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500 MNC

**THE LARGEST
MULTINATIONALS
IN INDIA**





CHEMICALS

STRIKING THE RIGHT CHEMISTRY

MULTINATIONALS CASH
IN AS INDIA BECOMES A
MANUFACTURING HUB
FOR CHEMICALS, THANKS
TO FAVOURABLE POLICY
DECISIONS AND CHANGING
GLOBAL MARKET DYNAMICS.

BY P.B. JAYAKUMAR

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MOST MULTINATIONAL chemical companies operating in India can boast of their Indian connection dating back to decades, or even centuries! Take Bayer AG Group, for instance. Since 1863, the German major has been present in India's agriculture and healthcare sectors. Another leading MNC and German chemical major BASF, formerly The Bayer Company, claims its Indian connection goes back to over 130 years. Multinational chemical major Lanxess, operating in India since July 2004 under the new name (it was earlier Bayer Chemicals), also boasts of an Indian legacy of over a century.

"It is not fair to label Bayer as a foreign company operating in India. We are very much an Indian company partnering with the country's progress," says Simon Wiebusch, MD and CEO, Bayer CropScience Ltd. Such companies have tapped rising opportunities in a growing Indian market for decades, and are now making the country an important global manufacturing hub for chemicals, agrochemicals and speciality products, at a time when the domestic industry is transforming into a major global supplier.

A *Fortune India* study of 31 chemical and agrochemical MNCs operating in India puts their total income at ₹1,17,339 crore in FY24.

Foreign direct investment (FDI) in chemicals and petrochemicals has

also been on a roll for the past few years, especially post-Covid. According to data from the Department for Promotion of Industry and Internal Trade (DPIIT), FDI inflows in chemicals (other than fertilisers) stood at ₹14,662 crore in FY23, a highest-ever record growth of 91%, compared with ₹7,202 crore in FY22. Cumulative inflows stood at around ₹1.34 lakh crore between April 2000 and March 2024.

The China-plus factor

So, what are the factors that attract chemical MNCs to India? The potential of one of the fastest-growing countries in the world with a high population, a rising middle class, and young and educated youth

**SUPPLY CHAIN
DISRUPTIONS
AND LOCKDOWNS
DURING COVID
HAVE MADE
GLOBAL MNCs
RETHINK THEIR
OVER-DEPENDENCE
ON CHINA.**

aids consumption of chemical and petrochemical-based products across sectors—from cars to perfumes to phones and building materials. India is the third-largest polymer consumer globally. It is also the sixth-largest producer of chemicals, accounting for 3% of global sales, and the second-largest manufacturer and exporter of dyes and the second-largest exporter of agrochemicals globally. The chemical industry contributes 7% to the country's export value, with a share of ₹3.70 lakh crore in FY24.

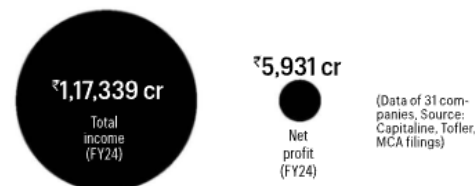
"The Indian chemicals industry is currently valued at \$220 billion and is expected to reach \$300 billion by 2030 and \$1 trillion by 2040. The government has a clear focus on investment-friendly reforms, and removal of policy bottlenecks is a top priority," Anupriya Patel, minister of state for chemicals & fertilisers, said at an industry exhibition in Mumbai in October last year.

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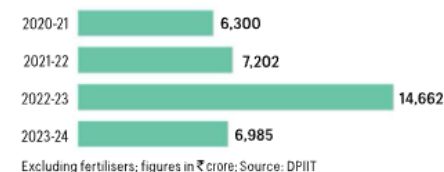
"Policy initiatives such as the Production-linked Incentive (PLI) scheme, 100% FDI, Petroleum, Chemicals and Petrochemical Investment Regions (PCPIRs) and Plastic Parks aim to create world-class infrastructure and attract investment," industry body FICCI says in a recent report.

