

## EFFECT OF COVID-19 PANDEMIC ON INDIAN PHARMACEUTICAL EXPORT MARKET

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### **ABSTRACT**

*Coronavirus (COVID-19) is a communicable disease caused by a recently known virus which is rapidly increasing day by day and WHO has declared a pandemic disease. To stop the spreading of coronavirus many countries are taking many steps and lockdown is one of them. This report highlights the impact of nationwide lockdown in the Indian pharmaceutical industry especially in export due to COVID-19. For determining the impact, the data has been gathered through secondary sources such as Annual and quaternary reports of the ministry of pharmaceutical, Daily news Articles, E-Journals, and websites, etc. After analyzing all the facts, it can be concluded that COVID-19 impact on the pharmaceutical sector has been less pronounced than observed in the other sectors, as pharmaceuticals fall under the essential service category. But disruption of the supply chain, slow manufacturing process, amendment in the export policy, etc. are the factors that decreases availability and demand. The continuous government efforts have shown the positive impact on the export drug market.*

**Keywords** - COVID-19, Manufacturing, Supply chain, Pharmaceutical, Import, Export.

### **Introduction**

Coronavirus sickness (COVID-19) is a communicable disease caused by a recently known virus. The COVID-19 virus is a communicable disease that spreads by the discharge of a water droplet of the saliva of an infected person when they cough, sneeze, etc. In the current scenario, there is no specific treatment of corona viruses such as vaccines, drugs, or treatment except for healthy habits of using face masks and do social distancing (WHO, 2020). So, to stop the spreading of this virus or slowdown their transmission, India imposed lockdown to promote social distancing among individual persons, groups, communities and workplace. The Government had even stopped all means of transport by which people move from one place to another. Due to this manufacturing, availability and consumption of goods decreased. It also affected the import and export of goods including pharmaceuticals, which have a major contribution to the economic growth. This lockdown not only affected non-essential goods but also affected the essential goods like food, medicine, etc.

### **Objectives of the study**

Medicines come under essential goods but due to lockdown availability and sales of the medicines had been affected; the same happened in the export. We need to understand, what is the impact of COVID-19 nationwide lockdown on the pharmaceutical export market? So, the objectives of this study are:

- **To determine the effect of COVID-19 pandemic on the Indian pharmaceutical export market.**
- **To determine the impact of government initiatives on Indian pharmaceutical export during COVID-19 situation.**

#### **Data collection and methodology**

The secondary research starts with an extensive review of published news, annual reports of Ministry of commerce, report of foreign trade, report of Pharmaceutical export promotion council of India (Pharmexcil) report, 2020, Government press releases, website report of Indian brand equity foundation group (IBEF, 2020). A descriptive type of study has been performed.

#### **India**

India's pharmaceutical industry is one of the biggest industries in the world for generic branded export. It is ranked third in terms of volume and ranks tenth in terms of value. That's why it also is known as 'pharmacy of the world'. India is one of the biggest suppliers of low-cost vaccines in the world. The low priced and comparable high quality, Indian medicines are preferred worldwide. IBEF predicted that, Indian healthcare sector crosses USD 372 billion by 2020 (IBEF, April 2020). The Pharmaceutical sector currently contributes around 1.72% to the country's GDP (MCI-GOI, April 2020). Indian pharmaceutical industry size (including drugs and medical devices) is around USD 43 Billion (INR 1, 47,420 Cr.) where the growth rate of drugs is 7-8% and medical devices are 15-16% (MCI-GOI, April 2020). On research and development, Indian pharmaceutical companies generally invest 8-13% of its annual turnover (IBEF, April 2020).

