

# Uttar Pradesh Pharmaceutical Industry Policy, 2018: A Strategic Blueprint for Growth and Innovation

## Executive Summary

The Uttar Pradesh Pharmaceutical Industry Policy, 2018, represents a strategic initiative by the State Government to capitalize on India's burgeoning pharmaceutical sector. Positioned within the broader context of India's robust economic growth and its ambition to become a global manufacturing hub, this policy aims to foster a competitive, sustainable, and innovation-driven pharmaceutical ecosystem within Uttar Pradesh. The policy outlines a comprehensive framework of incentives and support mechanisms for both private pharmaceutical park developers and individual manufacturing units, ranging from financial subsidies and tax exemptions to infrastructure development and research and development (R&D) promotion. By addressing critical aspects such as market access, talent development, environmental sustainability, and intellectual property creation, the policy seeks to transform Uttar Pradesh into a significant hub for pharmaceutical manufacturing, research, and distribution, aligning with national initiatives like 'Make in India' and contributing substantially to the state's economic development and India's global pharmaceutical standing.

## 1. Introduction: The Landscape of Indian and Uttar Pradesh Pharmaceutical Industry

The Indian economy is recognized as one of the world's fastest-growing large economies, benefiting from a substantial demographic dividend. It has consistently maintained an average GDP growth rate of 7% over the three-year period from 2014-15 to 2016-17, with the manufacturing sector forming a foundational component of this economic expansion, positioning India as an emerging global manufacturing hub. Within this dynamic economic landscape, the pharmaceutical industry in India stands out as a robust and thriving sector.

The Indian pharmaceutical market holds a significant global presence, ranking as the third largest in terms of volume and the thirteenth largest in terms of value. It is also the second largest pharmaceutical market in Asia, contributing approximately 3% of the global pharmaceutical industry's value and 10% of its volume. This disparity, where India accounts for a much larger share of global volume than value, indicates a strong competitive advantage in high-volume, lower-cost production, primarily of generic medicines. This national strength provides a clear strategic direction for the Uttar Pradesh policy, suggesting a focus on scaling up generic drug manufacturing and distribution to meet both domestic and international demand, rather than solely concentrating on high-value, low-volume patented drugs.

The industry's financial performance underscores its vitality, with an annual turnover reaching INR 2,04,627.15 crore in 2015-16, following a robust growth of 29% in FY 2015-16. The sector's profitability has also shown a consistent upward trend, as illustrated below:

**Table 1.1: Profit After Tax of Indian Drugs & Pharmaceutical Industry (INR Cr)**

Year	Profit After Tax (INR Cr)
2011-12	11733.7
2012-13	15214.1
2013-14	19099.4
2014-15	18929.1
2015-16	21778.1

Source: Annual Plan (2016-17), Department of Pharmaceuticals, Ministry of Chemicals & Fertilizers

This table visually represents the financial health and growth trajectory of the Indian pharmaceutical industry, demonstrating its increasing profitability and attractiveness for investment over a five-year period. The consistent growth in profits provides concrete evidence of the sector's robust performance, thereby justifying the policy's strategic focus on this industry. By 2020, India is projected to become the 6th largest pharmaceutical market globally. The Indian Pharmaceutical sector is significantly driven by exports, establishing itself as the 3rd largest foreign exchange earner for the nation. In 2015-16, exports of Drugs, Pharmaceuticals, and Fine Chemicals amounted to INR 1,09,770 crore, with Indian medicines reaching over 220 nations worldwide. India's position as the largest provider of generic medicines globally, accounting for 20% of global generics exports, further highlights its competitive edge. This strong export orientation and significant foreign exchange earnings underscore the Indian pharma sector's crucial role in national economic stability and growth. For Uttar Pradesh, attracting investment in this sector is not merely about local job creation but also about contributing to India's balance of payments and global trade influence. The policy's emphasis on developing export-facilitating infrastructure is a direct response to this national imperative, aiming to establish Uttar Pradesh as a key node in India's global pharmaceutical supply chain. The medical device market in India is also experiencing rapid growth, with projections indicating a market size of INR 53,300 crore by 2020. India is currently among the top 20 global medical device markets and ranks as the 4th largest in Asia.

