Invesco Mutual Fund

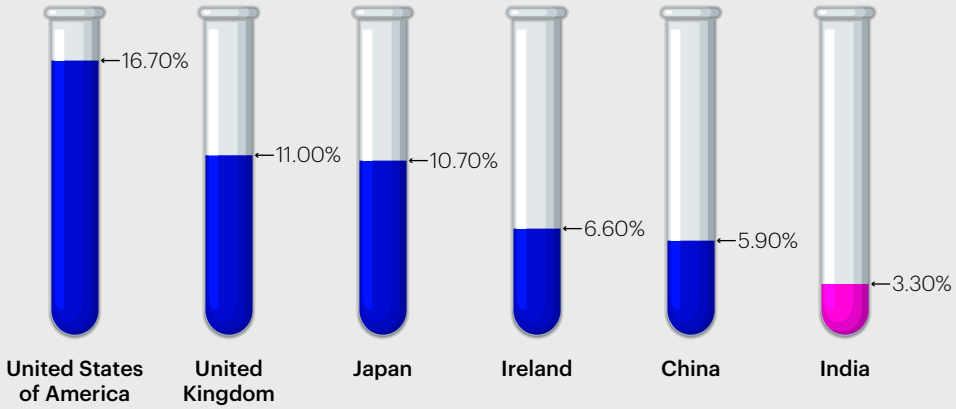
The opportunities in Indian Pharma and Healthcare



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India's healthcare expenditure, as a percentage of gross domestic product (GDP), remains materially below developed markets and several emerging economies. This reflects both under-penetration and affordability constraints, but also highlights the long runway for growth.

Healthcare expenditure as a percentage of total GDP



As income levels rise, health insurance penetration improves, healthcare infrastructure expands and the burden of chronic diseases increases, healthcare spending is expected to become a larger share of household and national expenditure.

Source: WHO FY23 Data, Crisil Intelligence

5 Pillars driving India's healthcare growth story



- **Under-penetrated domestic healthcare consumption** supported by low healthcare spending, rising incomes, an ageing population, lifestyle diseases and insurance expansion
- **India is a global leader in generics and vaccines** and is rapidly emerging as a key player in active pharmaceutical ingredients (APIs), biosimilars, and Contract Development and Manufacturing Organization (CDMO)/ Contract Research, Development, and Manufacturing Organization CRDMO/Contract Research and Manufacturing Services (CRAMS).
- **Supply chain diversification away from China,** creating export and outsourcing opportunities
- **Policy support through Production-Linked Incentive (PLI) schemes,** bulk drug parks, medical device parks and healthcare access initiatives
- **Multiple investible profit pools** across domestic formulations, hospitals, diagnostics, medical devices, CDMO, APIs, health technology and insurance-linked healthcare services

India's pharmaceutical industry has evolved into one of the country's most strategically important manufacturing sectors, sitting at the intersection of public health, exports and industrial policy. Globally, India ranks as the **third-largest pharmaceutical producer by volume** and **11th by value,** underlining its strength in large-scale, cost-efficient production rather than purely high-priced patented innovation.

The sector's scale is substantial. India has **more than 3,000 pharmaceutical companies** and **~10,500 manufacturing units,** supported by a deep scientific talent pool and a broad formulation base. Further, India leads globally with the most United States Food and Drug Administration (USFDA) approved manufacturing plants outside of the US.

India pharma in numbers: Global scale, vaccine leadership and export strength

Theme	Data points	Investment implication
Generic leadership	India supplies ~20% of global generics by volume	Scale advantage and cost competitiveness
Vaccine leadership	India provides 60% of vaccine supplies to United Nations International Children's Emergency Fund (UNICEF).	Regulatory credibility and global procurement strength
United States Food and Drug Administration (USFDA)-approved plants	Largest base outside the US	Access to regulated export markets
Active Pharmaceutical Ingredient (API) ecosystem	500+ API manufacturers account for ~8% of global APIs	Backward integration and supply chain resilience
Export compound annual growth rate	7% over the past decade	Structural global demand for affordable medicines

These indicators highlight a sector that combines scale, affordability, regulatory credibility and export competitiveness, strengthening the case for a multi-year structural growth opportunity.

