

# Pharma & Healthcare Update

February 06, 2025

## BUDGET 2025-26: A CATALYST FOR GROWTH IN HEALTHCARE AND LIFE SCIENCES

The Union Budget 2025-26 ("Budget") is poised to provide a fillip to the healthcare and life sciences industries. In a bid to provide much-needed financial support to the country's healthcare system, the Budget has allocated INR 95957.87 crore (approximately USD 11.07 billion) towards the Department of Health and Family Welfare<sup>1</sup> and INR 3900.69 crore (approximately USD 449.25 million) towards the Department of Health Research<sup>2</sup>, amounting to an overall increase of approximately 9.8% from the previous year.

As the country grapples with evolving public health challenges, growing burden on the healthcare system, and increased scrutiny on the healthcare and the pharmaceutical industry, the government's fiscal policies are increasingly aligning with the need for a more robust healthcare system. In this context, it is crucial to understand how the Budget impacts the healthcare ecosystem for stakeholders looking to navigate the evolving landscape.

We have provided our brief analysis of some of the key takeaways in this update.

## IMPROVEMENT OF HEALTHCARE INFRASTRUCTURE

The Budget has placed a strong emphasis on improving the existing healthcare infrastructure. There has been a substantial increase in the allocation towards the Pradhan Mantri Ayushman Bharat Health Infrastructure Mission – a scheme aimed at strengthening the healthcare infrastructure across the country. The Budget also envisages the setting up of day care centres for cancer treatment at all district hospitals over the next three years, with about 200 Centres to be established in 2025-26 itself.

In addition, allocations have also been made towards strengthening the digital health ecosystem which includes the Ayushman Bharat Digital Mission and the National Tele Mental Health Programme. To further improve access to these telehealth services, broadband connectivity is also to be provided to all government secondary schools and primary health centres in rural areas.

## STRENGTHENING OF THE PM-JAY

The Ayushman Bharat Pradhan Mantri Jan Arogya Yojana ("PM-JAY") was launched in 2018 with the objective of achieving universal health coverage in India. The scheme provides an annual health coverage of INR 5 lakhs per family towards secondary and tertiary care and empanelled private and public hospitals.

The allocation towards the PM-JAY has increased in the Budget by nearly 10%. This comes against the backdrop of private hospitals across the country threatening to pull out of the PM-JAY scheme over non-payment for services provided to patients under the scheme.

## MEDICAL TOURISM AND HEAL IN INDIA

One of the key focuses of the Budget is on improving access to healthcare, not only for the domestic population, but also for the rest of the world. While India is already recognized for its world-class medical services, advanced healthcare technologies, and highly skilled medical professionals, the Budget has reinforced the government's intent to capitalize on this industry and boost the 'Heal in India' initiative and establish India as a preferred destination for medical tourism. The 'Heal in India' initiative was launched by the Ministry of Tourism in collaboration with the Ministry of Health and Family Welfare with the objective of attracting international patients who are looking for high-quality, affordable healthcare options outside of their home country.

## CUSTOMS DUTY EXEMPTION

As relief to multitudes of patients, thirty-six lifesaving medicines (including the bulk drugs used to manufacture them) used for treating cancer, rare diseases and chronic diseases have been added to the list of drugs that are fully exempted from Basic Customs Duty ("BCD"). In addition, six medicines (including the bulk drugs) have been brought under the list of medicines that would attract a concessional customs duty of 5%.

Further, certain drugs have been fully exempted from BCD where they are being supplied to patients under patient access programmes being run by pharmaceutical companies. A total of thirty-seven additional drugs and thirty new patient assistance programmes have been proposed to be included under the exemption.<sup>3</sup>

## STRENGTHENING THE PHARMACEUTICALS AND MEDICAL DEVICES SECTORS

The Budget has allocated INR 5224.50 crore<sup>4</sup> (approximately USD 602.54 million) to the Department of Pharmaceuticals ("DoP") towards the central sector schemes and projects that are being operated by the DoP. This includes various initiatives that are aimed at the development of the pharmaceutical industry and strengthening of the

## Research Papers

### Taxing Offshore Indirect Transfers in India

February 28, 2025

### Unlocking Corporate Philanthropy

February 27, 2025

### Digital Health in India

February 26, 2025

## Research Articles

### Joint Ventures

March 11, 2025

### Re-Evaluating Press Note 3 Of 2020: Should India's Land Borders Still Define Foreign Investment Boundaries?

February 04, 2025

### INDIA 2025: The Emerging Powerhouse for Private Equity and M&A Deals

January 15, 2025

## Audio

### CCI's Deal Value Test

February 22, 2025

### Securities Market Regulator's Continued Quest Against "Unfiltered" Financial Advice

December 18, 2024

### Digital Lending - Part 1 - What's New with NBFC P2Ps

November 19, 2024

## NDA Connect

Connect with us at events, conferences and seminars.

## NDA Hotline

Click here to view Hotline archives.

