

Impact of Covid-19 on Indian Pharmaceutical Industry

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Abstract

COVID-19 pandemic affecting industries across the globe. The corona virus outbreak has started to hit India's pharmaceutical sector by raising the prices of key ingredients. This study discussed the Impact of COVID-19 on the Indian Pharmaceutical Industry and finally, the scenario for COVID-19, Market Size of the Pharmaceutical Industry, and Drug Value Chains discussed. Data has to be collected from multiple sources of evidence to understand the importance and overview of the Indian Pharmaceutical Industry, in addition to books, journals, various websites, and newspapers.

Keywords: COVID-19, Outbreak, Pandemic, Pharmaceutical industry, Drug Value Chains.

Introduction

India, known as the Pharmacy of the World, is the largest provider of generic drugs and one of the biggest suppliers of low-cost vaccines globally. India has contributed significantly to global healthcare by ensuring high quality, affordable and accessible medicines around the world. In December 2019, and the novel corona virus disease (COVID-19) was discovered and identified in Wuhan, China. On March 11th, the COVID-19 outbreak was characterized as a global pandemic by the world health organization (WHO)¹ Most people infected with the Covid-19 virus will experience mild to moderate respiratory illness and may recover without requiring special treatment. The best way to prevent and slow down transmission is to be well informed about the Covid-19 virus, the disease it causes and how it spreads. Protect yourself and others from infection by washing your hands or using an alcohol based rub frequently and not touching your face. The Covid-19 virus spreads primarily through droplets of saliva or discharge from the nose when an infected person coughs or sneezes, so it's important that you also practice respiratory etiquette (for example, by coughing into a flexed elbow)². The ongoing COVID-19 pandemic has shown the Indian pharmaceutical sector in good light recently, while at the same time, it has significantly exposed the frailties of the sector³.

Pharmaceutical Industry Market Size

The global pharmacy industry is around \$1.3 trillion and within that, generics is around \$270 billion and India accounts for 3% of the global pharmacy sector which is at \$40 billion today. We are a very large exporting organization, close to 19-20 billion of our industry's output is exported and 40% of the export is predominately going to the US and some to the UK and other countries like South Africa⁴ The Indian pharmaceutical sector is expected to grow to US\$ 100 billion, while the medical device market is expected to grow US\$ 25 billion by 2025.

Pharmaceuticals export from India stood at US\$ 20.70 billion in FY20. Pharmaceutical export includes bulk drugs, intermediates, drug formulations, biological, Ayush and herbal products and surgical. India's biotechnology industry comprising biopharmaceuticals, bio-services, bio-agriculture, bio-industry, and bioinformatics is expected to grow at an average growth rate of around 30% a y-o-y to reach US\$ 100 billion by 2025. India's domestic pharmaceutical market turnover reached Rs 1.4 lakh crore (US\$ 20.03 billion) in 2019, up 9.8% y-o-y from Rs 129,015 crore (US\$ 18.12 billion) in 2018⁵.

Indian Pharmaceutical Industry

The COVID-19 pandemic is having a mixed bag for the Indian Pharmaceutical Market (IPM) that registered a muted growth in July on the back of a sharper decline in volumes and higher off take of trade generic medicines⁶ According to a report on the Indian pharmaceutical industry, the source of APIs is a crucial part of the pharma industry's strategic plan to combat the COVID-19 pandemic. The majority of APIs for generic drug manufacturing across the globe are sourced from India⁷ The Indian pharma sector is an important component of the global healthcare infrastructure and is instrumental in saving millions of lives every year. However, like all other sectors, it too has been affected by COVID-19 that has brought about various changes⁸.

The pharmaceutical industry is currently valued at \$41 bn. Generic drugs, with 71% market share, from the largest segment of the Pharmaceutical industry in India. This is set to grow as exports of generics to the US rise, as branded drugs worth \$55 bn will become off-patent during 2017-2019. In the domestic market by revenue, Anti-Infective (13.6%), Cardiac (12.4%) and Gastrointestinal (11.5%) had the biggest market share. Indian pharmaceutical sector is expected to grow to \$ 65 billion industry by 2024⁹

According to the Department of Pharmaceuticals (DoP), India is the source of 60,000 generic brands and home to 3,000 pharma companies with a strong network of over 10,500 manufacturing facilities. The DoP aims to make the country a hub for end-to-end drug discovery under its 'Pharma Vision 2020'¹⁰ Only after the corona virus pandemic kicked in, the Indian pharma industry realized its over-dependence on Chinese raw materials. However, under Prime Minister Narendra Modi's AtmaNirbhar Bharat mission, the country is gradually stepping up towards becoming self-reliant in the drug business. "India is the world's largest provider of generic drugs and caters to over 50 percent of worldwide demand for many vaccines"¹¹. The government can boost Indian pharma R&D by implementing streamlined and accelerated regulatory and testing pathways for all drugs (including those for Covid-19). The increase in overall innovation/R&D can provide a long-term thrust to Indian pharmaceuticals¹²

