



A STUDY ON IMPACT OF COVID – 19 ON INDIAN PHARMACEUTICAL COMPANIES

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Abstract

Pharma Industry is part of the global industrial domain where by the nature of the industry keeps the same very prominent in the Industrial domain. Being recognised as the essential industry which caters the services to the mankind, Pharma Industry is an industry that very lucrative investment avenues. The Indian pharmaceutical industry is world's third largest drug producer. India is the largest provider of generic drugs globally. The Indian pharmaceutical sector is an important component of the global healthcare infrastructure and is instrumental in saving millions of lives every year. However, the lockdown triggered by corona virus disease (COVID-19) has caused disruptions in all sectors. This research paper talks about the current scenario and various opportunities of Pharma companies during COVID-19. The author aims to understand the opportunities for Indian economy & Pharma companies to expand and gain maximum leverage during this pandemic situation. The author has tried to explore in the statistics pertaining to the pharmaceuticals business. The Pharma Industry at large is discussed in the paper and a bird's eye view is presented for the readers, which eventually shall be indicative in nature rather exhaustive. The Pandemic has its obvious challenges and the Industries are constantly looking for the way out, so is the Pharma Industry.

Key Words: COVID 19, Pharmaceutical Companies, Indian Pharmaceuticals



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INTRODUCTION:

The world has been severely affected by the Corona virus pandemic. Corona virus is a pathogen mainly affecting the respiratory system. People affected by Corona virus are observed to suffer from Pneumonia. There have been past incidents of Corona virus outbreaks, which include Severe Acute Respiratory Syndrome (SARS – CoV) and Middle East Respiratory Syndrome (MERS – CoV). All of these outbreaks including the recent one resulted in generalized public health threat. As of Feb 11, 2020, WHO named this Novel Corona virus as COVID – 19. The person – to – person transmission ability of COVID – 19 is high, which has led to all the countries and governments to enforce isolation strategies thereby preventing further spread of this pathogen. This decision has led to a unique situation where not only the movement of humans has been restricted but also the trade, commerce and economic exchange between countries has reduced. Also, medical fraternities, pharma companies and R&D institutes are rushing to develop viable treatment options for countering this pandemic.

There is absolutely no doubt that due to the COVID – 19 situations there is no industry in the world which has not been affected. Pharmaceuticals around the world as well as of India are no exceptions. This global pandemic provides a rude awakening for us to face the challenges which are encountered by our industries. Our policymakers need to learn from this scenario and the industries have to be ready for such an incident again in the future. Although India is one the biggest producers of generic medications, India depends heavily on other countries, primarily China, for its import of APIs. With severe restrictions on trade and commerce, it becomes essential that India manufactures its own API and formulations. Almost around 70% of all the APIs whose medication is made in India is imported from China. Not only APIs but also Intermediates for API production are heavily sources from China. APIs such as Levofloxacin, Paracetamol and Ciprofloxacin are imported from China to convert them into formulations.

Objectives:

The author has considered the following objectives of study:

1. To explore the current scenario of Indian Pharma companies with respect to COVID – 19 situations.
2. To understand the Opportunities for Indian economy & Pharma companies to expand and gain maximum advantage during this situation.

Significance / Need of Study:

This study will help us to understand the relation between Global Pharmaceutical market and Indian Pharma companies. Also, it will help us to highlight the potential of India as one of the major stakeholders in not only increasing the production and distribution of existing drugs and APIs. This study will also focus on India's role in Research and Development for providing the world with new drugs at a faster pace to encounter severe life – threatening pandemics such as COVID – 19.

Research Methodology:

The study of impact of COVID – 19 on Indian Pharma Companies is an exploratory study conducted with the help of **Secondary Data**. This current study aims to understand opportunities which will arise in the Indian Pharmaceutical Sector because of the COVID – 19 pandemic. As part of our Literature survey we have referred 10 articles which have given us an idea about the current scenario of Indian Pharmaceutical Companies and the shortcomings

which it faces and what the various stakeholders are proposing and planning to do to overcome those.

RESEARCH PROCESS:

The study was mainly conducted with the help of Secondary data collected from reputed forums and their websites like, Express Pharma, Medical Dialogues and Indian Pharmaceutical Alliance.

