



Indian Pharma – A Visible Silver Lining?

May 2020

Indian Pharma – Key Statistics

- India is the third largest pharmaceutical market in the world by volume.
- In its report, “India Pharma 2020”, McKinsey & Company had projected for \$55 billion, with the potential to achieve \$70 billion. But it had also thrown in a caveat. “In a pessimistic scenario characterized by regulatory controls and economic slowdown, the market will be depressed and is expected to reach USD 35 billion.”
- The Indian pharma exports have witnessed a growth of 7.57 per cent in FY 2019-20 as against 10.72 per cent in the last fiscal year, owing to COVID. It has touched \$20.58 billion as against \$19.13 billion during the same period in the last year.
- Over 65% of WHO demand for DPT & BCG and 90% measles vaccines are supplied by India.
- Four Indian companies are among the top ten generic companies in the world.

KEY DEVELOPMENTS RELATED TO COVID

- *Four Indian pharma companies have just signed a partnership agreement with US-based Gilead for supply of its experimental coronavirus drug Remdesivir.*
- *Serum Institute, the world’s largest manufacturer of vaccines by volume, is working on several candidates for the novel coronavirus—including potentially mass-producing the AstraZeneca/Oxford university one that has garnered global headlines—as well as developing its own.*
- *India has identified at least six local vaccine candidates with 30 groups trying to develop a vaccine for Covid-19. Besides, around 10 drugs are being re-purposed for use in treatment of the disease and are under different stages of trials*





Pharma Companies Seem To Be Emerging As A Safer Bet In The Current Scenario

- The pharma sector's weight on Nifty50 has risen to 3.7% from 2.17% in January, as Mutual Funds have increased their weightage on pharma.
- According to Motilal Oswal, Institutional exposure of pharmaceuticals stocks is at a 40-month high.
- Out of the top 20 asset management companies by AUM, 14 are overweight on the sector by 110-670 basis points compared with its 6.2% weight in the BSE 200 index.

AXIS CAPITAL

The Indian biopharma industry is now in a sweet spot, given the high earnings visibility, supply opportunities due to demand and shortages in the US and Europe, a depreciating currency and faster approvals for facilities having minor issues. As against this, Indian companies were experiencing pricing pressure and margin squeeze due to consolidation of wholesalers and severe regulatory scrutiny, causing loss of business and market capitalisation. Leading Indian companies lost over \$1 billion in market cap in the last one year.

HDFC Securities

“The next one or two quarters may be difficult for the pharma companies since they are likely to see a decline in volumes. However, after the volumes start picking up, the stock prices may start performing again.” Deepak Jasani, head - retail research, HDFC Securities

MOTILAL OSWAL

Pharma stocks are back on the radar after years of underperformance amid easing of regulatory oversight in the US and cheaper valuations.





The Pandemic Could Leave the Sector With Immense Opportunity

- While this pandemic has thrown up several challenges, it has also created immense opportunity for the industry.
- Countries across the globe are now looking at alternative suppliers - Indian pharma can tap this and reclaim the ground it had lost to countries such as China.
- There will be a leaning towards generics, the world over and India being a supplier of high quality and cost-effective drugs to the world might stand to benefit
- Indian drug manufacturers are receiving regulatory clearances for many of their plants found to be short of current Good Manufacturing Practices (cGMP) benchmarks of the US Food and Drug Administration (USFDA) due to shortage of medicines in the US, owing to COVID.

"The US and Europe are primary export destinations. We heavily export paracetamol, ritonavir and key drugs like HCQ to these nations. With demand moving upwards, there is tremendous potential for us to make further inroads in international markets,"

Umang Vora, Managing Director and Global CEO, Cipla

"Increasingly, countries would want security over supply chains, and this is an opportunity for deeply vertically-integrated players to make more in-country manufacturing moves in line with major market requirements,"

Nilesh Gupta, Managing Director, Lupin.

