

Chapter 24

Impact of the Russian Invasion of Ukraine on the Indian Pharmaceutical Sector

Rajesh Tiwari

 <https://orcid.org/0000-0002-5345-2508>

Graphic Era University, India

Vivek Verma

 <https://orcid.org/0000-0002-0406-4322>

Graphic Era University, India

Vibhuti Jain

 <https://orcid.org/0009-0009-8602-6116>

Graphic Era University, India

Vanshika Kakkar

Graphic Era University, India

ABSTRACT

India is the largest supplier of generic drugs in the world. India is the third largest by volume and fourteenth most significant in terms of the value of production of pharma products globally. The study examines the war's impact on the Indian pharmaceutical sector. The pharma stock data is obtained from the National Stock Exchange (NSE) India website. The war between Russia and Ukraine had no significant impact on the returns of Indian pharma stocks. India has a diversified pharmaceutical sector. Though Russia Ukraine had no significant impact on Indian pharmaceutical sector. It has opened up an opportunity for the Indian pharma firms to leverage good diplomatic relations and expand its operations in both Russia and Ukraine by building production centres in both countries. The diversification enhances the diversity in market operations for Indian firms and provides both Russia and Ukraine with a trusted neutral supplier.

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I. INTRODUCTION

According to the survey of the Indian Economy in 2021, the pharmaceutical market is anticipated to expand thrice within a decade. The pharma market is expected to increase to USD 130 billion by 2030 (Ren et al., 2021). The biotechnology sector will grow to USD 70.2 billion by 2025. The medical device sector is anticipated to growth 37% between 2020 and 2025. The Indian pharmaceutical industry sources 60% of vaccine demand in the world. India is the 12th most significant exporter of medicines globally. India exported USD 24.60 billion worth of pharmaceutical products. The sector had a trade surplus of USD 15.81 billion in 2022. The national digital health blueprint is estimated to create USD 200 billion in economic value in the next decade (S. Singh et al., 2022). The Indian government has prioritised healthcare and allocated USD 419.2 million for research and development while allocating USD 10.86 billion for the Ministry of Health (IBEF, 2024). To provide impetus to the pharmaceutical industry, the Indian government has provided an outlay of USD 665.5 million for 2022 to 2026 (Raza et al., 2015). The strength of the Indian pharmaceutical sector was witnessed during the COVID-19 pandemic when India saved millions of lives by supplying indigenously developed COVID-19 vaccines worldwide. To the support domestic pharmaceutical industry, the Indian government has initiated a linked incentive (PLI) scheme worth USD 951.27 million from 2021 to 2030 (Thakur & Kumar, 2021).

The Indian pharmaceutical sector has also been influenced by the COVID-19 pandemic and the Russia-Ukraine war. Exports to Ukraine have increased by 44% in 2021—a 6.95% in exports to Russia (Sharma, 2022). However, the rise in prices of active pharmaceutical ingredients (APIs) has adversely impacted the Indian pharmaceutical sector. 50% of trade has been badly affected due to pending payments due to war (Bashir et al., 2020).

The government has prioritized the development of the pharmaceutical sector in India, allowing 100% foreign direct investment (FDI) for Greenfield projects (Bhushan et al., 2021; Khursheed et al., 2019; Patel, 2011). Fundamental support mechanisms for the industry include establishing special-purpose vehicles, simplifying pharmaceutical barcoding, subsidies for power, land, and water, and creating capacity for pharma hubs (A. Singh et al., 2015).

Russia does not have the same strength in the pharmaceuticals sector as in defense technology and oil. Nonetheless, we continue to supply medicines and other pharmaceutical products to Russia (Bhyan et al., 2011; Guo et al., 2020; Nagaraju & Chawla, 2020). Collaborating with our Russian counterparts will enable us to learn from one another and create opportunities to expand and enhance our pharmaceutical trade (Mahesh et al., 2014). Russia has a robust research and development foundation in the pharmaceutical and vaccine sectors and is home to several prominent pharmaceutical companies. It has already established itself as one of the top destinations for Indian pharmaceutical firms (S. Singh et al., 2019).

II. REVIEW OF LITERATURE

Affected by the shortages of pharmaceutical products, Russia is exploring joint ventures with the Indian pharmaceutical sector to set up plants in Russia and encouraging India to increase the export of pharmaceutical products to Russia (Siddique et al., 2018). The COVID-19 pandemic, followed by the war between Russia and Ukraine, has adversely impacted the supply chain worldwide (Kour et al., 2021). Dependence on imports for APIs has reduced the competitiveness of the Indian pharmaceutical sector. The Russia-Ukraine war has negatively impacted research and development in the pharmaceutical

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