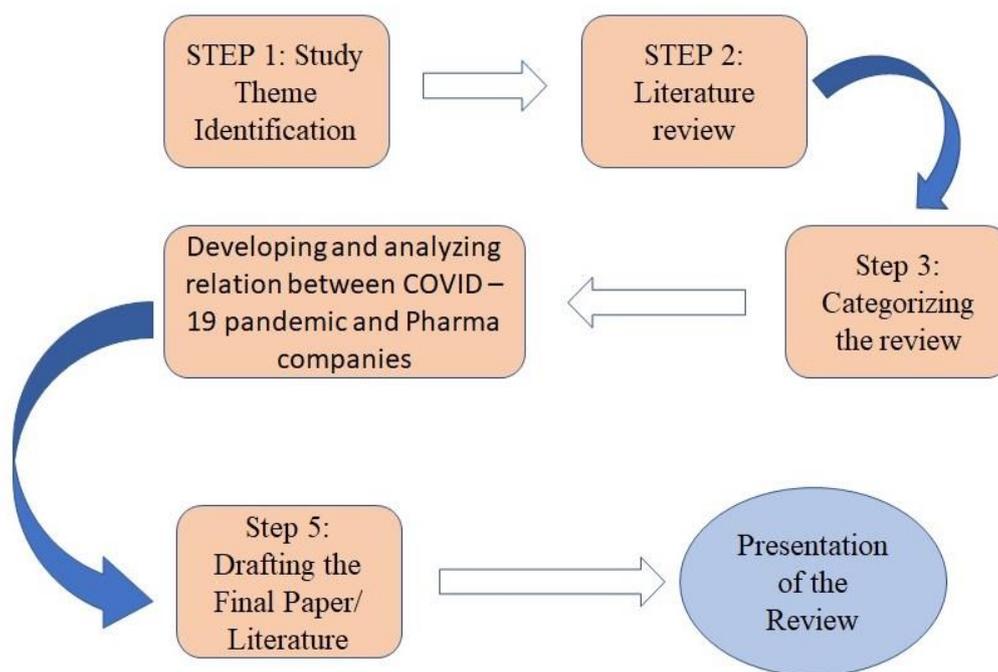


Fig: 1: Research Process adopted for the study

Literature Review:

The Indian Pharmaceutical Industry in terms of volume is 3rd largest and in terms of value it is 14th largest. In the financial year 2018 – 2019, an estimated US \$14389 million has been exported. Despite this, India relies heavily on China for Bulk drugs and API imports. In the year 2018 – 2019, an approx. 67.65% of all imports was from China. This translates to US \$ 2405.42 million in terms of economic value.

In the wake of the COVID – 19 situation the Government of India and Indian Pharmaceutical companies have come together to boost the manufacturing of APIs. This will not only help India in ending their overdependence in China for APIs, but also India is looking to be the major player in exporting APIs to other countries. As of March 2020, India contributes to about

20% to the global generic market. Set to increase this share, the Indian Govt. has declared a budget of Rs 10,000 crore to be invested for this purpose.

Also, the Union Cabinet has approved the plan of “Promotion of Bulk Drug Parks” wherein an additional investment of Rs 3000 crore, is to be made for the upcoming 5 years with the aim to reduce manufacturing costs and dependency in other countries. In the light of COVID – 19, the Confederation of Indian Industries (CII) has declared production of APIs as Strategic Sector. In their statement they said: “Firms, for which capacity utilization is 40 per cent, may be permitted to produce API which is being imported. Approvals for new investments should be fast – tracked”. As of March 2020, the Indian Pharmaceutical Alliance has welcomed the Government’s decision to promote the domestic production of Key Starting Materials.

Opportunities:

According to their report, Indian Pharma sector is expected to attract good amount of Foreign Direct Investment despite the global pandemic. FDI has played a significant role in developing the Indian Pharma sector. FDI has contributed considerably in setting India as the “Pharmacy of the World”. The old & new FDI policy of India. According to the old policy, 100% of FDI was permitted in Pharma sector in Greenfield Pharma projects under automatic route and 74% of FDI was permitted in brown field projects under automatic and approval route. But now with the new FDI policy which came into effect on April 2020, government has now mandated the GOI approval for investment from bordering countries. This has caused lot of inconvenience to Indian investee companies including the Pharma sector.

Amidst the current political tension between India and china, India is boycotting everything that comes from china be it investments, goods or service. This has impacted the Indo-china trade relations which have put adverse impact on Pharma sector since India imports substantial amount of Pharma ingredients from china. No matter how bad situation may seem but the unintended consequence of COVID-19 has also brought huge opportunities for India as the countries around the world are now looking to shift their manufacturing units from china to India. As a result, India is expected to gain huge Foreign direct investments especially in Pharma sector and to encourage this the Government of India intends to offer the red carpet, and it is now trying to simplify the entry process. It is been observed that post-corona virus world will make very different ordering of the global economic and political system of preferences and commitments, while moving forward with the Pharma companies, It will make a great impact on the Indian economy to improve in comparison to other countries, United

States, China or Eurozone, India has fortunate in preventing the contagious spread of the virus in its domestic territory with early restrictions on mobility from other countries, pursuing contact tracing, and announcing a lockdown early. It has also taken larger efforts in recent weeks to send across medical supplies and drugs to other nations in need.

