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Trump's tariffs: How exposed is Indian pharma?

India supplies 35 percent of US generics, while the US generates 30-50 percent of revenue for Indian drugmakers

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US President Donald Trump has said that tariffs on generic drug imports into the US would be raised to 100 percent after two years, and to 200 percent thereafter, in a bid to "reshore" generic pharmaceutical production in the US. He added that companies that decide against building plants in the US would be "penalised".

This isn't Trump's first such threat. Several similar ultimatums have come before, largely designed to pull manufacturing investment into the US. But generics—the low-cost, non-branded versions of medicines sold once a drug's original patent expires—were the one category the administration had left out of its tariff pushback in April. That changes now: Generics stay tariff-free until August 2028, then the same 100-to-200 percent structure applies.

India supplies 35 percent of all generic drugs imported into the US. AS a result, the

reaction was immediate. Nifty Pharma fell nearly 2 percent after the announcement on July 22.

“This announcement should be viewed more as a strategic signal rather than an immediate disruption. For Indian companies, the next two years should focus on strengthening supply-chain resilience, boosting manufacturing flexibility, and moving into complex generics, biosimilars, and specialty drugs,” says Nilaya Varma, co-founder and group CEO, Primus Partners, a management consulting firm.

Indian generics make up roughly 90 percent of all US prescriptions. For some of India's biggest drugmakers, the US accounts for 30-50 percent of total revenue. Evidently, the stakes are high for Indian pharma companies.

However, the exposure isn't the same across companies. Analysts feel that companies such as Lupin, Aurobindo Pharma, Dr. Reddy's, Granules India and Glenmark are at a higher risk, given how much they depend on the US generics business that already runs on thin margins. Sun Pharma, Cipla, Zydus Lifesciences and Torrent Pharmaceuticals are better placed as they have revenue spread across more countries, and stronger specialty and branded drug portfolios—higher-value medicines that don't compete purely on price. “I wouldn't classify companies as winners or losers yet,” says Ashwin Bhadri, founder and CEO, Equinox Labs, a food, water and air testing laboratory. “Those with diversified global revenues and broader product portfolios are naturally in a better position.”For context, Germany reports a plastic-packaging recycling rate near 68% on its national methodology (~52% on the comparable Eurostat basis) and the Netherlands around 49% — rates built on decades of upstream redesign India is only now beginning.6 To enable market-based compliance, CPCB appointed MSTC Ltd in September 2025 to run a national EPR-certificate trading platform, with trading expected in 2026;7 nearly 60,000 producers, importers and brand owners are now registered.

At Cipla’s Q1FY27 results press conference, Managing Director and Global CEO Achin Gupta said the company already makes a large share of what it sells in the US on American soil: “Around 35-40 percent of our manufacturing comes from within the US. But US also remains a very large market opportunity... Our model is highly diversified, so that does help us in terms of any short-term movements.”

The need for diversification has been going on for a few years now. Indian pharma exports to the US already fell nearly 10 percent in FY26, to $9.47 billion, as per Pharmexcil (Pharmaceuticals Export Promotion Council of India). Pharmexcil expects overall export growth of 6-9 percent in FY27, and puts the FY26 US decline down to cyclical factors: A high base the year before, ongoing price erosion in generics, and inventory corrections.

Manufacturing in US might not be the fix

The tariff doesn't kick in for two years. That's fuelled talk of Indian companies simply moving manufacturing to the US. But that does not seem to be realistic at scale, especially

in this timeframe.

“It is not practical to move operations (manufacturing) to the US, and if tariffs are imposed, we will have to raise prices. We are not going to do anything special because of the announcement and will wait for official guidelines as well as for industry associations in both countries to meet and discuss the way forward,” Dr. Reddy's CEO Erez Israeli said at a press conference.

The maths simply doesn't work. "Building a US pharma facility costs materially more than an equivalent Indian plant, both in construction and ongoing operations," says Nirali Shah, research analyst, Ashika Investment Managers. Domestic manufacturing economics are difficult to justify purely on tariff grounds. “Land, labour, utilities, compliance, and operating costs are all materially higher in the US. Depending on the type of facility, capital investment itself can easily be several times higher than in India. That's why companies won't relocate manufacturing unless the business case is very compelling,” she adds.

Time is the other problem. Varma of Primus Partners says that even if a company starts today, "acquiring land, building facilities, validating production, and obtaining US FDA approvals usually take several years”.

Shah flags one key gap in the announcement. The tariff covers finished generic drugs. It says nothing about APIs—active pharmaceutical ingredients, the raw chemical compounds that make a drug work, before it becomes a tablet or capsule. China dominates global API supply. “A tablet made in New Jersey from Chinese API is not supply chain independence,” Shah says. If APIs get pulled into the tariff later, the cost hit to the US healthcare system would be far bigger than current estimates suggest. If they stay out, the policy undercuts its own goal of building domestic resilience. "That single clarification," she says, "is the most consequential detail missing from this announcement."

Who ends up paying

If costs increase because of tariffs, somebody absorbs them: The manufacturer, the distributor, the insurer, or eventually the patient. Dr. Reddy’s Israeli has already answered that for the company: "If tariffs are imposed, we will have to raise prices."

For Cipla, the framing is less about who absorbs cost and more about staying in the market at all. "The question is more around how do we continue to serve the market in the US and the patients in the US and provide high quality, affordable care," Gupta had said.

Varma of Primus Partners is straightforward about what's at stake for American patients. Generics make up roughly 90 percent of US prescriptions but only a small share of total drug spending—a gap that exists precisely because competition has kept prices down. "Imposing significant tariffs could raise medication prices, cause shortages of vital medicines, and inflate healthcare costs for patients, insurers, and government

programmes," he says.

The Indian Pharmaceutical Alliance (IPA)’s Secretary General Sudarshan Jain had said in a statement: "India has been a trusted partner in ensuring the supply of affordable and quality-assured medicines for American patients. Leading Indian pharmaceutical companies have US presence (over 40 facilities), supporting American jobs, investing in manufacturing, research and resilient supply chain.”

The playbook going forward

Analysts say the plan for most Indian pharma companies seems to be to build or buy US manufacturing selectively for critical products, expand manufacturing in countries the tariff doesn't touch, shift the product mix toward complex generics, injectables and speciality drugs that can absorb higher costs, and sell more into markets like Europe, Japan, Latin America and Africa.

None of this can change immediately. "Significant changes are unlikely in the near term," says Varma. "Since tariffs are only proposed to start in 2028, companies are unlikely to make sudden decisions on capital allocation now.”

Bhadri of Equinox Labs agrees: "Pharmaceutical companies don't change strategy every time there's a policy announcement. Investments are planned years in advance. I expect companies to prepare different scenarios, but most will wait for greater clarity before making major capital commitments."