the pharma industry. If tax reduction is giving the benefit of cost effective treatment to patients, then cut in customs duty on medical equipment specially heart devices will benefit the healthcare sector.

As **Sanjay Nagrath, vice-president (finance), Intas Biopharmaceuticals**,Â said, Ã¢â?¬Å?We welcome the exemption of Advanced Tax payment on small businesses, who are allowed to pay their entire tax liability at the time of filing returns. Abolition of FBT and Commodity Transaction Tax is good move for companies. Raising exemption limit of Rs 10,000 in personal income tax is hardly any relief given to individuals. Government has done well in allocating resources for welfare schemes and targeting creation of 12 million jobs, which is a welcome move in times of recession. Induction of Service Tax in the field of Law, in case same is provided by Law firms to corporate, is a negative move. Service tax paid to foreign agents toward commission under reverse charge is discontinued. This is a positive move for corporate houses. Scope of provisions relating to weighted deduction of 150 percent on expenditure incurred on in-house R&D to all manufacturing businesses being extended is a welcome step. Legitimate R&D expenses, including filing patents to protect IP, which, in our view, would need to be covered under the weighted deduction scheme.Ã¢â?¬?

Congratulating the FM for identifying health and rural infrastructure as focus areas in the Union Budget, **Gautam Khanna, vice-president, 3M India Health Care Business**, said, Ã¢â?¬Å?By significantly augmenting both the National Rural Health Mission and the Rashtriya Swasthya Bima Yojana, the budget has ensured greater access to primary healthcare services. By increasing the Gross Budgetary Support with a special emphasis on rural infrastructure and the 27 percent increase for the rural electrification program, the primary healthcare sector will greatly benefit and ultimately impact the common man.

Healthcare delivery systems will improve with further investments in infrastructure development. We welcome the Finance Minister's proposal to exempt the medical equipment sector from the increase in central excise duties.Ã¢â?¬?

Teruo Yasufuku, MD, Astellas Pharma, said, Ã¢â?¬Å?The budget is positive especially for overall development of the rural healthcare. An increased allocation of Rs 2,057 crore over and above Rs 12,070 crore to the National Rural Health Mission will have a positive impact on the national healthcare.Ã¢â?¬? However, emphasizing on the much needed awareness regarding organ transplant which is yet to make a significant dent in India, Yasufuku says that the budget should have also focused on providing better infrastructure and raising awareness concerning organ transplant in the country.



Upbeat about the finance ministry's focus on the improvement of healthcare infrastructure by increasing allocation under National Rural Health Mission Tapan Ray, director general, Organisation of Pharmaceutical Producers of India (OPPI), told BioSpectrum that the budget proposal covering all BPL families under Rashtriya Swasthya Bima Yojana (RSBY) with an increase in allocation by 40 percent, will help in improving healthcare access.

Likewise, **K Chandran, director, Wanbury**, too is of the opinion that National Rural Health Mission (NRHM) funding and rural insurance will benefit the rural population, which comprises over 70 percent of the total population of the country (approx. 1.15 billion).Â Â Chandran said that 9 percent GDP growth target is good. But his concern was the 'how' factor which is missing in the budget.

But **Indranil Das, vice-president- finance and accounts, Biocon**, is neither happy nor sad about the budget.Â Ã¢â?¬Å?Overall, the budget does not have any negative impact on the pharma industry per se, however, by not amending most provisions it does not provide any fresh incentives either. So I would say pharma industry has been budget neutral,Ã¢â?¬? he said with a smile.

However, experts in the pharma industry feel that had the government announced a total excise exemption on 354 drugs specified in the national list of essential medicines, then it would have made a strong impact on the industry. The industry was carrying a lot of expectations from this budget which did not come out well in terms ofÂ infrastructure development, fiscal deficit and disinvestment programme.Â

But hope never dies. In spite of some degree of disappointment with the Union Budget-2009, the pharma and biotech industries are holding on to what Martin Luther King, Jr, once said, Ã¢â?¬Å?We must accept finite disappointment but never lose infinite hopeÃ¢â?¬?.Â

Anjana Pradhan (with inputs from Nayantara Som, Shalini Gupta & Jaharara Parveen)