The lockdown triggered by corona virus disease (Covid-19) has caused disruptions in all sectors. Pharma sector has been jolted too but there is hope that things will ease and growth will resume. The impact on the cash flows has led many of the companies in the Pharma sector to impose a freeze on the hiring process. Currently, no layoffs have been considered by companies and further decisions on increments are yet to be finalised and have been put on hold. However, unlike the other industries, the pharmaceutical industry is expected to see a positive impact, on an overall basis, on its growth in this year. Some companies that are seeing increased demand for their portfolio and have also started incentivizing employees especially in the production function who are supporting plant operations during this COVID period. However, like all others, Pharma companies too are deploying methods of “trimming the fat”, Supply disruptions have eased out now, but still, there are difficulties regarding availability and movement of labour. It is critical to remember that developing a vaccine is neither an easy task nor a guaranteed outcome of research efforts. It would be prudent to continue exploring other options of both prevention and cure that could manage the symptoms and reduce morbidity. India imported 70 per cent of its API from China and felt the disruption when China was under lockdown. The Govt. of India has already announced in Apr’20, INR 10000 crore of investments to incentivise production of APIs in India. Additionally, Pharma companies have started re-visiting their API strategy and considering options around building capacity including partnerships with CMOs. There are learning from every pandemic and Covid-19 is no exception. There is an undisputed need for more resilient healthcare infrastructure as well as stronger surveillance, data collection and early warning systems. Building and sustaining the above strategies will require serious and focused government intent and budgets. Collaboration with global government and non-government institutions needs to be stepped up to manage pandemic preparedness.

In a post-corona virus global order, India’s comparative advantage can rely heavily on becoming a major provider for global public-goods and services. India has advantage of large-scale pharmaceutical production with soft power by investing in the outward growth of the healthcare sectors of other nations by:

- Exports in Pharmaceuticals
- Upgrading to be preferred medical tourist destination for those seeking affordable treatment in quality in health services
- Providing medical training and technical expertise to many other developing nations whose healthcare systems are much worse than India.

According to the Indian Brand Equity Foundation (IBEF), pharmaceutical exports of India from the financial year 2012 to 2019 have steadily grown from \$10 billion to \$19 billion. Nutshell, there is a greater potential for India's pharmaceutical sector now to increase trade partners both regionally and in other parts of the world. The government can encourage by investing in more R&D for drug and Pharma research within India and provide for more incentives to the private sector to enhance its production for export channels.

Indian Pharma industry can produce COVID-19 vaccines for entire world: Bill Gates

According to Microsoft's co-founder and philanthropist Bill Gates, India's pharma industry will be able to produce COVID-19 vaccines for the entire world. He was speaking about it in a documentary – COVID-19: India's War against the Virus for Discovery Plus.

Gates also added that what world need is that to reduce the deaths and make sure people are immune, which is how we together can end the epidemic. He stated that India has good capacity of the drug and vaccine companies that are huge suppliers to the whole world. More vaccines are made in India as compared to any other part of the world, starting with Serum Institute, that's the most important. He also feels Bio E, Bharat (Biotech) and many others institute can do this job as well as they are doing work to help make the corona virus vaccine, building on great capacities which they need have used for other diseases. Gates mentioned a fact that India also faces a huge challenge due to the health crisis because of its gigantic size and urban centers with a lot of population density. Highlighting Gates foundation's role in India's war against corona virus, they have been funding work on detection and isolation. They are particularly active in UP and Bihar where they've done health delivery within the past.

Gates apprised that Bill and Melinda Gates Foundation are partner with the government, particularly with the Department of Biotechnology, the Indian Council of Medical Research (ICMR) and the office of the Principal Scientific Advisor. Further Gates gave update that the foundation is also working with the Department of Personnel and Training for online training to help their frontline health workers.

