The $120 billion question: **Is India ready to take lead in pharma manufacturing space?**

forvis mazars

India has a geopolitical window, credible investment, and an improving compliance framework to become a pharma superpower. Success depends on accelerating API and KSM integration, spreading quality across MSMEs, and pivoting toward biosimilars and CRDMO.

A recent industry outlook pegs India's pharmaceutical market at roughly $55 billion in 2025, projecting growth to $120-130 billion by 2030 more than doubling in four years from now, alongside export growth from over $30 billion in FY25 toward an estimated $75-80 billion.[1] These numbers reflect more than optimism about India's existing strengths; they reflect a broader bet that the global "China Plus One" shift, now accelerated by recent US tariff actions, hands India a generational opportunity. Yet a central paradox remains; despite being the "pharmacy of the world" and supplying around one-fifth of global generic medicines by volume, India still depends heavily on China for a significant share of the active pharmaceutical ingredients (APIs) and key starting materials (KSMs) that underpin its pharmaceutical manufacturing base.

The question worth asking as 2026 enters its second half is whether India's supply chain, regulatory, infrastructure, and talent base can support that ambition or whether the gap between aspiration and execution remains wide enough to temper the headline numbers.

A geopolitical window, but a narrow one

The “China Plus One” logic in pharma is not new. It traces back to the 2018-19 US-China trade tensions, the 2018 valsartan contamination episode that exposed the risks of single-source API dependency, and the COVID-era disruptions of 2020-21*. These events had indirectly or directly impacted the API dependency of certain countries.

What’s changed in 2025-26 is the intensity of the push from Washington. The US introduced a 100% tariff on branded and patented pharmaceutical imports from October 2025, and in April 2026 broadened this into a Section 232-based levy that frames concentrated API production in China and India as a national security concern. For India, the immediate relief was that generic drugs and biosimilars categories that make up roughly 70% of its exports to the US and Europe and around 40% of America's generic drug supply were temporarily excluded.

However, “temporarily” is the operative word, and the same logic used against China’s API dominance could eventually extend to India. Add the pharma logistics disruption seen in early 2026 following the Strait of Hormuz crisis after US-Israel strikes on Iran, and the picture that emerges is one where every government and multinational is actively diversifying supply chain.

While India is a leading beneficiary of this shift, it is competing with several other emerging manufacturing hubs, including countries such as Vietnam, Indonesia, Malaysia, Thailand, and Mexico, all of which are positioning themselves as alternative destinations for pharmaceutical manufacturing, APIs, and contract development and manufacturing investments.

[1] https://www.outlookindia.com/healthcare-spotlight/driven-by-innovation-biologics-and-ai-indias-pharma-market-may-more-than-double-to-usd-130-billion-by-2030-assocham

*In June 2018, the probable carcinogen N-nitrosodimethylamine (NDMA) was found in valsartan APIs produced by Zhejiang Huahai Pharmaceutical, China after an undisclosed process change made in 2011. The discovery triggered global recalls of valsartan and other ARBs, causing a 15.7% decline in worldwide valsartan use across 83 countries. The episode highlighted the risks of single-source API dependency and concentrated pharmaceutical manufacturing.

The API paradox: Strong in formulations, exposed upstream

Government data placed before Parliament in March 2026 showed China accounting for 70% or more of India's imports across a wide range of critical APIs in both FY24 and FY25, with limited reduction between the two years. Overall, India still imports an estimated $4.5-5 billion of APIs annually, covering around a third of total domestic demand.

The Production Linked Incentive (PLI) scheme for bulk drugs a USD 734.47 million programme running through 2028-29 is the primary policy lever here, and it has delivered measurable, if partial, results.

By late 2025, 48 projects across 33 of 41 notified critical products had been approved, with actual investment of roughly USD 509.26 million already exceeding the committed USD 458.67 million. Around 56,800 tonnes per annum of new domestic capacity has come online for 28 of the 41 priority products, enabling domestic production of molecules such as Penicillin G for the first time in three decades.

Cumulative import substitution under the scheme reached an estimated USD 231.98 million by December 2025. These are real gain but industry commentary has been careful to frame this as progress, not self-sufficiency: dependence on China for many antibiotics, vitamins, and fermentation-based intermediates is expected to persist through at least 2026 as the new capacity ramps toward full utilisation.

Quality compliance: An evolving but uneven record

If supply chain resilience is one pillar of India's "superpower" case, regulatory credibility is another and the data here sends a genuinely mixed signal. The US FDA issued 303 drug warning letters in FY2025, up 59% from the prior year, and data-integrity findings among the most reputationally damaging categories — appeared in roughly 60% of letters sent to Indian facilities, against about 15% globally. Several Indian API and CDMO (Contract Development and Manufacturing Organisation) units, including some placed on Import Alert 66-40 in early 2026, show this risk is not hypothetical.

The longer trend, however, is more encouraging. The share of Indian plant inspections resulting in an "Official Action Indicated" outcome fell from around 12% in 2015 to about 8% in 2025, even as the FDA shifted toward surprise, near-zero-notice inspections. This suggests India's larger, export-oriented manufacturers have substantially closed the quality gap, while the remaining problem is increasingly concentrated in the long tail of smaller API and contract-testing units. The government's response mandatory WHO-GMP-aligned standards for MSME pharma companies with turnover below USD 26.46 million, effective January 1, 2026, backed by subsidies and loans under the revamped RPTUAS scheme is aimed squarely at this segment, and its success will matter more to India's global reputation than further approvals at flagship plants.

Infrastructure and talent: Building for the next decade, not the last one

On the ground, India is backing its ambitions with capital. Three mega bulk drug parks in Gujarat, Himachal Pradesh, and Andhra Pradesh carry a combined outlay above USD 666.74 million; Uttar Pradesh has separately proposed a roughly USD 1.27 billion pharma park; and the government's combined target for bulk drug and medical device parks is around USD 8.24 billion in investment and 2.55 lakh jobs figures the industry itself has called ambitious.

On talent, the USD 529.16 million PRIP (Promotion of Research and Innovation in Pharma MedTech Sector) scheme is funding Centres of Excellence across India’s seven NIPERs, alongside a USD 1.06 billion Biopharma Shakti programme aimed at building research-grade biopharma capability. Officials have repeatedly flagged the need for AI-literate chemists and engineers as the industry pivots from cost-driven generics toward biosimilars, complex generics, and CRDMO work — a segment where India's CRDMO industry alone is projected to roughly double to about $14 billion by 2028.

The verdict

India enters the second half of 2026 with genuine tailwinds: a favourable, if time-limited, tariff and geopolitical window; credible capital commitments to bulk drug capacity; and an improving, if uneven, compliance record. What stands between this moment and the $120 billion “superpower” narrative is less about ambition than sequencing.

Backward integration into APIs and KSMs needs to outpace the closing of the China+1 window rather than lag it. Quality gains at flagship plants need to extend to the MSME long tail before the next wave of scrutiny arrives. And the infrastructure and talent being built today need to target tomorrow’s biosimilars and CRDMO opportunities, not yesterday's generics model.

None of these gaps is unbridgeable but each is a multi-year effort being compressed into a much shorter geopolitical window. For companies and investors evaluating India’s pharma manufacturing story, the next 18-24 months as PLI capacity comes fully online and the post-tariff trade architecture settles will likely determine which side of that gap the industry lands on.

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