World over, business dynamics are changing post pandemic. Supply chain disruptions and prolonged lockdowns during Covid have made global MNCs rethink their over-dependence on China, the largest chemical producer controlling 45% of the global market. Most of them are now considering India as a hub to source products as part of their 'China Plus' strategy, helping domestic companies earn more from contract manufacturing for MNCs. "It does not necessarily mean India is an

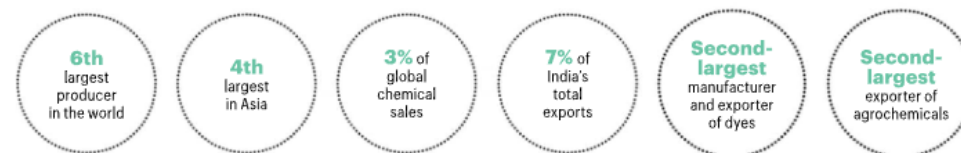
THE MNC CHEMICAL-PETROCHEM UNIVERSE



FDI: THE OSCILLATING CURVE



INDIAN CHEMICAL INDUSTRY AT A GLANCE



automatic choice as there are other competitors such as Vietnam. India needs to build up long-term partnerships, infrastructure and big capital investments in the sector," says Bayer's Simon Wiebusch.

"Driven by a growing economy and aided by initiatives such as PCPIR, India is well-positioned to carve its position as a global hub for chemicals and petrochemicals. We have committed \$350 million in investments to cater to the construction, automotive and industrial sectors, furthering our local-for-local commitment," says Bhavana Bindra, MD, India, West Asia & Africa, The Lubrizol Corp.

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MNCs on expansion mode

India has a vibrant chemicals ecosystem, which is attracting investments from multinationals. "India has been

recycling PET (Polyethylene terephthalate) for over 30 years unlike any other country and 95% of used PETs are recycled here," says Vivek Tandon, founder of Germany-headquartered Revalyu Resources, which is setting up the world's largest PET recycling plant at a single location at Nashik in Maharashtra.

Like Tandon, many MNCs are investing in India, mostly in capital expansion, to cater to Indian and global markets. BASF India, which has eight plants in the country, is now increasing the capacity of its two polymer plants at Panoli, Gujarat, and Thane, Maharashtra by 40%, besides setting up a Polyurethane Technical Development Centre in Mumbai, last year. The Innovation Campus in Mumbai and the Coatings Technical Centre in Mangalore are both part of BASF's global technology platform.

Speciality chemical company Lanxess, which already has manufacturing sites at Nagda in Madhya

Pradesh and Jhagadia in Gujarat, recently started new production sites at Jhagadia, targeting business in the Indian sub-continent and the Asian tyre and rubber goods market. Jhagadia is already a key global production site for Lanxess. Similarly, engineering plastics major Covestro recently launched its production lines for polycarbonate compounding at the company's Greater Noida plant. It is the first large-sized project in India following Covestro's spin-off from Bayer in 2015. Adhesive major Henkel recently completed Phase III of its manufacturing facility in Kurkumbh near Pune, a site which launched in 2020. Linde India, part of global industrial gases and engineering company Linde, owns one of India's largest air separation plants and runs more than 20 production units and filling stations across the country.

It's already a well-populated list and more are likely to be in the pipeline. ■



PHARMACEUTICALS

GLOBAL PHARMA'S INDIA BET

MNCs MAKE INDIA A
HUB FOR HEALTHCARE
INNOVATION AND
MEDICAL RESEARCH.

BY JOE C. MATHEW

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A FEW MONTHS AGO, British pharmaceuticals major GlaxoSmithKline (GSK) completed 100 years in India. The company, which started as H. J. Foster & Co. Ltd. in 1924, has undergone a series of name changes since then. Foster & Co. became Glaxo Laboratories, then Glaxo India and later GlaxoSmithKline Pharmaceuticals. In 2022, the global consumer healthcare business was hived off, but GSK remains one of the top pharmaceutical MNCs in India with market-leading products such as Augmentin in anti-infectives, Calpol in pain management, T-Bact in dermatology and paediatric vaccines Infanrix Hexa and Boostrix. "Over the century, we have played an instrumental role in addressing the evolving healthcare needs of India, right from introducing penicillin to life-saving vaccines and essential medicines," says Bhushan Akshikar, managing director, GlaxoSmithKline Pharmaceuticals. "Today, we can say that we are a company in India, for India, and a key proponent of the 'Make in India' story," he says.