**Table 1.2: Pharmaceutical Exports from India Category wise (INR Cr)**

Category	FY-15	FY-16
Ayush	769.99	706.94
Bulk Drugs & Drug Intermediates	23,169	23,302.8
Drug Formulations & Biologicals	72,892.04	82,192
Herbal Products	1,536.65	1,618
Surgicals	1,946.15	1,950
<b>Total</b>	<b>1,00,313.83</b>	<b>1,09,769.74</b>

Source: India Bulk Manufacturing Association of India

This table provides a detailed breakdown of India's pharmaceutical exports by category, clearly indicating that "Drug Formulations & Biologicals" and "Bulk Drugs & Drug Intermediates" are the dominant segments driving the nation's export success. This granular data is vital for understanding the specific sub-sectors that contribute most to India's export performance and helps in identifying areas where Uttar Pradesh can strategically focus its manufacturing and export promotion efforts.

The pharmaceutical industry has become an increasingly attractive sector for investments, particularly after the liberalization of Foreign Direct Investment (FDI) policies, allowing 100% FDI through the automatic route for Greenfield pharmaceutical projects and 74% for Brownfield

projects. This openness has led to significant capital inflows, with the sector attracting INR 77,631 crore in FDI between April 2000 and June 2017, representing 4% of total FDI inflows into India. Prominent foreign investors include Johnson and Johnson, P&G, NIPRO, and Otsuka. India's position as one of the most cost-effective manufacturers globally, attributed to its abundant natural resources and availability of affordable labor, further enhances its investment appeal.

In alignment with the Government of India's 'Make in India' vision, the State Government of Uttar Pradesh launched its Industrial Investment and Employment Policy (IIEP) 2017, aimed at accelerating industrialization and boosting investments within the state. Uttar Pradesh is deeply committed to strengthening its foothold in the Drugs and Pharmaceutical sector, with the goal of creating a conducive ecosystem to maximize the state's inherent potential in this area and generate widespread employment opportunities.

## **2. Advantage Uttar Pradesh: A Strategic Hub for Pharmaceutical Growth**

Uttar Pradesh presents a compelling case for pharmaceutical industry development, owing to its significant economic stature and demographic advantages. The state stands as India's 3rd largest economy and its largest consumer market, with a population exceeding 200 million. This vast population base positions Uttar Pradesh as the biggest market for pharmaceuticals within India. The rising middle-class population further stimulates demand for quality healthcare services and, consequently, pharmaceutical products. The state's existing 3-tier public healthcare infrastructure, comprising community health centers (CHCs), primary health centers (PHCs), and sub-centers, indicates a widespread healthcare network that inherently drives demand for pharmaceutical products.

Uttar Pradesh's dual advantage as India's largest consumer market and a significant manufacturing state creates a unique self-sustaining ecosystem for the pharmaceutical industry. Local production can directly serve a massive domestic market, leading to reduced logistics costs and increased market responsiveness, while simultaneously leveraging existing infrastructure for exports. This inherent internal market strength provides a stable foundation for pharmaceutical companies, potentially mitigating investment risks compared to purely export-oriented ventures.

Beyond its market size, Uttar Pradesh demonstrates considerable manufacturing prowess. It ranks among the top five manufacturing states in India and holds the distinction of having the second-highest number of Micro, Small and Medium Enterprises (MSMEs). The state's growing trade capabilities are evidenced by its exports, which recorded a 13.26% Compound Annual Growth Rate (CAGR) over the five-year period from 2012-17. Favorable factors of production, including the availability of raw materials and a substantial workforce, further contribute to its attractiveness for the pharmaceutical sector.

### **2.1. Enabling Ecosystem**

Uttar Pradesh's conducive environment for pharmaceutical growth is underpinned by several key ecosystem components.

#### **2.1.1. Raw Material Base and Growing Industry**

The state benefits from a considerable chemical and medicinal raw material base, supported by its large number of MSMEs. Currently, Uttar Pradesh hosts approximately 450 pharmaceutical units, with the majority focused on formulation activities, primarily concentrated in districts such as Ghaziabad, GB Nagar, Lucknow, and Kanpur. The state commands nearly 17% of the national pharmaceutical sales in terms of value, with a turnover of approximately INR 90,000 crore in the pharma sector in 2014-15. Furthermore, the presence of about 76,000 pharmacists and 71,000 retail pharmacies within Uttar Pradesh signifies a robust distribution and professional network essential for the industry's growth.

The state's growing export capabilities in pharmaceuticals are evident from the following data:

**Table 2.1: Exports of Pharmaceutical Products from Uttar Pradesh (INR Crore)**

Year	Exports (INR Crore)
2015-16	363.42
2016-17	519.23

Source: Department of Export Promotion, Govt of Uttar Pradesh

This table provides specific data on Uttar Pradesh's pharmaceutical export growth, demonstrating tangible progress and potential. The significant increase from INR 363.42 crore in 2015-16 to INR 519.23 crore in 2016-17, representing over 40% growth, highlights a strong upward trend. This serves as a positive indicator for future investment and validates the policy's premise that Uttar Pradesh has substantial potential in the pharmaceutical sector, with investments capable of yielding positive returns, particularly in export-oriented manufacturing.

