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Budget 2026-27: Life Sciences Hits & Misses

The recently announced Union Budget 2026–27 by Finance Minister Nirmala Sitharaman has been welcomed as a positive step for the sector at a time when India's life sciences industry is scaling new heights amid an ongoing global tariff war. While experts from across the life sciences ecosystem have largely hailed the announcements, some industry leaders feel something more should have been announced. Others have also stressed that the real impact will depend on the timely and effective implementation of the proposed measures. Let's take a look at some of the key implications.

Budget 2026-27 was full of surprises for the life sector that includes, the pharmaceuticals, healthcare, research academics etc. It can be noted that in FY 2025-26, the Ministry of Health and Family Welfare received Rs 95,957.87 crore in (Department of Health and Family Welfare), plus Rs 3,900.69 crore for Health Research, totalling around Rs 99,858 crore. For FY 2026-27, there has been a rise to Rs 1,06,530 crore, a nearly 10 per cent increase over 2025-26 revised estimates. Health Research allocation has grown to about Rs 4,821 crore, with ICMR at Rs 4,000 crore.

Industry expectations Vs Reality

Though a majority of the stakeholders have hailed the announcements, many analysts and industry

bodies felt something was amiss on systemic reforms and long-term structural investments like higher, sustained public health spending, robust innovation incentives, better insurance support, among others. Issues like rationalising GST Structure were very much anticipated.

Going by the speech by the Finance Minister, though announcements were made on Biopharma SHAKTI (Strategy for Healthcare Advancement through Knowledge, Technology & Innovation)' with a total outlay of Rs 10,000 crore, setting up of a network of over 1,000 accredited clinical trial sites, setting up of three new National Institutes of Pharmaceutical Education and Research (NIPERs) and exemption of basic customs duties on 17 cancer drugs are being welcomed, there were hardly

Health Budget 2025-26 vs 2026-27 at a Glimpse

	2025-26 (Rs in Cr)	2026-27(Rs in Cr)
Total Health Budget	99,858.56 approx.	1,06,530.42 approx.
Department of Health Research	3,900 approx.	4,821 approx.
AYUSH Ministry	3672 approx.	4,408.93 approx.
AYURGYAN	38	50
Ayurswasthy Yojana	47	63
AOGUSY	18	27
National Ayush Mission (NAM)	781	1300
Pharma Industry	Custom duty cuts. PLI support 2,445 approx	Biopharma SHAKTI scheme – 10,000 over 5 yrs focused on global pharma mfg
Department of Health & Family Welfare	92,926	1,01,709
AB-PMJAY (Ayushman Bharat – PMJAY)	9,406	9,500
PMSY (AIIMS/new medical college expansion)	10,900	11,307
Customs duty exceptions	--	Exemption on 17 cancer drugs & 7 rare diseases medicines
CDSCO	--	Allocation of 500 to strengthen CDSCO to meet global standards and approval time frames
Allied Health Professionals (institutions)	--	Budgetary outlay of 1000 is expected to add 1,00,000 trained AHPs
Disease surveillance systems and outbreak mgmt.	73	95
Setting up of nationwide network of laboratories for managing epidemics and national calamities	57	70
Geriatric and allied care services	--	Targets 1.5 lakh caregivers to be trained through National Skills Qualifications Framework
All India Institutes of Ayurveda	--	3 institutes announced
Mental health	--	To establish 2 NIMHANS and upgrade mental health institutions in Ranchi and Tezpur
Emergency and trauma care centres in district hospitals	--	Emergency and trauma care capacity in district hospitals across India to be expanded by 50% through establishment of dedicated emergency and trauma care centres
Special Economic Zones	--	A Special one-time measure allowing eligible manufacturing units in SEZs across India to sell part of their output in Domestic Tariff Area (DTA)
NHM	37,100	39,390
National Tele Health Mental Programme	45	51
ADBIM	324	350
National AIDS and STD Control Prog	2662	3477
Human Resources for Health and Medical Education	1630	1725
Dept of Health Research	3928	4821
ICMR		4000
Bio security preparedness	325	351
PMSY	1500	2005
Pradhan Mantri Ayushman Bharat Health Infrastructure Mission	2442	4200
Assistance from states from public health infrastructure	699	4200

Source: KPMG

any mention on rationalising GST, supporting manufacturing competitiveness etc.

Rs 1.05 lakh crore was announced for the life sciences sector during 2026-27 Budget, just over six per cent higher than the previous year.

According to some analysts, the Ayushman Bharat PM-JAY received a marginal boost of Rs 9,500 crore, up from Rs 9,406 crore in FY 2025-26 (Budget Estimates) and Rs 9,000 crore in FY 2025-26 (Revised Estimates).

Towards Biotech Leadership

Dr Jitendra Kumar, Managing Director at Biotechnology Industry Research Assistance Council (BIRAC), while commending the budget mentioned that all the measures announced can accelerate affordable healthcare solutions, strengthen biopharma supply chains, and propel India toward biotech leadership by 2030, truly transformative for our bioeconomy.



Echoing same sentiments, **Sudarshan Jain, Secretary General, Indian Pharmaceutical Association (IPA)**, said "The budget aims to take forward India's pharmaceutical ecosystem by creating a network of over 1000 accredited India Clinical Trials sites, investing in scientific talent through upgrading NIPERs, and augmenting the drug regulator to meet global standards and approval timelines through dedicated scientific review cadre and specialists."