GSK is not alone. U.S.-based Abbott has been in India since 1910, one of the first countries outside the U.S. where it established a presence. "Today, we're one of the largest healthcare companies in India, offering medicines, nutrition products, medical devices and diagnostic (tools). Our healthcare solutions impact one in six lives in India," says Ambati Venu, vice president, Abbott India. Germany's Bayer has been in India for 127 years.

Investing For The Future

1 AstraZeneca

Global Innovation & Technology Centre, Chennai, and Bengaluru R&D centre play a key role in innovation, enabling core processes from discovery, development, production and launches to supply.

2 Bayer

Centre of Excellence in Bengaluru caters to demand for data analysis, enabling the company to focus on excellence in clinical trials.

3 Bristol Myers Squibb

Biocon Bristol Myers Squibb Research & Development Centre, launched with Biocon subsidiary Syngene International, is involved in target identification, lead discovery and lead optimisation all the way to early-stage development and clinical biomarkers R&D. It has also launched a state-of-the-art site in Hyderabad for \$100 million.

U.S.-based Pfizer will soon complete 75 years here. Swiss pharma major Novartis has had a significant footprint in the country since 1947. German Merck established its India office in 1967. Denmark's Novo Nordisk, a global major in diabetic care, has been supplying insulin in India since 1935; it set up a local subsidiary in 1994. The list is incomplete.

Pharmaceutical MNCs have been serving Indian patients long before

the Patent Act 1970—which allowed Indian companies to make generic versions of patented medicines through a different process—gave a push to domestic manufacturing. The Act, along with the government's decision to control prices of medicines and their raw materials through the Drugs Price Control Order 1970, made MNC pharmaceutical firms cede dominance to domestic players. The situation remains the same even though the



4 Eli Lilly

Lilly Capability Center India in Bengaluru provides solutions for clinical trials, technology, commercial and core services. It provides Cloud, automation, analytics, AI and IT solutions that foster innovation.

5 Ferring

Ferring Hyderabad Product Development Centre is engaged in technology platforms. It has invested more than €60 million on R&D in India.

6 GSK

Its global capability centre in Bengaluru employs over 2,500 people in global business operations and R&D, with more than 50% focusing on areas like safety science, regulatory, biostatistics, clinical operations, and more.

7 Merck

The Healthcare R&D India Hub, Bengaluru, works with the global team in disease areas, including oncology, fertility, endocrinology, neurology, immunology and general medicine.

8 MSD

Its Insights, Analytics & Data Centre, Pune, provides near-shore capabilities such as strategic forecasting and analytics to MSD's businesses in Asia-Pacific, Europe and Africa. MSD has invested over \$16 million to set up this centre.

9 Novartis

The operations centre in Hyderabad employs 8,000 people in drug development, manufacturing and digital. It has invested over \$400 million in setting up this centre.

10 Novo Nordisk

Has invested in clinical trials; work contributes 7-10% of its global patient load through partnerships with over 270 medical centres in India.

11 Pfizer

Its Global Drug Development Centre, Chennai, is working on development of complex sterile injectable formulations and device combination products.

12 Roche

Has three centres of excellence in India to craft solutions on a global scale. Roche Information Solutions in Pune integrates data across the patient healthcare journey.

13 Sanofi

Goa R&D centre developing products and technologies for 15 years, focusing on product development, lifecycle management and technology transfer.

government returned to the product patent regime in 2005. Home-grown firms have 80% share of the ₹2.55 lakh crore domestic pharmaceutical market.