### **2.1.2. Availability of Manpower and Strong R&D Base**

Uttar Pradesh boasts a perennial supply of manpower and is home to prestigious research institutes and university departments specializing in pharmaceuticals. The Abdul Kalam Technical University of Uttar Pradesh plays a crucial role in talent development, with 100 colleges offering B.Pharm degrees and 64 colleges providing M.Pharm degrees, ensuring a steady pipeline of qualified professionals for the pharmaceutical industry.

The state's robust academic and research foundation, critical for innovation-driven industries like pharmaceuticals, is further strengthened by the presence of prominent research institutes, including:

- CSIR-Central Drug Research Institute, Lucknow
- National Institute of Pharmaceutical Education and Research, Raibareli
- Indian Institute of Toxicology Research (IITR), Lucknow
- Central Institute of Medicinal and Aromatic Plants, Lucknow
- Indian Pharmacopoeia Commission, Ghaziabad
- National Institute of Biologicals (NIB), Noida
- Biological Sciences and Bioengineering Department, IIT-Kanpur
- Biotechnology Department, MNNIT-Allahabad
- Department of Pharmaceutics, Indian Institute of Technology - Banaras Hindu University (IIT BHU)

The presence of numerous B.Pharm and M.Pharm colleges coupled with this strong network of prestigious research institutes signifies a robust academic and research foundation, which is critical for innovation-driven industries like pharmaceuticals. This indicates that the policy's focus on R&D support is not merely aspirational but built upon existing, tangible capabilities, making it more likely to succeed in fostering cutting-edge research and intellectual property creation.

### 2.1.3. Connectivity Advantage

Uttar Pradesh's strategic location and extensive infrastructure are pivotal in facilitating exports, a crucial aspect given the export-oriented nature of the Indian pharmaceutical industry.

The state benefits from a significant **Location Advantage**:

- It is situated on the Golden Quadrilateral, ensuring an excellent road network.
- It provides convenient access to the National Capital Region (NCR) on its western side.
- It offers strategic access to the market and resource depth of eastern India.
- It boasts the largest railway network in the country, spanning over 8,949 km.

In terms of **Connectivity**, Uttar Pradesh is well-served by:

- Major national and international airports that connect the state to the rest of India, the Middle East, and South East Asian countries.
- Two upcoming international airports at Jewar and Kushinagar, which will further enhance air connectivity.
- A proposed National Waterway-1 (NW-1) connecting Allahabad to Haldia port, which promises to significantly improve waterway logistics.

The state's strategic location within major **Industrial Corridors** is also a key advantage:

- 8.5% of the Delhi-Mumbai Industrial Corridor (DMIC) catchment area and 57% of the Amritsar-Kolkata Industrial Corridor (AKIC) fall within Uttar Pradesh.
- The intersection of the Western Dedicated Freight Corridor (WDFC) and Eastern Dedicated Freight Corridor (EDFC) at Greater Noida provides critical rail freight advantages.
- Multi-modal logistic hubs and industrial parks are expected to benefit from reduced travel time to ports, enhancing efficiency for businesses.

The existing **Logistics Infrastructure** includes:

- Moradabad rail-linked combined domestic and EXIM terminal.
- Rail-linked Private Freight Terminal and Inland Container Depot (ICD) in Kanpur.
- ICDs at Dadri Terminal and Kanpur.
- Three multi-modal logistics/transport hubs proposed at Noida, Boraki, and Varanasi, further strengthening the logistics network.

This comprehensive and multi-modal connectivity infrastructure (road, rail, air, and upcoming waterways) combined with strategic industrial corridor presence positions Uttar Pradesh as a critical logistics hub for the pharmaceutical industry, not just a manufacturing base. This extensive network significantly reduces the challenge of "excessive logistics and infrastructure investment" for businesses, making the state highly attractive for both domestic distribution and international exports, thereby enhancing overall supply chain efficiency and competitiveness.

## 2.2. Opportunities in Uttar Pradesh

Uttar Pradesh offers a diverse range of investment opportunities within its pharmaceutical sector, reflecting a strategic diversification beyond conventional drug manufacturing.

Key investment areas include:

- Manufacturing Bulk Drugs and Formulations, with a strong emphasis on Generic Medicines.
- Research and Development activities.
- Drug Testing Technology.
- Contract Research and Manufacturing Services (CRAMS).
- Biologics and Biosimilars, representing a move towards higher-value and technologically

advanced products.

- AYUSH and Phytomedicine, leveraging traditional knowledge and natural resources.