Figure 1: Drug Value Chains



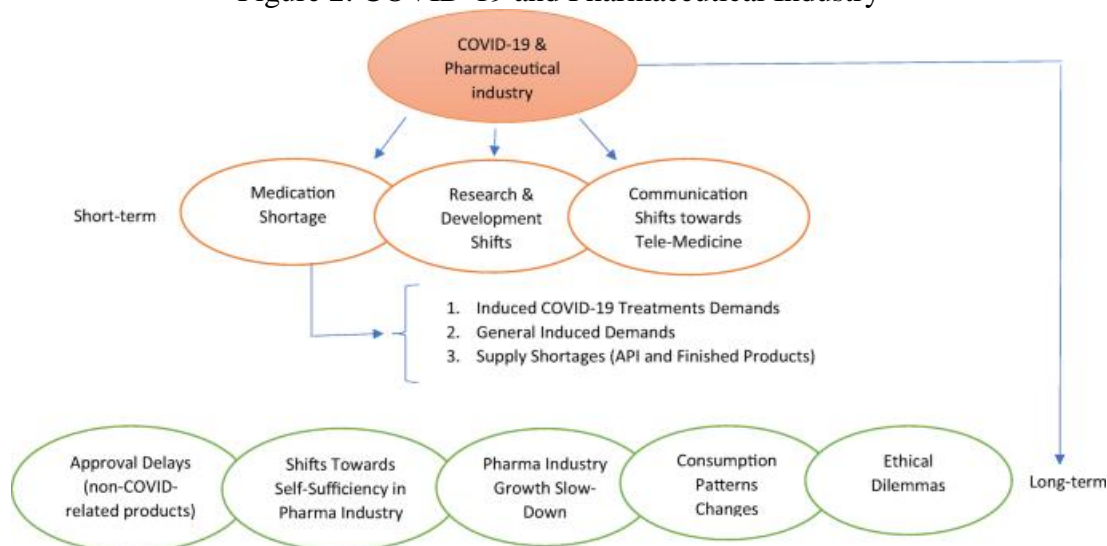
Source: <https://intueriglobal.com/opportunities-in-the-indian-pharmaceutical-sector-post-covid-19/>

Impact of COVID-19 on Pharma Industry

If the current COVID-19 pandemic lasts for a medium/long span of time, it may impact the supply of active material and ingredients (mainly from China), as well as the import and export of pharmaceuticals¹³. Prices of raw materials have shot up amid limited supply, production schedules have been interrupted, factories have been shut down and shipping costs are sky-high in most countries. The impact on the Indian pharma sector is typically evident, given that most raw materials are procured from China, the epicenter of the outbreak¹⁴.

The sudden change in preferred therapies by masses has just taken a sharp turn from the pre-COVID period when gastric, vitamin therapies were most widely used. Probably, the concern that corona virus impacts adversely chronic heart, lung and diabetics severely had turned people into buying more medicines for these ailments¹⁵. COVID-19 has presented Indian pharma companies with a brilliant opportunity. If these companies are able to rise to the challenge and deliver a vaccine against the disease, they will create history¹⁶. Several Indian pharma companies (Aurobindo, Dr. Reddy, Glenmark) have acquired US ANDA (abbreviated new drug application) portfolios which will aid growth going forward. The growth in FY-2021 is expected to be supported by a 1.88 percent WPI linked price hike for the domestic NLEM (National List of Essential Medicines) portfolio¹⁷.

Figure 2: COVID-19 and Pharmaceutical Industry



Source: <https://link.springer.com/article/10.1007/s40199-020-00358-5>

Rising price of drugs

India's manufacturers rely heavily on imports of their APIs from China. As a result of the lockdowns and closures, slowed production of APIs resulted in less availability and higher costs for the materials required for generics production. As per the current data, cost of paracetamol has gone up from Rs 250-300 kg to 400-450 kg. Similarly, the prices of vitamins and penicillin have also increased tremendously¹⁸.

Labour shortage

The manufacturing volumes after declining to 50%-60% in April 2020, given the strict lockdown, has improved significantly to 60%-80% of the original capacities during May-June 2020, as per our industry interactions. The overall manufacturing activities had reduced, given

the lack of manpower availability and lower availability of transportation for the staff in the initial days¹⁹.

Inter-state transport challenges

A considerable chunk of medicine is supplied across the country from Baddi, Goa, and Sikkim. Restricted transport during the lockdown made it difficult for the movement of drugs and affected the distributors and retailers alike²⁰

Conclusion

The activities from COVID-19 are with a need to change the overall impression of Indian pharmaceutical associations and even more altogether, reduce the dependence of the private pharma associations on alone suppliers like China²¹. As countries are willing to invest in the Indian market for the supply of COVID-19 vaccine and medical equipment, this is the chance for India to become truly atmanirbhar in the pharmaceutical segment²². Post-COVID-19, India needs to strengthen its pharma R&D ecosystem to tap into emerging drug development opportunities, particularly in the realm of infectious diseases. As the global R&D ecosystem moves towards a more collaborative approach and possibly accelerated new drug development cycles, India needs to reorient its pharma industry to become an innovation hub²³

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