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Opportunities for Pharma emerging from the Corona Crisis

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The onslaught of Covid-19, popularly called the Corona virus, has managed to wreak havoc globally, since its origination in China. It has not only posed a risk to the health of people but has also brought forward an imminent threat to the health of economies across the globe. The spill over effects have seeped into a multitude of industries, by disrupting supply chains and even causing the temporary crippled many businesses. The Indian pharmaceutical industry is no exception to this debilitation as it is highly dependent on imports for both its active pharmaceutical ingredient (API) and key starting material (KSM) intermediaries. Nevertheless, behind these dark clouds, there might have a silver lining for the future of the Indian pharmaceutical industry; as it adapts to cope with the current exigencies, it is may ready itself to take on a more dominant role in the future.

Currently, the biggest challenges on hand for the sector is finding a vaccine for covid-19. Accordingly, pharmaceutical companies have been driven to invest in R&D towards finding an effective solution. These initiatives have been facilitated by the government, with the DCGI (Drugs Controller General of India) has offered several measures to pharma companies for enabling a timely and effective, including fast-track approvals and expedited clinical trial permissions. The presence of this conducive environment with government support will incentivise companies to invigorate their operations to come up with a drug or vaccine. It also presents the Indian pharma industry with the future opportunity to explore and innovate and claim the first mover's advantage in the world economy.

At the same time, given the lack of testing facilities and equipment in India, companies in the pharma sector are also seizing the opportunity to create fully functional diagnostic kits for testing the presence of the virus in patients. In a recent video conference between the PM, government health officials, bureaucrats and the heads of pharmaceutical associations, payers in the pharma industry were urged to capitalize on this opportunity to increase their scale of production to readily provide medical equipment at nominal rates yet maintain their profit margins. This is another avenue which the industry could look into.

Last, but not the least, there lies a massive opportunity for the Indian pharmaceutical industry in the line of intermediate material production. Over the past couple of decades, Indian drug manufacturers were dependent on China for essential elements like APl and KSM for drug formulations. Even though these commodities were available in India, as Chinese imports were far more economical, they obliterated Indian production. With the recent mayhem in the Chinese economy, there was severe disruption in the supply of these consequential ingredients in various pharmaceutical drugs.

In light of these events, the government is taking several initiatives including provision of financial incentives for indigenous production of this APIs and KSMs. If companies in the pharma sector swiftly move towards the manufacturing of these commodities, they can capitalize on the opportunity and capture the large market. This will not only improve the profitability of the pharma sector by utilising indigenously produced ingredients at extremely competitive prices but also take forward the vision of ‘Make in India’ and hence attract multifarious incentives and even relocation of global supply chains to the country.

Within the pharmaceutical space, the fast-growing bio-pharma segment has been brought into focus as it urgently uses its skills, technology and resources to find safe, effective diagnostics, treatments and vaccines for COVID-19 patients around the world. Recognising its contribution to the prevention and deep, effective cures for various contagions as well as lifestyle afflictions, the government has been working towards building an ecosystem that comprises education, resources, state-of-the-art technology and mentorship within this sector.

All these enabling reforms and rapid responses of domestic players, which have largely emerged due to current crisis, could help catapult the pharma industry into a leading global powerhouse in times to come.