Domestic healthcare demand drivers

Rising income and affordability

As disposable incomes rise, households tend to spend more on quality healthcare, branded medicines, diagnostics, wellness and elective procedures.

Chronic disease burden

India is seeing increasing cases of diabetes, cardiovascular disease, respiratory disorders, oncology, obesity and renal disease. Chronic therapies create recurring demand for pharma companies, diagnostics, hospitals and insurance

Insurance

The expansion of government-funded schemes, such as Ayushman Bharat, along with rising private health insurance adoption, is expected to improve access to hospitalisation and formal healthcare services. This can support volumes for hospitals, diagnostics, pharmacies and medical devices, though reimbursement rates and affordability will remain important variables.

Tier 2/3 healthcare expansion

As Healthcare access improves outside major metros, demand is shifting from standalone, informal providers toward organised networks and paid, quality-assured care.

Preventive healthcare

Diagnostics, wellness testing, home healthcare and digital monitoring are becoming structural growth themes.

Structural tailwinds supporting the sector

Export opportunity and global supply chain realignment

Global supply chain realignment is creating a significant export opportunity for India's pharmaceutical sector. As Western countries diversify sourcing to reduce dependence on concentrated supply bases, India's position as the "Pharmacy of the World" is being strengthened rather than diluted. With its large-scale manufacturing base, cost competitiveness and established regulatory capabilities, India is well placed to capture incremental demand in global pharmaceutical markets. The country already accounts for around 20% of global generic medicine supply, manufacturing nearly 60,000 generic brands across 60 therapeutic categories, giving it a strong platform to expand exports further.

The opportunity is increasingly shifting from volume-led generics to higher-value export models. Contract Research and Manufacturing Services (CRAMS) has emerged as a key growth lever, as global innovators outsource clinical research, API manufacturing and formulation development to Indian companies. This transition allows Indian firms to move up the value chain, deepen integration with global pharma supply chains, improve revenue quality and strengthen margin profiles, making exports more resilient and strategically valuable.

Supportive policy architecture

At the forefront of the government's strategy are the PLI schemes, aimed at strengthening domestic manufacturing, reducing import dependence and boosting exports across pharmaceuticals, bulk drugs and medical devices. Complemented by bulk drug and medical device parks, industry support initiatives and research promotion measures, these schemes are expanding manufacturing capacity, enhancing infrastructure and reinforcing India's position as a globally competitive pharmaceutical hub.

PLI schemes implemented by the Department of Pharmaceuticals form the cornerstone of efforts to strengthen domestic manufacturing and reduce import dependence across the pharmaceutical sector. PLI schemes for pharmaceuticals and bulk drugs have already resulted in the avoidance of imports worth **₹3,591 crore of APIs, key starting materials (KSMs) and drug intermediates**[1] contributing to a measurable reduction in import dependency and strengthening India's manufacturing resilience.

The pharma sector is also set to receive fresh momentum through new budget initiatives designed to strengthen domestic capability and improve patient access. Two key proposals include Biopharma SHAKTI, a ₹10,000 crore, five-year program aimed at scaling biologics and biosimilars while expanding R&D for non-communicable diseases, alongside the creation of a network of 1,000 accredited clinical trial sites and upgrades to National Institute of Pharmaceutical Education and Research (NIPER) institutions. In parallel, the Regional Medical Hubs scheme plans to partner with the private sector to establish five regional integrated complexes that combine medical education, Ayurveda, Yoga & Naturopathy, Unani, Siddha, and Homeopathy (AYUSH) centers, and rehabilitation services, with the broader objective of enhancing healthcare quality and supporting medical tourism.

Recent and proposed free trade agreements with key markets such as the UK, EU and New Zealand could support India's pharma and medical device exports by improving market access, reducing tariff barriers on selected product lines and strengthening participation by manufacturing hubs and MSMEs.