The comprehensive list of opportunities, ranging from bulk drugs and generics to biologics, AYUSH, and medical devices, indicates a strategic diversification within the pharmaceutical sector. This approach leverages India's existing generic strength while also aiming to move up the value chain (e.g., biologics, R&D) and expand into related high-growth areas (e.g., medical devices), fostering a more resilient and future-proof industry.

Furthermore, the state presents substantial opportunities in **Distribution**. As the 4th largest state with a population density of 829 people per sq.km, there is immense scope for developing efficient drug distribution mechanisms to serve its vast population.

The **Manufacturing of Medical Devices** is another promising area. With the continuous emergence of new hospitals and nursing homes, coupled with the renovation of existing healthcare facilities, the demand for medical devices is rapidly expanding, creating a favorable environment for their local production in Uttar Pradesh.

### 3. About Policy: Intent, Duration, and Definitions

The Uttar Pradesh Pharmaceutical Industry Policy, 2018, is designed to position the state as a premier industrial destination. It builds upon the foundation laid by the State's Industrial Investment and Employment Promotion Policy (IIEP) 2017, aiming to provide attractive incentives and develop a supportive ecosystem for a competitive pharmaceutical industry within Uttar Pradesh. The overarching goal of this policy is to cultivate competencies in research, development, and commercialization within the pharmaceutical sector. This involves harnessing the true potential of the sector in a sustainable manner by leveraging the knowledge and manpower available from premier institutions to deliver quality and affordable healthcare services.

#### 3.1. Objectives

The policy sets forth several key objectives to guide the development of the pharmaceutical sector:

- To promote the establishment of specialized Pharmaceutical Parks equipped with best-in-class infrastructure and technology.
- To encourage cutting-edge pharmaceutical research, build world-class infrastructure, and attract global talent to contribute to the state's development.
- To promote the creation of Intellectual Property (IP) in the pharmaceutical sector by facilitating R&D institutions and allocating more funds to pharmaceutical R&D.
- To promote AYUSH healthcare through the advancement of R&D and manufacturing of AYUSH healthcare products.

These objectives demonstrate a holistic approach to industry development, moving beyond mere manufacturing incentives to emphasize R&D, IP creation, and talent attraction. This indicates a long-term vision to foster a knowledge-based, innovation-driven pharmaceutical hub, rather than just a production base. Such a focus on intangible assets like IP and human capital is crucial for sustained competitiveness in the global pharmaceutical landscape.

#### 3.2. Period of the Policy

This policy came into effect on the date of its notification and is slated to remain in force for a period of 5 years. A crucial provision for investor confidence states that if any situation necessitates an amendment or supersession of the policy at any stage, only the cabinet will be authorized to approve such changes. Furthermore, in the event of any amendment, any package of incentives already committed by the state government to a unit will not be withdrawn, and the unit will continue to be entitled to those benefits. This provision, ensuring that committed incentives will not be withdrawn even if the policy is amended, is a crucial clause for investor confidence. It signals policy stability and significantly reduces regulatory risk, which is a common concern for long-term industrial investments. This commitment enhances the policy's attractiveness by providing a predictable and secure investment environment.

### 3.3. Definitions

The policy defines various categories of units and park types to facilitate targeted incentives and development strategies:

- **MSME Units:** Projects with capital investment as approved under the Government of India's MSMED Act 2006.
- **Large Units:** Projects with capital investment exceeding that of MSME units but less than INR 100 crore.
- **Mega Units:** Projects with capital investment of INR 100 crore or more.
- **Horizontal Pharma Park:** Private parks developed over a minimum area of 10 acres, accommodating at least 5 units, with 60% of the area allotted to entrepreneurs.
- **Vertical Pharma Park:** Private parks developed as a tower or group of towers on a minimum area of 3 acres, with at least 3 units, and 60% of the area allotted to entrepreneurs.

The detailed definitions for MSME, Large, and Mega Units indicate a tiered incentive structure tailored to different scales of investment. This granular approach allows the policy to attract a diverse range of investors, from small domestic players to large multinational corporations, ensuring broad-based industrial growth rather than focusing solely on mega-projects. The separate definitions for Horizontal and Vertical Pharma Parks further suggest a flexible approach to land utilization and urban planning, accommodating different development models to maximize space efficiency, especially in densely populated areas.

## 4. Policy Framework: Pillars of Support and Development

The policy framework outlines strategic initiatives designed to foster robust growth in Uttar Pradesh's pharmaceutical sector.