Covid-19 restricts Indian Pharma export growth to 7.6% in FY 20

The Indian Pharma exports have witnessed a growth of seven .57 per cent in FY 2019-20 as against 10.72 per cent within the last financial year. It's touched \$20.58 billion as against \$19.13 billion during an equivalent period within the last year. The quarterly performance of the Pharma export decreased significantly to -2.97 within the fourth quarter as against an honest performance within the first three quarters (Apr-Dec 2019) with a cumulative rate of growth of 11.5 per cent. The first, second and third quarters recorded 11.21 per cent, 8.69 per cent and 14.64 per cent growth respectively.

In January 2020, Pharma exports had registered the expansion of 11.72 per cent while last year, at the same time the expansion recorded was 11.5 per cent. However, thanks to the corona virus pandemic and subsequent measures taken to stop its spread, Pharma exports decreased in February and March and growth rates have gone right down to 7.7 per cent, leading to negative growth of - 2.97 per cent within the fourth quarter.

According to Ravi Uday Bhaskar, Director General, Pharmaceuticals Export Promotion Council of India (Pharmexcil). Indian pharma exports during February and March are quite brisk, and around 22-23 per cent within the primary ten months (Apr-Jan). COVID-19 pandemic has impacted Indian pharma exports to a particular extent and brought down the estimated pharma exports of \$22 billion to \$20.58 billion with an overall growth of seven .57 per cent rather than double-digit growth. India has seen significant growth in exports to other European countries, Germany: 13.07 per cent, France: 11.77 per cent and Belgium: 6.94 per cent. Dr. Dinesh Dua, Chairman Pharmexcil, commented that they can see some positive signs for exports performance within the coming quarter. Component wise, exports performance of drug formulations and biologicals were impressive and contributed to almost 72 per cent of the entire exports. It recorded a 9.5 per cent growth in FY2020. However, exports of bulk drugs and drug intermediates, the second-largest category has negatively grown by -0.73 per cent which brings down the general performance. Whereas, vaccines and surgical recorded 22 per cent and 10.5 per cent growth, respectively. During the FY'20, India has exported pharmaceuticals to 202 destinations. Major export destinations for India Pharma Inc.:

- ▶ **North America:** First largest exporting region for Indian Pharma with 34 per cent share. Overall exports to North America have recorded 15.11 per cent growth
- ▶ **USA:** Pharma products worth \$ 6.7 billion were exported to the US with 15.8 per cent growth. This has constituted almost 32.74 per cent of our total exports

- ▶ **Africa:** Second largest exporting region with 17 per cent share. Exports to the Africa region has grown up at 2.24 per cent growth. Tanzania has recorded the very best rate of growth of 30.18 per cent growth
- ▶ **Europe:** Third largest exporting region with 15 per cent share. 4.54 per cent rate of growth recorded in exports to the EU region. Netherlands has recorded the very best rate of growth of 55 per cent.
- ▶ **CIS:** Indian exports to the CIS region have grown at 14.8 per cent growth. Russia, the fourth largest importing partner, has recorded 13.8 per cent growth
- ▶ **Middle East:** Exports to Turkey have grown at 31.6 per cent and to Iran at 13.15 per cent
- ▶ **Asia (Excluding Middle East):** Exports to the present region have had significant growth of 11.51 per cent. Exports to Bangladesh recorded 29.37 per cent growth, touching \$251 million.
- ▶ **China:** Last year, it had been \$230 million in FY19 with 14.8 per cent growth. This fiscal year, during Apr-Dec 19 India exported \$228 million with almost 35.8 per cent growth. For FY 20 (Apr-Mar), Indian exports to China are \$288 million with 25 per cent growth
- ▶ **Japan:** India exported \$196 million Pharma products in FY 2020 with 11.66 per cent growth

Conclusion:

This has been observed that people have been suffering pneumonia along with COVID-19. It has been spreading from person to person including India all the countries are suffering through this pandemic situation. Economy of each country is ruined due to the restrictions of exchange of goods and other stuff. All the medical institutes are found rushing for the development of any viable treatment possible. This pandemic has already given a sign for us to face the challenges which are uncounted by our industries. We need to be ready for this kind of situation in future. Pharma has been through most difficult situation as most of the APIs were produced depends on sources for China. We need to understand the opportunities for Indian economy and Pharma companies to gain advantages during this situation. Going through all this we can understand the relation between global Pharmaceutical market and Indian Pharma companies. The study related to impact of COVID-19 on Indian Pharma companies can be conducted with the help of secondary data which was collected from websites like express Pharma, Medical

dialogue etc. Pharmaceutical exports of India from 2012 to 2019 have steadily grown from \$10 Billion to \$19 Billion. The government should invest in more Research and Development from Pharma Research. Medical training and technical expertise should be provided to many other developing nations whose condition is much worse than India.

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