[1]Source: Ministry of Chemicals and Fertilizers: Department of Pharmaceuticals as of September 2025

Innovation

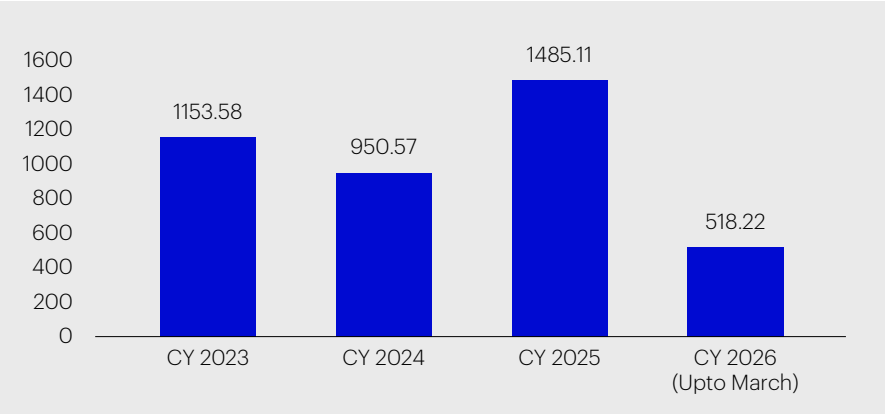
India's life sciences innovation ecosystem is strengthening rapidly, with patent filings rising eightfold from 440 to 3,576[2] , placing India among the world's top ten patent filers across medical technology, biotechnology, and pharmaceuticals. Building on this momentum, the PRIP (Promotion of Research and Innovation in Pharmaceuticals and Medical Devices) scheme, notified in August 2023 with a financial outlay of ₹5,000 crore, is intended to transition India's pharma-medtech sector from cost-based expansion to innovation-led growth.

Foreign capital reinforces India's healthcare growth story

Alongside policy support and growing global outsourcing opportunities, sustained Foreign Direct Investment (FDI) has become an important catalyst for the expansion of India's pharmaceutical and healthcare ecosystem. The drug and pharmaceutical sector has consistently ranked among India's top 10 recipients of FDI inflows, reflecting strong investor confidence in its scale, skilled talent base, cost efficiency and export capabilities. Between January 2000 and March 2026, the sector attracted cumulative FDI inflows of ₹1,59,280.15 crore, equivalent to $25,372.34 million[3], making it one of the leading industries drawing foreign capital into India.

Foreign investment is being directed toward greenfield capacity expansion, brownfield growth through mergers and acquisitions, private equity in healthcare delivery, and strategic R&D partnerships, joint ventures and technology transfer. Recent inflows stood at $1,153.58 million in 2023, $950.57 million in 2024, $1,485.11 million in 2025 and $518.22 million up to March 2026. High-quality FDI can help companies upgrade technology, strengthen quality and compliance systems, expand global market access and move into higher-value areas such as complex generics, biosimilars, injectables, APIs, medical devices and CDMOs, thereby improving long-term competitiveness.

FDI equity inflow in drugs and pharmaceuticals (In USD Million)



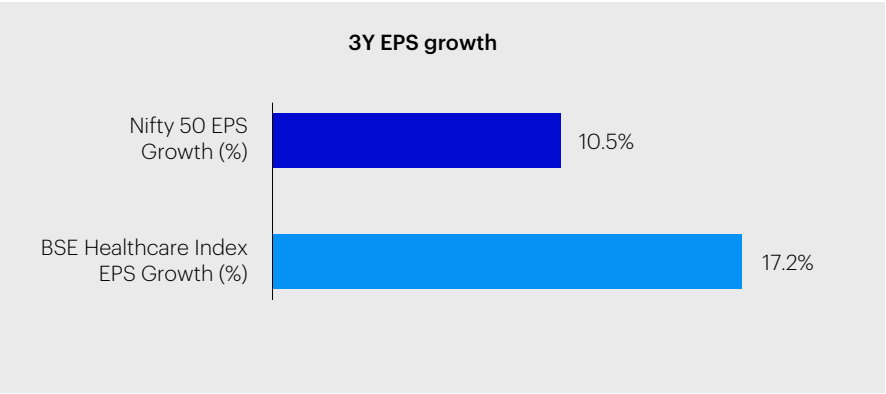
Source: Department for Promotion of Industry and Internal Trade (DPIIT)