### 4.1. Developing Infrastructure

#### 4.1.1. Focus on Pharma Park

The State of Uttar Pradesh is committed to facilitating quality infrastructure and a supportive base for the establishment and growth of the pharmaceutical industry. The policy aims to identify suitable land parcels and develop specialized Pharma Parks for the manufacturing of allopathic, AYUSH, and homeopathic products, as well as medical devices and equipment. These parks

are envisioned to offer a 'ready-to-use' or 'plug-and-play' industrial infrastructure, allowing companies to focus on their core business activities.

The facilities within these parks will include common testing laboratories, diagnostic centers, dedicated power stations, cold storages, common facility centers, and effluent treatment plants, all designed on a 'walk to work' concept. Developers are encouraged to establish quality testing facilities that meet the stringent requirements of API/Formulation Labs and adhere to the standards set by the Quality Council of India (QCI), with the policy actively promoting the setup of QCI-certified labs within the state. The 'plug-and-play' model for Pharma Parks, equipped with common testing labs, cold storages, and effluent treatment plants, significantly lowers the entry barrier and operational costs for individual units. This shared infrastructure approach addresses critical industry needs—such as quality control, temperature-sensitive storage, and environmental compliance—collectively, making it particularly attractive for MSMEs and new entrants who might otherwise struggle with the high capital expenditure required for such specialized facilities.

#### **4.1.2. Focus on Mega Projects and SMEs**

Through this policy, Uttar Pradesh places a high impetus on developing manufacturing giants capable of competing with global standards in the international market. It is recognized that these mega projects create extensive opportunities for ancillaries, downstream industries, and SME units. Consequently, the policy is designed to attract Mega projects through special incentives and concessions, while simultaneously supporting SMEs to capitalize on opportunities within this booming sector. Specific packages of incentives and concessions have been tailored for SME units under this policy. The dual focus on attracting "Mega Projects" with special incentives while simultaneously supporting "SMEs" demonstrates a sophisticated industrial strategy. Mega projects act as anchors, drawing in a supply chain of smaller ancillary units (SMEs), thereby fostering a complete industrial ecosystem. This creates a symbiotic relationship where large investments stimulate local economic activity and employment across different scales of businesses.

#### **4.1.3. Supporting Infrastructure**

The policy also emphasizes the development of crucial supporting infrastructure:

- **A. API/Formulation Lab:** Recognizing that quality assurance of Active Pharmaceutical Ingredients (APIs) and Formulations forms the backbone of the pharmaceutical industry, the government will facilitate the establishment of Common Testing Laboratories. These labs, developed in consultation with the Quality Council of India and other stakeholders, aim to resolve challenges such as excessive logistics and infrastructure investment for individual units. This facility is expected to significantly enhance research and development activity within the value chain.
- **B. Cold Storage facilities:** The government will encourage and incentivize industries to establish temperature-controlled warehouses for the distribution of temperature-sensitive pharmaceuticals. The development of common cold storage facilities will be particularly incentivized under this policy.

### **4.2. Promoting AYUSH and Phytomedicine**

In a strategic move to promote indigenous medicine, units manufacturing AYUSH healthcare



products will be given preference in land allotment. To safeguard traditional knowledge, special marketing incentives and support for patent filing and certification will be provided to units producing AYUSH healthcare products. Similarly, the State will actively promote Phytopharmaceutical Drugs, encouraging alternative medicine, and will offer incentives to research and production units to develop their market presence. The specific focus and incentives for AYUSH and Phytomedicine indicate a strategic move to diversify beyond conventional allopathic pharmaceuticals. This approach leverages India's rich traditional knowledge base and growing global interest in alternative medicine, potentially opening new export markets and creating a unique competitive niche for Uttar Pradesh within the broader pharmaceutical sector.

### **4.3. Research & Development**

The sustained development and global competitiveness of the pharmaceutical sector are intrinsically linked to advancements in R&D and continuous innovation. Uttar Pradesh is uniquely positioned in this regard, being home to world-renowned research centers and possessing an existing education and research base that offers immense knowledge and potential for innovation in the bio-tech and pharma sectors.

The State aims to provide financial support for research proposals in R&D and innovation within the bio-tech and pharma sectors. This support will be channeled through existing educational institutes and pharmaceutical companies in Uttar Pradesh, with the goal of driving cost efficiencies. The policy seeks to build a strong industry-academia interface, actively patronizing research projects and clinical trial projects undertaken in collaboration between industry and institutions. Furthermore, the policy will provide assistance in acquiring Patents and protecting Intellectual Property Rights, recognizing their critical role in fostering innovation. The emphasis on supporting R&D through industry-academia collaboration and financial assistance for intellectual property protection signifies a strategic intent to accelerate the translation of research into commercial products. This is crucial for long-term competitiveness, as it allows the state to generate higher-value products and processes, reduce reliance on imported technologies, and potentially lead in specific therapeutic areas, moving beyond its current strength in generics.