#### **Indian pharmaceutical Trade**

India exported pharmaceuticals to the tune of INR 1, 33,910 Cr. with a recorded growth of 10.72% in 2018-19 (MCI-GOI, May 2020). India exports largely to the USA, UK, South Africa, and Russia. The share of export of bulk drugs, drug intermediates, drug formulations and biologicals was INR 1,28,0282 Cr. for the year 2018-19 (MCI-GOI, May 2020). An import of drugs during 2018-19 was of INR 35,000 Cr; in this total imports, bulk drugs, and intermediates comprised 63% and drug formulations and biologicals share was 36% (MCI-GOI, May 2020). India imports largely from China, USA, Italy, and Germany. The share of export of Bulk Drugs, Drug Intermediates, and Drug Formulations, Biologicals was INR 12, 80,282 Cr. for the year 2018-19 (MCI-GOI, May 2020). Around USD 21 billion of pharma export of which about 55% is highly regulated in the world and that includes USA, Europe, and other global regulatory agencies where Indian pharma exporters are focusing on them (Dua D *et al.*, 2020). According to IBEF, biotechnology sector of India expected to cross USD 100 billion by FY2025 (IBEF, April 2020). In the current scenario, gigantic market opportunities for Indian pharmaceutical manufacturing companies are in the untapped but potential markets of Latin American countries, Africa, and Asia (majorly in South-east Asia) (Dua D *et al.*, 2020). India exported pharmaceutical products worth of USD 19.13 billion in FY-19 with 10.72% growth. In the months of April to Feb 2019-2020, the export value of USD 18.97 billion was recorded, which showed a 10.70% growth over the corresponding previous period of FY-19 (Dua D *et al.*, 2020).

## **Effect of COVID-19 nationwide lockdown on Indian Pharmaceutical export**

### **1. Disruption in Supply Chain**

a) Due to the outbreak of the COVID-19 pandemic and the national lockdown in India, the pharmaceutical export market was disturbed. It exported goods worth revenue of USD 2100 million in the month of March 2019. Whereas in the month of March 2020 pharmaceutical exports were USD 1545 million thus showing a negative export in the corresponding month of March 2020 compared to March 2019 due to lock down. . However, the total overall exports in FY April 2019 - March 2020 was 20.52 Billion USD with a 7.2% growth rate compared to the export revenue of USD 19.13 Billion in FY 2018 - 2019 (Dua D *et al.*, 2020).

b) Exporters who struggled with supply chain and logistics issues such as local transports, air cargo services, etc were deeply impacted, and the increased freight charges have badly affected imports and exports (Dua D *et al.*, 2020).

c) Restrictions on drug exports along with the logistic issues have brought the exporters in a detrimental position where they are losing their esteemed importers abroad resulting in loss of reputation, or even penalties for delayed supplies, huge demurrages charges. Due to this, exporters were in distress (Dua D *et al.*, 2020).

### **2. Slowdown of the manufacturing process**

a) Due to improper supply of goods such as packaging materials, API, excipients, etc. input raw materials are not easily available in the manufacturing site (**Dua D *et al.*, 2020**).

b) Indian police administration or local authorities operates the toll posts/check posts in the states like Haryana, Himachal Pradesh and Rajasthan where they not allowing the pharmaceutical company employees to pass through these toll post/check post and they were also creating trouble in passing out for logistics of recently produced medicines and drugs by the pharmaceutical companies (**Dua D *et al.*, 2020**).

c) Shortage of manpower.

### **3. Impact of legislation on export**

a) *COVID-19* cases are increasing everyday in India. Due to this, Department of Pharmaceuticals under the Ministry of Chemical and Fertilizer, Government of India, constituted a committee that recommended restricting the exports of few pharmaceuticals products to streamline the local availability and the possible domestic shortages of drugs during the COVID-19 outbreak. On March 3rd, 2020 Director-General of Foreign Trade issued a press release note regarding amendment on the export policy of pharmaceutical compounds, especially for 13 Active Pharmaceutical Ingredients, and the formulations (Notification No: 50/2015-20) made from these Active Pharmaceutical Ingredients (APIs) were moved from "Free" to "Restricted" list with instantaneous effect. Thus more medicine formulations made available in our country included Paracetamol, Chloramphenicol, Acyclovir, Vitamins B1, B6, B12, Metronidazole, Progesterone, Tinidazole, Erythromycin Salts, Ornidazole, Neomycin, Clindamycin salts, etc (Dua D *et al.*, 2020).

b) Restrictions on pharmaceutical export by India have created a problematic situation for countries that are depending on Indian generic medicine export. It was reported that, there was a huge national shortage of certain listed drugs mainly Paracetamol in some countries such as the United Kingdom (Dua D *et al.*, 2020).

c) International demand for Hydroxychloroquine (HCQ) has increased after a pilot-scale test indicated that the drug showed some positive response against *COVID-19*. On March 25th, 2020 the Indian government restricted the export of anti-malarial drugs especially Hydroxychloroquine (HCQ) with instantaneous effect to ensure sufficient availability of the medicine in the Indian domestic or local market (Directorate General of Foreign Trade (DGFT) vides (62) notification no: 54/2015-2020) (Dua D *et al.*, 2020).