Source: [2]Niti Ayog Trade Watch. Data from 2013 to 2023. [3]Department for Promotion of Industry and Internal Trade (DPIIT)

Key healthcare opportunity set

Sub-segment	Growth drivers	Key risks	Investor metrics to track
Domestic formulations	Chronic therapies, branded generics, rural reach	Price controls, competition	Indian pharmaceutical market growth, market share, therapy mix
US generics	Complex launches, injectables, specialty products	Price erosion, USFDA risk	Abbreviated New Drug Application (ANDA) approvals, site compliance, gross margin
CDMOs/CRAMS	Supply-chain derisking strategy, outsourcing, innovation pipeline	Client concentration, capex execution	Order book, capacity utilisation, margin
APIs/ KSMs	PLI, backward integration, supply security	China pricing, commodity cycles	Import substitution, Earnings Before Interest, Taxes, Depreciation, and Amortization (EBITDA), return on capital employed
Hospitals	Track record, insurance, Tier 2/3 expansion	Price capping, regulation, doctor costs	patient volume growth, EBITDA per bed, Return on Capital Employed (ROCE)
Diagnostics	Preventive care, chronic monitoring	Price competition, Price capping, online disruption	Test volumes, revenue/test, EBITDA margin, M&A and adjacencies
Medical devices	Import substitution, exports, PLI	Regulation, technology gap	Domestic value addition, export growth, M&A and in-licensing
Biosimilars	Patent expiries, global access	R&D cost, approval complexity, Good Manufacturing Practice (GMP) non-compliance	Pipeline, partnerships, launches

Earnings Growth



Source: BSE, NSE. Data from July 3, 2023 - July 2, 2026

Pharma earnings have grown at a faster pace than the broader market in recent years, with the BSE Healthcare Index delivering EPS growth of 17.2% in the last 3 years, compared with about 10.2% for the Nifty 50. This outperformance has been supported by strong export demand, India's cost-efficient and compliant manufacturing base, rising demand for generics and complex therapies, and continued investment in domestic manufacturing, digital health and AI-led productivity improvements.

Going forward, traditional Pharmaceuticals are expected to see modest EPS growth, while Medical Equipment, Biotechnology, and Healthcare Services are delivering stronger earnings momentum and are likely to lead the sector's growth.

Summing up

India's role in the global pharmaceuticals space

India's pharma and healthcare sector offers a rare combination of domestic under-penetration, global manufacturing relevance, export competitiveness and policy support. The opportunity is broad-based, spanning branded formulations, hospitals, diagnostics, medical devices, APIs, CDMOs, CRDMOs, CRAMS, biosimilars and regulated-market exports.

While the sector faces risks from regulatory scrutiny, pricing pressure, raw material dependence and valuation cycles, the long-term structural drivers remain compelling. A diversified, actively managed pharma and healthcare fund can provide investors exposure to both India's rising healthcare consumption and its growing role in global healthcare supply chains.



A dedicated pharma and healthcare fund can provide exposure to multiple profit pools beyond traditional pharma, including hospitals, diagnostics, medical devices, CDMOs, CRDMO, CRAMS, APIs, biosimilars, health technology and insurance-linked services, while allowing professional stock selection to manage regulatory, valuation and execution risks. As sub-segments react differently across market cycles, the strategy can balance domestic defensiveness with export-led growth and benefit from healthcare's relatively non-discretionary demand profile.

Source: Crisil Intelligence, Press Information Bureau (PIB) dated March 21, 2026.

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