### **4.4. Promoting Innovations and Startup**

The State will actively encourage innovations through new ventures in the Pharmaceutical sector. To promote startups in this domain, the Uttar Pradesh Start-up Fund, established under the Uttar Pradesh Information Technology and Startup Policy, 2017, will be utilized. The policy also includes provisions for setting up incubators at educational institutions, medical colleges, and universities, and offers support to help pharmaceutical startups scale their business models.

### **4.5. Ecosystem Support**

#### **4.5.1. Conducive Business Environment**

The Government of Uttar Pradesh is committed to making sincere efforts to meet the requirements of entrepreneurs in the pharmaceutical sector. The policy not only incentivizes setting up businesses but also ensures a conducive business environment to attract investors,

as detailed under the State's Industrial Investment and Employment Promotion Policy 2017.

#### **4.5.2. Simplified Procedures**

Recognizing the knowledge-based nature of the pharmaceutical sector, the policy ensures single-window clearances for the industry to attract and streamline development processes within the state. The policy also places a strong emphasis on ensuring high-quality standards and providing modern testing facilities.

#### **4.5.3. Eco-friendly Approach**

Acknowledging that the pharmaceutical industry generates waste and effluent, this policy adopts an eco-friendly approach to promote the sector in Uttar Pradesh. Special incentives will be provided for effluent treatment and overall environment protection. The explicit inclusion of an "Eco-friendly approach" with special incentives for effluent treatment and environment protection demonstrates a proactive stance on sustainability. This goes beyond mere compliance, positioning the policy as forward-thinking in addressing environmental concerns inherent to the chemical-intensive pharmaceutical industry. This commitment to sustainability can enhance the state's reputation, attract environmentally conscious investors, and potentially lead to long-term operational efficiencies through waste reduction.

## **5. Private Pharmaceutical Parks: Incentives for Developers**

The Government of Uttar Pradesh will actively facilitate the establishment of Pharmaceutical Parks across the state, with a particular focus on areas already possessing strong ecosystem support for the sector. Key focus districts identified for setting up these Pharma Parks include Gautambuddha Nagar, Ghaziabad, Agra, Kanpur, Lucknow, Jhansi, Gorakhpur, Varanasi, and Allahabad.

These parks are designed to provide 'plug-and-play' industrial infrastructure, allowing companies to concentrate on their core business operations. The comprehensive facilities within these parks will include dedicated manufacturing areas, testing areas, cold storages, warehousing, common facility centers, and hostel areas. Additionally, they will feature essential utilities such as standalone power stations and sewage treatment plants.

Developers of defined Horizontal Pharma Parks (minimum 10 acres, at least 5 units, 60% allotted to entrepreneurs) and Vertical Pharma Parks (minimum 3 acres, at least 3 units, 60% allotted to entrepreneurs) are eligible for a range of incentives under the State's Industrial Investment and Employment Promotion Policy (UPIIEPP) 2017.

Specific incentives for developers include:

- **5.1. Interest subsidy on land purchase:** A reimbursement of 50% of the annual interest on the loan taken to purchase land for 7 years, subject to a maximum subsidy of INR 50 lacs per annum per Pharma park.
- **5.2. Interest subsidy on infrastructure development:** A reimbursement of 60% of the annual interest for 7 years on loans taken for building infrastructure such as roads, power feeders, and drainage within the pharma park. This is subject to an annual limit of INR 10 crore and a maximum subsidy of INR 50 crore per Pharma park over the specified period.
- **5.3. Interest subsidy on common facilities:** A reimbursement of 60% of the annual

interest for 7 years on loans taken for building common facilities like warehouses, cold chain facilities, and hostel/dormitory housing for workers in the industrial parks/estates. This is subject to an annual limit of INR 5 crore and a maximum subsidy of INR 30 crore per Pharma park over the specified period.

- **5.4. Stamp duty exemption:** A 100% exemption on stamp duty for the purchase of land by the developer, and a 50% exemption on stamp duty for individual buyers of the first instance on the purchase of plots within the Pharma parks.

The combination of interest subsidies on land, infrastructure, and common facilities, along with significant stamp duty exemptions, creates a substantial financial de-risking mechanism for private developers of Pharma Parks. This comprehensive package incentivizes large-scale private investment in specialized infrastructure, which is inherently capital-intensive and often involves long gestation periods. By sharing the financial burden, the policy aims to accelerate the creation of world-class industrial ecosystems, which are foundational for attracting pharmaceutical manufacturing units.