Ameera Shah, President, NATHEALTH - Healthcare Federation of India added, "Initiatives are poised to create a more inclusive, resilient, and globally competitive healthcare ecosystem, translating policy into tangible benefits for citizens."



BG Barve, Jt MD Blue Cross Labs, Executive Committee member, Indian Drug Manufacturers' Association (IDMA) and Chairman of Taxation Committee IDMA, said that the budget reinforces India's ambition to move up the pharma value chain, boost exports, support MSMEs, and ensure sustainable long-term growth of the pharmaceutical sector.



The Organisation of Pharmaceutical Producers of India (OPPI) Director

General Anil Matai welcomed the comprehensive and forward-looking roadmap, which strengthens India's journey from being the 'Pharmacy of the World' to transforming into a global leader in biopharmaceutical innovation and advanced healthcare solutions.



Kiran Mazumdar Shaw, Chairperson, Biocon Group observed that by placing biopharma among the seven strategic frontier sectors and launching Biopharma Shakti with an outlay of Rs 10,000 crore over five years, the Union Budget makes a decisive investment in India's health and innovation future.



Strengthening Healthcare Manufacturing

The pharmaceutical and healthcare sectors still require greater diversification to produce APIs and advanced intermediates, or a greater focus on manufacturing. One key issue is the lack of a long-term plan for life sciences innovation. In addition to basic R&D incentives, the sector can benefit from greater support for translational research, improved clinical trial infrastructure, and support for scaling up biologics, cell and gene therapies, and complex generics.

Dr Sunil Kumar Mandal, Vice President and Site Head, PI Health Sciences remarked, "The budget missed a chance to strengthen healthcare manufacturing. Even after COVID-19, there were only few direct incentives for diversifying APIs, producing advanced intermediates, or making key medical devices in India. Stronger policies on supply-chain security could have helped India become a more reliable global health partner. The Budget provides a stable base, but a clearer focus on innovation, sustainability, and skill development would help drive the next stage of growth for India's pharma and healthcare sector".



Timely Implementation

Budgets come and go and many initiatives are announced. However, the challenge remains on timely implementation. Many times lack of proper implementation leads to wasting of resources.

What the Budget missed

Public health funding	Government health spending remains under 2 per cent of GDP, far below global norms and what's needed to support universal health coverage
Missing major finance mechanism	Shy away from announcing sustainable financing models
R&D incentives, regulatory reforms and IP support for innovation	More should have been announced
Insurance, Financial protection	Nothing was said to reduce premium costs
Tax credit for pharma R&D	Nothing much announced
Shortfall of Workforce	Huge shortfall of workforce still persists
Affordability	Remains a huge concern. No concrete announcement
Implementation	Questions arise on timely implementation

According to **Jatin Mahajan, President - Association of Diagnostics Manufacturers of India (ADMI)**, the implementation with structural clarity and robust stakeholder engagement, can accelerate India's progress toward a healthy, innovative and globally competitive MedTech & diagnostics ecosystem.



Joydeep Ghosh, Partner and LSHC Industry Leader, Deloitte India said, "While there are many positive steps taken for promoting pharma manufacturing, skill building, enhancing quality and availability of care, positioning our country as an attractive medical tourism destination, etc., in the life sciences & healthcare sectors, announcements in the areas of further incentivising research & development for pharmaceuticals, & rationalising multiple regulatory agencies for medicines & medical devices, would have made this budget even more attractive for this industry."



Slight upward revision in PM-JAY scheme

The allocation for the Ministry of Health & Family Welfare for FY 2026–27 is approximately Rs 1.05 lakh crore, marking only a modest increase over the previous year. Funding for key social health schemes has also seen limited enhancement, with Ayushman Bharat PM-JAY receiving only a slight upward

revision to Rs 9,500 crore only.

Dr Milind Antani, Head, Pharmaceutical and Lifesciences Practice, Nishith Desai Associates opines, "The budget falls short on incentivising high-risk, innovation-led pharmaceutical research, with no new tax or fiscal levers introduced to spur R&D investment. Regulatory clarity for emerging segments such as medical devices & digital health remains limited. Further, in the absence of broader customs duty rationalisation for pharmaceutical formulations and APIs, opportunities to improve cost efficiency & supply chain robustness remain largely untapped."



Dr Santosh Moses, Partner - Health Transformation, Grant Thornton mentions that the initiative to accredit 1,000 Indian clinical trial sites, though is a timely move, must be supported by faster regulatory approvals, well-trained investigators, robust ethics committees, and strong digital infrastructure. Done right, it can significantly enhance India's competitiveness in clinical research and drive patient-centric innovation.



Pavan Choudary, Chairman, Medical Technology Association of India (MTAI) says, "The Budget would have been stronger had it paired the fiscal commitments with explicit administrative & process reforms. Cleaner, more accountable execution on the ground, would improve outcomes at point of delivery - & attract globally compliant capital & partnerships into the sector."



Targeting Resilience

The Finance Minister's announcements signal a deliberate & coordinated policy approach by the government to build a resilient biopharma ecosystem in India. Measures spanning research, innovation, manufacturing, & entrepreneurship have given the pharmaceutical & healthcare sectors much to cheer about. How swiftly & effectively these initiatives are implemented, however, remains to be seen. Allotting the budget on higher public health spending, innovation incentives, better insurance for mass coverage, strengthening primary care, reducing out of pocket expenditure, would have made the sector reach major grounds. **BS**

Sanjiv Das
sanjiv.das@mmactiv.com