

Drugs & Pharma Update H1FY21

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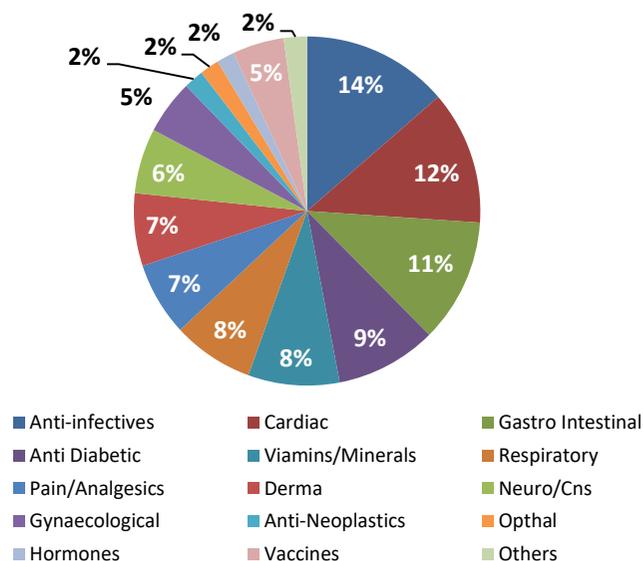
Domestic pharma market

The operations of pharma industry being considered ‘necessary’ came under the ambit of essential manufacturing during Covid-19 induced lockdown. This supported the pharma facilities to operate though at lower capacities in the initial days of lockdown. The operating capacities of the industry however improved with easing of restrictions in later phases of lockdown.

During the lockdown period, while demand from segments like women healthcare, dermatology and orthopaedic were impacted as treatment for such ailments were kept on hold, higher off take was witnessed by low immunity segments dealing with diabetes, cardiology, respiratory, oncology illness among others. Resultantly, better off take was seen in chronic therapy segments like cardiology and anti-diabetic. Sales from acute therapy segments like anti-infectives and pain/analgesics however were affected as staying and working from home helped people stay healthy. Besides, people have taken care of themselves to stay fit so as to avoid infections and doctor visits. Also, lower number of elective surgeries has resulted in lower prescriptions of anti-infectives, analgesics and gastro intestinal drugs.

It is to be noted that the domestic pharma market is divided into various segments as shown in Chart 1 below. These segments however are primarily classified into two broad categories: acute (like anti-infectives, pain/analgesics etc.) and chronic therapies (like cardiac, gastro intestinal, anti-diabetic etc.).

Chart 1: Indian pharmaceutical market segments as per turnover FY18 (in %)

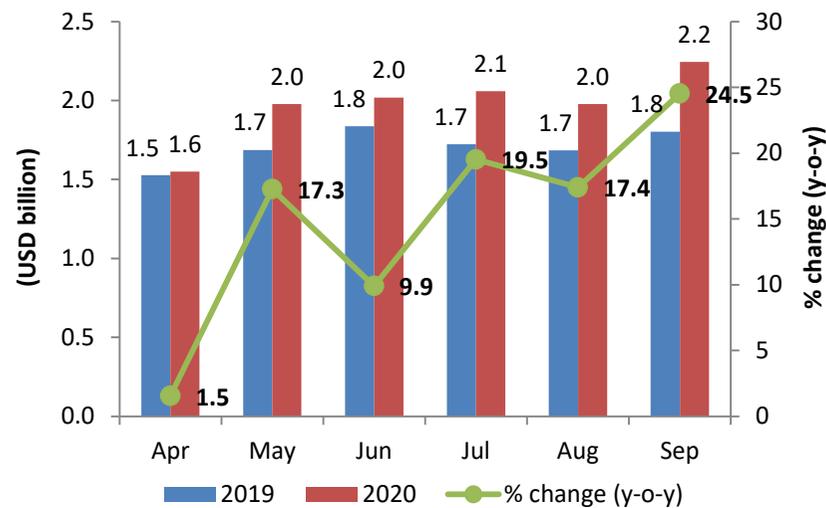


Source: IBEF

Pharma export market

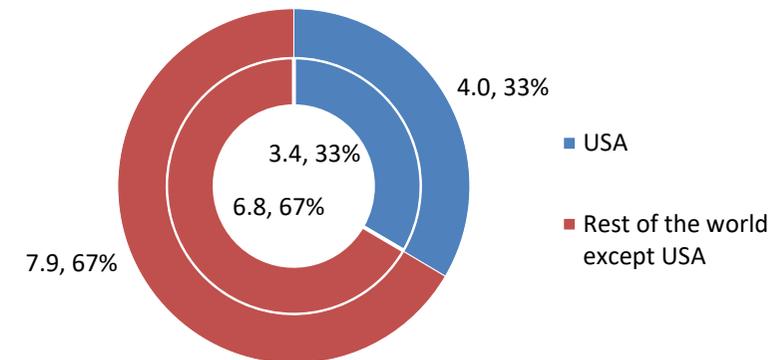
Exports form a significant portion of the Indian pharma industry and accounts for about half of the industry's sales. On a cumulative basis, the pharma exports from India increased by 15.2% to USD 11.8 billion during the first half of FY21. This was backed not only backed by growth in the primary market (USA) but by also an increase in exports to markets other than USA. While pharma outbound shipments to USA were up by 15.5% to almost USD 4 billion, exports to markets other than USA were also higher by a similar growth of 15.1%. Exports to USA accounted for about 33% of the total outbound shipments during H1FY21 (Refer Chart 3 below).

Chart 2: Trend in pharma exports H1FY21



Source: CMIE

Chart 3: Share of USA and other markets in pharma exports (USD billion)



Note: Inner circle represents exports for H1FY20 and outer circle represents exports for H1FY21

Source: CMIE

It is to be noted that the pharma exports were hit in the month of April 2020 due to Covid-19 disruptions as it was up only by a marginal 1.5% on a y-o-y basis. The exports however increased in double-digits in the following months during May-August 2020 in the range of 17%-20% except for June 2020 where it grew by 10%. In the month of September 2020, pharma exports grew at a much faster pace of 24.5%. Higher outbound shipments were backed by easing lockdown restrictions, product launches and demand for drugs in the international market for treatment of Covid-19.

Outlook

With unlocking of economy and announcement of various unlock guidelines, the patient footfalls are gaining traction in healthcare units as demand from non-Covid-19 patients is gathering pace. Also, hospitals and patients are adapting themselves to the Covid-19 environment and social distancing norms. Thus the operations of healthcare industry are estimated to return to normal levels only from Q3FY21 onwards which is expected to augur well for the Indian pharma industry as it will result in higher prescription of medicines from hospitals, clinics, OPD centres, local clinics and doctors. However, we might not see operations at pre-Covid level rates in the current quarter for all the areas of ailments primarily non-high priority treatments (dermatology, orthopaedic etc.) which, in turn, will restrict prescription of these drugs. It is to be noted that the e-consultations and other home care services will provide support to the pharma industry.

In addition to this, the industry will continue to see demand from the domestic as well as international markets for some of the antivirals, antimalarials and antibiotics given the spread of Covid-19. Moreover, the demand for Indian drugs in the international market will be supported by new product launches thereby aiding the Indian pharma exports. Thus, the demand for drugs is expected to remain steady to a large extent. However, the industry is likely to face delay in product launches and clinical trials given the current scenario. Besides, Covid-19 has also led to deferment of physical inspections by the USFDA which has delayed in commencement of the pharma units and also launch of products.

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