## 6. Incentives to Units: Financial and Non-Financial Benefits

To foster industrial investment in the pharmaceutical sector, the State government is committed to providing a comprehensive suite of concessions, subsidies, and financial assistance. These incentives, aligned with the State's Industrial Investment and Employment Promotion Policy 2017, are extended to eligible new pharmaceutical units across various scales.

Specific incentives for individual units include:

- **6.1. Capital interest subsidy:** A reimbursement of 5% per annum for 5 years on the loan taken for the procurement of plant and machinery, subject to a maximum subsidy of INR 50 lacs per annum per unit.
- **6.2. Infrastructure Interest Subsidy:** Units established in the pharmaceutical sector will be reimbursed 5% of the interest payable on loans taken for developing infrastructural amenities for self-use, such as sewage and water drainage, erection of power lines, transformers, and power feeders. This reimbursement is for a maximum period of 5 years, subject to a maximum subsidy of INR 1 crore.
- **6.3. Industry Research Subsidy:** An interest subsidy of 5% per annum for 5 years will be provided as reimbursement on loans taken for industrial research, quality improvement, and product development. This includes expenditures on the procurement of plant, machinery, and equipment for setting up testing labs and quality certification labs, subject to an overall ceiling of INR 1 crore.
- **6.4. Electricity duty exemption:** All new units will receive a 100% exemption from electricity duty for 10 years. This also applies to new units producing electricity from captive power plants for self-use.
- **6.5. Stamp Duty Incentive:** All new units across the state will be eligible for a 100% stamp duty exemption.
- **6.6. SGST reimbursement:**
  - MSME units in the pharmaceutical sector will receive 90% reimbursement for 5 years.
  - Eligible Large Pharma Units will receive 60% reimbursement for 5 years.
  - Mega Pharma units will receive 70% reimbursement for 10 years.
  - This reimbursement is subject to an annual ceiling of 20% of capital investment or

actual tax deposited, whichever is lower, and a maximum ceiling of 100% of the fixed capital investment made by the unit.

- **6.7. Mandi Fee exemption:** In line with the UP IIEPP 2017, all new pharma units will be eligible for a 100% mandi fee exemption on the purchase of raw material for 5 years.

These multi-faceted incentives for individual units, encompassing capital, infrastructure, and research interest subsidies, along with significant tax exemptions (electricity duty, stamp duty, SGST reimbursement, Mandi Fee exemption), collectively aim to drastically reduce both the upfront capital expenditure and ongoing operational costs for pharmaceutical manufacturers. This comprehensive financial relief package makes Uttar Pradesh highly competitive as an investment destination, potentially attracting businesses that might otherwise choose other states or countries, thereby stimulating rapid industrialization and job creation.

## 7. Environment Protection Subsidy: Fostering Sustainable Practices

Recognizing the environmental impact of the pharmaceutical industry, the policy includes specific incentives to promote eco-friendly practices and waste management.

- **7.1. Setting up Common Purpose ETPs:** Developers who adopt zero effluent/wastewater discharge facilities at Pharma Parks, such as Common Effluent Treatment Plants (CETPs) and incinerators, will be eligible for an additional environment protection infrastructure interest subsidy. This subsidy covers 50% of the annual interest for 5 years on loans taken to set up common ETPs, with a ceiling of INR 2 crore.
- **7.2. Zero Waste Incentive:** New individual pharmaceutical units eligible under this policy that adopt water recycling/harvesting and zero discharge technology will also be eligible for an environment protection infrastructure interest subsidy. This subsidy covers 50% of the annual interest for 5 years on loans taken to set up such infrastructure, with a ceiling of INR 10 lacs.

Reimbursement under the Environment Protection Subsidy requires the production of a certificate from the State Pollution Control Board (SPCB), Uttar Pradesh, ensuring compliance and accountability. The provision of specific "Environment Protection Subsidy" for Common ETPs and Zero Waste initiatives indicates a proactive regulatory approach that integrates environmental sustainability directly into the incentive framework. By subsidizing advanced waste management technologies, the policy encourages the adoption of best practices beyond minimum compliance, positioning Uttar Pradesh as a responsible and forward-thinking industrial hub, which can attract investors prioritizing Environmental, Social, and Governance (ESG) factors.

## 8. R&D Support: Fueling Innovation and Research

The policy provides robust financial support mechanisms to fuel innovation and research within the pharmaceutical sector.

- **8.1. Support R&D Institutes:** New R&D institutes or facilities established for research and development in the biotech and pharma sectors will receive a capital interest subsidy. This subsidy is provided as a reimbursement of 60% of the interest on loans taken to set up such facilities (excluding land and building costs), subject to a maximum ceiling of INR 50 lacs per project.

