Russia-Ukraine Crisis Influences Indian Pharma Industry

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Writing for Asia Business Law Journal, Managing Associate Dr Sachin Malik tries to decipher what this ongoing conflict means for the Indian Pharmaceutical industry. The Russia-Ukraine war impact on Indian pharma has become increasingly evident at a time when the industry is still recovering from the global pandemic. India accounts for more than 20% of total generic medicine exports globally and contributes to nearly 60% of the world's vaccination requirements, making the sector particularly vulnerable to geopolitical disruptions. .The Indian pharmaceutical sector is valued at approximately USD42 billion. The Indian pharmaceutical industry ranks third in volume and 13th in value worldwide. From a pharmaceutical viewpoint, Russia and Ukraine are important export markets for India, and the former is one of the biggest importers of Indian generic medicines. In addition to the impact imposed by the global pandemic, the pharmaceutical supply chains are now facing another serious setback due to Russia's invasion of Ukraine. The prices of all the active pharmaceutical ingredients (APIs) had seen a sharp rise during the pandemic due to various importers and exporters stocking up. While the pharmaceutical industry is still reeling under the pandemic, the Russia-Ukraine conflict now poses yet another significant challenge to the industry. The ongoing Russia-Ukraine war has hit the country's pharmaceutical industry, with trade at least declining by 50% as many manufacturers who export drugs to Russia are claiming that they are yet to receive their payments. In addition, the production cycle has been affected because if the manufacturers do not receive their payments on time, production will be hindered. From the current scenario, it seems no solution is possible until the conflict ends. These developments further underline the Russia-Ukraine war impact on Indian pharma, particularly in relation to stalled payments, disrupted production cycles and uncertainty in export-oriented operations. India's drug exports to Russia amount to 2.4% of total pharmaceutical exports, while exports to Ukraine have a share of 0.74%. India's fourth-biggest pharmaceutical company by market value, Dr Reddy's Laboratories, exports various pharmaceutical products in Russia and is a major distributor for Russia's Sputnik covid-19 vaccine in India. Russia's covid-19 vaccine, Sputnik V, is being manufactured in India, backed by the Russian Direct Investment Fund (RDIF). It is expected that the manufacture and export of Sputnik V will slow down, given various sanctions on Russia's sovereign wealth fund imposed by the US. Apart from Dr Reddy's, other major Indian pharmaceutical firms such as Sun Pharma and Glenmark Pharmaceuticals are caught in the Russia-Ukraine conflict. Russia is part of Sun Pharma's business in emerging markets and has acquired an 85.1% stake in JSC Biosintez, a Russian pharmaceutical company, for USD24 million. Biosintez is a Russian pharmaceutical company focusing on the hospital segment with annual revenues of about USD52 million in 2015. It has a production facility capable of manufacturing a wide variety of dosage forms, including pharmaceuticals for injections, blood substitutes, blood preservatives, ampoules, tablets, ointment, creams, gels, suppositories, APIs, etc. Glenmark is a

global research-led pharmaceutical company with a presence across generics, speciality and over the counter (OTC) business segments with operations in more than 50 countries. Ranked 52nd in the Russian market, Glenmark has launched various products in key therapeutic areas. Glenmark has recently launched a number of its own products and licensed goods in both Russia and the Ukraine. The company, through its Swiss subsidiary, Glenmark Specialty, has recently launched an allergy rhinitis product, the Ryaltris spray, which received marketing approval from the Ministry of Health of the Russian Federation in 2021. Glenmark has had a strong established presence in Russia for more than 30 years, which will enable them to lead the commercialisation of this product in the country. Sanctions against Russian banks are also alarming as they will affect the trade payments from that country, making it very difficult for the pharma industry to do business in Russia. These will have long-term consequences and will disrupt the world economy. As far as the Ukraine is concerned, India is the third-largest exporter of pharmaceuticals to the country after Germany and France. Pharmaceutical products are among the major products exported by India to Ukraine. Indian generic companies like Ranbaxy, Sun Group and Dr Reddy's Laboratories have a strong presence in Ukraine, and the Russian invasion is likely to dent in their pharmaceutical exports. However, the situation is not completely dire and there could be some reprieve for Indian businesses even in these grim circumstances. In view of the various sanctions imposed by the US, Indian pharmaceutical companies may get an opportunity to replace the Western manufacturers leaving the Russian market. Most importantly, Indian exporters have to adopt a wait-and-watch approach to the fallout of financial sanctions on Russia. While the world has already started seeing the adverse impact of the Russia-Ukraine war on the economy and trade, the impact on the Indian pharmaceutical industry will only become more evident in the coming months.

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