Pharmaceutical MNCs' India story, though, is not just about selling medicines. They are, in fact, shaping Indian healthcare by introducing innovative technologies, groundbreaking medicines and patient-centric programmes on their own as well as through partnerships with Indian firms. They

are also deepening their India presence through research and development hubs, clinical trials and skill development. Almost every MNC pharmaceutical major has set up or is setting up a global capability centre (GCC) in India. "These centres of excellence (CoEs) play a significant role in generating jobs, upskilling the workforce and increasing the country's knowledge base. They provide employment to over 90,000 people across India," says Anil

Matai, director general, Organisation of Pharmaceutical Producers of India (OPPI), the association of research-based global pharmaceutical companies in the country. A recent report by BCG and OPPI says 70% global pharmaceutical companies expect over 10% annual growth in India over the next five years while 85% OPPI member companies plan to invest over \$20 million on an average over the next five years. OPPI says India's pharmaceuti-

cal market can touch \$120 billion by 2030, which means big headroom for growth. Can the MNCs grab this opportunity?

Collaboration is key

The year 2025 marks two decades of product patent protection for medicines in India. This was expected to expand the market share of foreign MNCs but domestic companies continue to grow fast. Market intelligence firm IQVIA's July-September 2024 quarter business insights report says revenues of domestic pharmaceutical firms grew 8% while that of MNCs grew 7% in Q3 2024. There are several factors behind this. First, new products from global pharmaceutical companies are a small part of the Indian market. Second, these MNCs cannot match the distribution network of domestic drug makers. Third, India is a price-sensitive market that prefers affordable alternatives launched by the domestic players. All this has forced global pharmaceutical companies to build their strategy around collaboration with local firms to launch India-specific brands with differential pricing for the domestic market. "Bayer has always focused on strengthening its presence in India by bringing innovative therapies to the Indian market faster, improving access to these therapies through tiered pricing & strategic partnerships, and accelerating R&D," says Shweta Rai, managing director, India and Country Division Head South Asia, Bayer Pharmaceuticals. "We successfully innovated therapies in India, including Kerendia for chronic kidney disease, Verquvo for heart and Nubeqa for prostate cancer shortly after their global launch. We have entered into partnerships with Indian companies for enhanced reach and affordability," says Rai.

Another example is the Covid-19 collaboration between U.K.'s AstraZeneca and Serum Institute of India. "Our vaccine, developed with the University of Oxford, was manufactured by Se-



"OVER THE CENTURY, WE HAVE PLAYED A ROLE IN ADDRESSING THE EVOLVING HEALTHCARE NEEDS OF INDIA."

Bhushan Akshikar, MD, GSK India

rum Institute of India post a technology transfer in India. We offered the vaccine at zero profit. We delivered three billion doses and saved over six million lives all over the world between December 8, 2020, and December 8, 2021," says Sanjeev Panchal, country president & managing director, AstraZeneca Pharma India Ltd.

"Collaborations can help foreign firms navigate regulatory complexities, reduce costs and expand reach," says OPPI's Matai. India's healthcare market, projected to double by 2030, presents significant opportunities, he says. "MNCs are poised to tap this expanding market by investing in R&D, digital healthcare and patient support programmes tailored to local needs.

With the Indian government working towards making India a 'Vishwaguru' in drug discovery and healthcare, global companies have an opportunity to play a crucial role in this transformation by contributing innovative therapies and advanced technologies," says Matai.

Investing for the future

In February 2020, Switzerland's Novartis announced the launch of Biome India in Hyderabad, its first digital innovation hub in Asia and fourth globally. The aim is to boost interaction between Novartis and partners from across the digital ecosystem, from start-ups and academia to the biggest players in the industry. Around 15 years ago, Novartis was among the pioneers when it set up a GCC in Hyderabad. It houses 18% of the 12,000-odd global development employees. The company says India has evolved to be an integral part of the development journey of many breakthrough medicines in therapeutic areas like cardiovascular, oncology, immunology, neurology and ophthalmology.

Another company whose India facilities are big contributors in finding solutions on a global scale is Roche. It has three CoEs in India. Roche Information Solutions at Pune is a digital CoE that plays an integral role in integrating patient data. The Off-shore Development Centre in Chennai, in partnership with ZS Associates, consolidates data and analytics business operation services of all Roche Pharma affiliates. Roche Services and Solutions India brings expertise around technological advancements in healthcare through AI/ML. "Our GCC in Hyderabad is a hub for data analysis of all global clinical trials. The team is dedicated to advancing clinical data operations and AI & data science initiatives for Bayer worldwide," says Bayer's Rai. She says India is currently a part of Bayer's 17 ongoing clinical Phase III & IV trials, involving nearly 4,000 participants. India is playing

a crucial role in AstraZeneca's global operations too, particularly in clinical trials, says Panchal. "We're pioneering clinical innovation with new approaches to engaging with patients and trial teams in the clinic and beyond. At present, 60-plus global clinical trials are ongoing in India," he adds.