- **8.2. Clinical Trials:** R&D institutes situated within Uttar Pradesh will be eligible for 75% reimbursement of the total expenditure incurred for clinical trials, subject to a maximum of INR 1 crore per clinical trial in a financial year over the policy period.
- **8.3. Assistance for Contract/Sponsored Research Work:** For biotech and pharmaceutical research projects undertaken by recognized R&D institutions/universities/colleges in Uttar Pradesh (approved by UGC/Government/AICTE) from any industrial unit/industry association, a subsidy of 50% of the eligible project cost (excluding cost of land and building) will be considered. This is subject to a maximum of INR 50 lacs per project in a financial year to institutes situated within Uttar Pradesh over the policy period.

The specific and generous R&D support, particularly for clinical trials (75% reimbursement up to INR 1 crore) and contract research (50% subsidy up to INR 50 Lacs), signifies a strategic intent to accelerate the translation of research into commercial products. Clinical trials represent a major bottleneck and cost center in drug development; directly subsidizing them addresses a critical barrier to innovation and product launch. This could position Uttar Pradesh as a preferred location for late-stage drug development and foster a vibrant ecosystem for pharmaceutical innovation.

## 9. Patent Filing and Quality Certification: Protecting Innovation and Ensuring Standards

The policy offers crucial reimbursements for intellectual property protection and adherence to quality standards, essential for global competitiveness.

- **9.1. Patent Filing Fees:**
  - Reimbursement of up to 100% of actual filing costs will be provided for awarded domestic patents, subject to a maximum of INR 1 lac.
  - For awarded international patents, reimbursement will cover up to 50% of actual filing costs, subject to a maximum of INR 5 Lacs.
  - Units manufacturing AYUSH and Phytomedicine will be eligible for full reimbursement of actual patent filing costs on awarded patents over the policy period, highlighting a special focus on traditional knowledge.

The differentiated patent filing incentives, offering higher reimbursement for domestic patents and full reimbursement for AYUSH/Phytomedicine patents, reveal a nuanced strategy. This approach encourages local innovation and intellectual property creation, while specifically bolstering the unique traditional medicine sector, recognizing its cultural and economic value. The partial reimbursement for international patents still encourages global intellectual property protection, balancing local focus with global ambition.

- **9.2. Quality Certification:**
  - Reimbursement of 75% of the cost incurred for ISO certification will be provided, subject to a maximum of INR 75,000 per unit in a financial year.
  - Reimbursement of 50% of the cost incurred for BIS certification will also be provided, subject to a maximum value (specific value missing in the provided material).

The reimbursement for ISO and BIS quality certifications is a critical enabler for market access and global competitiveness. These certifications are often prerequisites for selling in international markets and for building consumer trust. By subsidizing these costs, the policy directly supports units in achieving and maintaining high-quality standards, which is essential for

an industry focused on exports and patient safety.

## **Conclusion: Uttar Pradesh's Vision for a Pharmaceutical Powerhouse**

The Uttar Pradesh Pharmaceutical Industry Policy, 2018, stands as a comprehensive and forward-looking blueprint designed to transform the state into a significant pharmaceutical manufacturing and R&D hub. The policy strategically leverages Uttar Pradesh's inherent advantages, including its vast consumer market, growing manufacturing base, abundant manpower, and robust academic and research infrastructure.

The detailed incentives offered, spanning from substantial financial subsidies for private pharmaceutical park developers and individual units to extensive tax exemptions and specialized R&D support, are meticulously crafted to reduce investment risks and operational costs. This multi-faceted approach aims to attract a diverse range of investors, from large-scale manufacturing giants to innovative startups and MSMEs, fostering a broad-based industrial growth.

Moreover, the policy's explicit focus on promoting indigenous AYUSH and Phytomedicine, coupled with generous support for intellectual property creation and quality certifications, indicates a strategic intent to diversify the sector and enhance its global competitiveness beyond traditional generics. The proactive stance on environmental sustainability, demonstrated through specific incentives for waste treatment and zero-discharge technologies, positions Uttar Pradesh as a responsible industrial destination, aligning with contemporary global standards and attracting environmentally conscious investments.

By fostering a conducive business environment, simplifying procedures, and building on existing strengths in connectivity and research, the Uttar Pradesh Pharmaceutical Industry Policy, 2018, is poised to create a self-sustaining, innovation-driven, and environmentally responsible pharmaceutical industry. This strategic framework is expected to contribute substantially to the state's economic development, generate mass employment opportunities, and significantly bolster India's position in the global pharmaceutical landscape for long-term growth and impact.