## Video

### Arbitration Amendment Bill 2024: A Few Suggestions | Legally Speaking With Tarun Nangia | NewsX

February 12, 2025

### What India's Transition to New Data

medical devices industry.

In addition to the Production-Linked Incentive Schemes (“**PLIs**”) and the Scheme for Promotion of Research and Innovation in Pharma MedTech Sector (“**PRIP**”), the key initiatives are as follows:

Pharmaceuticals

- Pharmaceutical Promotion & Development Scheme
- Assistance to Pharmaceutical Industry for Common Facilities/Cluster Development
- Assistance to Medical Device Clusters for Common Facilities
- Pharmaceuticals Technology Upgradation Assistance Scheme
- Promotion of Bulk Drug Parks
- Human Resource Development in Medical Devices Sector

Medical Devices

- Promotion of Medical Device Parks
- Capacity Building and Skill Development for Medical Devices
- Common Facilities for Medical Devices Clusters
- Marginal Investment Scheme for Reducing Import Dependence
- Medical Device Clinical Studies Support Scheme
- Medical Device Promotion Scheme

Separately, funds allocated to the Ministry of Health and Family Welfare have also been earmarked for strengthening the state drug regulatory system, which would ensure improved implementation of the regulatory requirements that govern the quality of drugs.

**BOOST TO INDUSTRY-LED R & D**

Recognising the role that the private sector plays in driving innovation and commercialising research, in the July 2024 budget, a Research, Development (“**R&D**”) and Innovation scheme to boost private sector-driven research and innovation at a commercial scale was announced. In order to implement the scheme, an allocation of INR 20,000 crores (approximately USD 2.30 billion) was announced in the Budget.

While the initiative and funds are not specific to the pharmaceuticals and life sciences sectors, the government has been taking steps to boost domestic R&D in the pharmaceuticals sector and medical devices sector, including the PRIP scheme. The PRIP has two components: Component A aims to strengthen the research infrastructure by establishing seven centres of excellence, while Component B aims to encourage research in six priority areas such as New Chemical Entities, complex generics including biosimilars, medical devices, stem cell therapy, orphan drugs, and anti-microbial resistance.

**WIDENING OF AMBIT OF MSMES**

Recognizing that micro, small and medium enterprises (“**MSMEs**”) form the backbone of the Indian economy, the Budget has enhanced the investment and turnover limits for classification of MSMEs. To help them achieve higher efficiencies of scale, technological upgradation and better access to capital, the investment and turnover limits have been enhanced to 2.5 and 2 times, respectively. Essentially, the revised thresholds would enable MSMEs to scale up without losing out on the MSME status.

There are several advantages linked to being classified as an MSME including easier access to credit, tax benefits, access to several government schemes, greater opportunities for growth through capacity-building programs, preferential treatment in government procurements, etc. Additionally, regulatory compliances are often eased for MSMEs.

MSMEs form an integral part of the Indian pharmaceutical and medical devices industry, and with the government actively promoting domestic R&D and manufacturing, the market share of such companies in the ecosystem is touted to grow.

**CONCLUSION**

In conclusion, the Budget presents a significant step towards strengthening India’s healthcare and pharmaceutical sectors by enhancing infrastructure, bolstering financial support, and fostering innovation. These efforts are poised to create a lasting impact on both public health outcomes and the growth of India’s healthcare and life sciences industries.

**Authors**

**Tanya Kukade**, Member, Life Sciences and Healthcare Practice

**Eshika Phadke**, Leader, Life Sciences and Healthcare Practice

**Dr. Milind Antani**, Lead, Life Sciences and Healthcare Practice

You can direct your queries or comments to the relevant member.

<sup>1</sup>Budget provisions for the Department of Health and Family Welfare, available at: <https://www.indiabudget.gov.in/doc/eb/sbe46.pdf>

<sup>2</sup>Budget provisions for the Department of Health Research, available at: <https://www.indiabudget.gov.in/doc/eb/sbe47.pdf>

<sup>3</sup>Notification No. 09/2025-Customs, available at: <https://www.indiabudget.gov.in/doc/cen/cus0925.pdf>

<sup>4</sup>Budget provisions for Department of Pharmaceuticals available at: <https://www.indiabudget.gov.in/doc/eb/sbe7.pdf>

---

## DISCLAIMER

The contents of this hotline should not be construed as legal opinion. View detailed disclaimer.

This Hotline provides general information existing at the time of preparation. The Hotline is intended as a news update and Nishith Desai Associates neither assumes nor accepts any responsibility for any loss arising to any person acting or refraining from acting as a result of any material contained in this Hotline. It is recommended that professional advice be taken based on the specific facts and circumstances. This Hotline does not substitute the need to refer to the original pronouncements.

This is not a Spam mail. You have received this mail because you have either requested for it or someone must have suggested your name. Since India has no anti-spamming law, we refer to the US directive, which states that a mail cannot be considered Spam if it contains the sender's contact information, which this mail does. In case this mail doesn't concern you, please unsubscribe from mailing list.