Novo Nordisk India is also ensuring that the Indian population is well represented in global clinical trials. "Over 4,000 patients in India are participating in phase II-IV clinical trials. The company also has more than 40 ongoing trials involving diabetes and new therapy areas such as obesity, cardiovascular diseases, metabolic dysfunction-associated steatohepatitis or MASH (inflammation of liver caused by excess fat) and rare diseases like sickle cell disease, contributing to almost 10% of the global patient pool within Novo Nordisk," says Vikrant Shrotriya, MD, Novo Nordisk India.

In keeping with the trend, India now has at least 38 pharmaceutical GCCs. "These companies are not only investing in India's healthcare infrastructure but also creating a robust foundation for long-term growth and sustainability," says OPPI's Matai.

Huge potential

The future looks bright for pharmaceutical MNCs. Digital transformation, including telemedicine, AI in diagnostics and data-driven healthcare solutions, is reshaping the industry. The companies seem to be well-positioned to capitalise on these trends by integrating their global expertise in technology with India's growing digital healthcare ecosystem. There is also a growing emphasis on preventive healthcare, driven by rising incomes, ageing population and increasing awareness. This aligns with global pharmaceutical companies' focus on lifestyle-related drugs and wellness programmes. The MNCs also have an advantage in complex drug development. "The shift to discovering drugs will require domestic players to collaborate with global companies in



"MNCs ARE POISED TO TAP THIS EXPANDING MARKET BY INVESTING IN R&D, DIGITAL HEALTHCARE."

Anil Matai, director general, Organisation of Pharmaceutical Producers of India

many aspects of the value chain from innovation, R&D and scaled-up manufacturing to data analytics and AI-led transformation," says Matai. He adds this will build capability, skills and talent and ensure adoption of innovative methods to reduce the cost of delivering healthcare. "The push for universal health coverage and increased government spending on healthcare will provide a favourable environment for global pharmaceutical companies to expand reach and contribute to India's healthcare ecosystem," says Matai.

In fact, the government has taken several steps to make India a preferred destination for pharmaceutical MNCs. It has notified the list of countries (U.S., U.K., Japan, Australia, Canada, apart from the E.U.) under the New Drugs and Clinical Trials Rules 2019;

this means waiver from local clinical trials for certain categories if the drug has been approved in those countries. Patent (Amendment) Rules 2024 have streamlined several operational matters. India has also signed the Trade and Economic Partnership Agreement with European Free Trade Association member states—Iceland, Liechtenstein, Norway and Switzerland.

The initiatives to improve healthcare access—including Ayushman Bharat, which provides financial protection and better access to quality care, the Pradhan Mantri Jan Arogya Yojana, the National Health Mission and the Pradhan Mantri Swasthya Suraksha Yojana—are encouraging developments for global pharmaceutical companies.

Bayer's Rai says the pharmaceutical landscape in India is set to evolve significantly over the next five years. "There is emphasis on personalised medicine. We are committed to advancing this through robust research and development in critical therapeutic areas such as women's health, kidney care, cardiology and diabetes," she says. Bayer is investing in digital health technologies to improve patient interactions and streamline access to essential treatments through telemedicine and mobile applications. GSK's Akshikar expects preventive healthcare to assume critical scale over the next few years due to rising incidence of lifestyle-related diseases. Interestingly, GSK is trying an Amazon-like marketplace model in India. "Our online vaccine ordering app, VaxiKart, allows healthcare professionals to place orders, manage inventory and access offers from preferred distributors," says Akshikar. "The secret sauce is the 2Rs of Resilience and Reinvention. We are rooted in our purpose to drive innovation at scale."

The coming years will show how many fellow MNC pharmaceutical companies are betting on resilience and reinvention to stay relevant. The efforts are certainly on. ■