4. **Loss of Inventory**- On March 3, 2020 Director-General of Foreign Trade released a Notification in form of press release in which amending the export policy of 13 Active Pharmaceutical Ingredients (APIs) and the formulations (Notification No: 50/2015-20) made from these Active Pharmaceutical Ingredients (APIs) were moved from "Free" to "Restricted" list with instantaneous effect. Therefore, the listed medicines formulations like hormones and Vitamins are generally having shelf life between 18 to 24 months. If the restriction continues then the buyers would not accept the medicines those produced and specially packaged and labeled for country specific destination before the legislation for the export purpose/. And those formulations also cannot be utilized for domestic consumption purposes because of national regulatory requirements of IP specification for domestic sales (Dua D *et al.*, 2020).

According to RBI press release data, May 2020, India's gross exports (Merchandise and Services combined) in the month between April to May 2020-21\* are estimated to be USD 61.57 billion, exhibiting a negative growth of (-) 33.66 % over a similar amount last year. Gross imports from April to May 2020-21\* are estimated to be USD 57.19 billion, exhibiting a negative growth of (-) 48.31 % over a similar amount last year.

**\*Note:** the newest information for the services sector released by Reserve Bank of India (RBI) is for April 2020. The information for May 2020 is an estimation, which will be revised based on Reserve Bank of India's subsequent release

#### **Measures and Initiatives taken by the Government to resolve the situation**

- 1.) On 20th March 2020, the Directorate General of Foreign Trade had given some relief to the manufacturing of products who listed against the advance licenses and for those companies that produce goods in Special Economic Zone units (DGFT-GOI, March 2020).
- 2.) On 4th April 2020, the Government of India had removed all the privileges given in earlier Notification-54 and imposed a complete ban on exports of Hydroxychloroquine (HCQ) & its formulations vide Directorate General of Foreign Trade (DGFT) notification No: 01/2015-20 (DGFT-GOI, April 2020).
- 3.) On 6th April 2020, the Government of India has withdrawn restrictions on 24 products which include 12 APIs & its formulations except for Paracetamol & its formulations (DGFT-GOI, April 2020).
- 4.) The Indian government allowed the release of the exports of Hydroxychloroquine (HCQ) & Paracetamol to countries that needed license in Paracetamol and Hydroxychloroquine (HCQ) in appropriate quantities. Especially giving priority to those countries that depend on our capabilities. In this way, India supplied Hydroxychloroquine (HCQ) tablets to over 50 countries (DGFT-GOI, April 2020).
- 5.) On 17<sup>th</sup> April 2020, the Indian government removed the restrictions on exports of Formulations like Paracetamol (DGFT-GOI, April 2020).

- 6.) Giving special provision and permission which allows the employee movement who work in the pharmaceutical companies and travel from one state to another state.
- 7.) There is no restriction in any state for the medicine and their associated goods carrier.
- 8.) The government also increased the duration for repayment of loans which gives time to recover for the losses.

<b>Month (2020)</b>	<b>Pharma export Growth rate</b>
February	7.7%
March	-23.24%
April	0.25%
May	17.32%

\*Data source: *Press release, Ministry of Commerce; India (2020)*

**Data Interpretation:** We have seen in the Table 1,

- 1.) In March, 2020 pharmaceutical export shows a negative growth rate due to the effect of *COVID-19*.
- 2.) In April, 2020, only 0.25% growth happens due to nationwide lockdown and lots of restrictions on the export of various goods.
- 3.) The Pharmaceutical export market shows a positive impact, and an improved 17.32% growth rate is observed in May, 2020.

### **Conclusion**

The finding of this study shows the effect of the *COVID-19* pharmaceutical export market and it also helps to understand the role of the government to handle this situation. Due to nationwide lockdown, the negative impacts were seen in the month of March 2020 on the Indian pharmaceutical export market. Indian government took various measures and implemented actions to recover from this situation. In the Month of May, 2020 the pharmaceutical export market gives positive results and they not only recover but their growth is 2 to 3 times higher than before lockdown.

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