

## **Impact of Lockdown and Government Policies on Indian Stock Market Particularly in Pharmaceutical Industry**

**Vishesh Phogaat**

MBA, Symbiosis Institute of Management Studies, Pune, India

**Abstract:** The most comprehensive brief trade study explores the status of the COVID-19 Pharmaceutical Industry and stock market. First, using the developing countries as an illustration, on a global scale, and then on a regional scale in India, we would research the short-term and long-term impact of epidemics on natural resources and the pharmaceutical industry regulations. Identifying these results is important to assist leaders in designing more evidence-based policies to tackle the issues that surround them. Globally we are observing various industries are facing a huge crisis due to the COVID-19 pandemic. The coronavirus outbreak is only creating severe hamper to the public health but also to their livelihood. The year 2020 is really a year of crisis for sure, to the financial markets and the world economy. Almost all the sectors and industries were withstanding the economic slowdown. Even large-cap and blue-chip companies were not the exception. In spite of such an unprecedented decline in the share prices across the board, there is one segment that has been showing a ray of hope: the pharmaceutical industry. In this article we try to investigate the impact of the covid -19 and consequential on pharma stock prices. **Keyword:** COVID-19, Pharmaceutical Industry, Stock Market, Pharma Stock Prices

### **I. Introduction**

New coronavirus disease (COVID-19) was discovered and documented in December 2019, in Wuhan, China. On March 11 the World Health Organization (WHO) announced the COVID-19 pandemic to be a regional pandemic. COVID-19 circulated quickly across the planet over the following months, infecting 2.5 million individuals by 23 April 2020. The COVID-19 pandemic threatens both the financial economy and the pharmaceutical business. In fact, there is no successful cure for this growing viral disease, but the pharmaceutical industry is helping the government tackle COVID-19's unmet needs, from research and development to creative forms of securing supply chain networks. For pharmaceutical goods in moments for disaster. So the pharmaceutical sector seeks to preserve the market's normal balance. Since the latest pandemic has affected exposure to critical medicines at reasonable rates, that is the healthcare system's primary target.

In addition to evaluating the pharmaceutical system's problems globally due to diversification, business research in developed countries with pharmaceutical markets may illustrate further impacts. One clear example could be Iran's evaluation of a developed world seriously impacted by COVID-19 disease. So far as in developed countries where the economy is growing, this is the first step to recognize such problems. Iran as a developed nation of middle-income has a generic product industry. The State National Pharmaceutical Policy (NDP) governs the bill and was last revised in 2014. The core material of Iran's NDP is a pharmacy strategy focused on generic medicines, encouraging local manufacturing, price regulation and domestic business dependent on formulations. The Iranian Ministry of Health (MOH) promotes domestic development and seeks to expand medication supply and affordability; thus, Iran has increased access to quality medicines. While more than 95 percent (in terms of sales volume) of medicines on the Iranian market are manufactured domestically, the manufacture of such medicines depends on raw material imports is a difficult issue. Today, over half of active pharmaceutical ingredients are developed worldwide, with the rest originating from well-known Indian and Chinese firms. For certain instances, it even falls from the Central and Eastern European businesses. One of the major concerns of the pharmaceutical industry is the pharmaceutical

production's reliance on imports of raw materials from countries impacted by COVID-19, such as China. As of April 28, 2020, there were 900,000 people diagnosed with SARS-CoV-2 in Iran, with a mortality rate of 1.38 percent; this is compatible with updated global figures. The total frequency of COVID-19-related hospitalizations has risen from < 0.1 percent for 10-19 years to 4.3 percent for 40-49 years, while 50-59 years have doubled to 8.2 percent, according to global statistics.

## II. Background

**Chatterjee (2020)**, India is struggling to sustain the availability of active pharmaceutical ingredients in this country, leading to the closing of Chinese factories. Posted in New Delhi, by Patralekha Chatterjee. India offers low-cost, generic medications to millions of people worldwide. Indian pharmaceutical firms, however, procure about 70 percent of active pharmaceutical ingredients (API) from China, and China is the largest manufacturer and exporter of APIs in the world. With the closing of Chinese factories in an attempt to curb the spread of coronavirus disease in 2019, pharmaceutical firms and the Indian government have started to fear about the Indian product supply chain's fragility. They see a lot of strain on the pharmaceutical supply chain to export to China. In addition to labor shortages, due to many restrictions on trade, transportation, and logistics teams, more and more state governments are lagging behind, leading to a mandatory 14-day exclusion plan for returning employees. They said people are especially concerned with statin development and with other antibiotics.

Recent price hikes for acetaminophen, supplements, and penicillin have also been published in Indian newspapers. "Part of the fear is also attributed to the fact that the merchants began to stockpile APIs after hearing that the outbreak had begun, contributing to an artificial scarcity of APIs. "BR Sikri, chairman of the Pharmacy Entrepreneurs' Group, told *The Lancet*.

Sudarshan Jain, Pharmaceutical Federation of India Secretary-General said: "There is no reason to worry so far." "Large pharmaceutical firms have enough supplies of APIs for 2-3 months. They are now evaluating [India Pharmaceuticals Alliance representatives have supplies of completed APIs and preparations and are closely watching the situation in China" In 1991, Chinese components constituted just 0.3 per cent of India's API imports. As Indian pharmaceutical manufacturers began to adopt recipes, however, they started importing APIs from China, where the production cost is smaller.

Indian APIs are increasingly dependent on China, which is seen as a health and safety issue. In 2018, the Federal Government of India established a task force to reopen the API industry. The Indian government has conducted many high-level meetings with key Indian pharmaceutical industry leaders during the past two weeks to boost the API development potential in India. Such a meeting organized by the government advisory group NITI Aayog proposed some recommendations, such as speeding up factory building clearance, including required permits from the Ministry of the Environment, preferential support for electricity and supporting energy center growth of Manufacture drugs.

**Sarkees et al. (2020)**, The COVID-19 pandemic has placed tremendous strain on the global pharmaceutical industry and is worth \$ 1 trillion. Through this article the opioid crisis and price wars are also being discussed in the region. While the cycle of product production typically takes ten years or longer, COVID-19's pace has prompted federal authorities to reject the practice of stability. Competition for successful care and healthcare has exposed awareness holes that business researchers need to address, allowing them to be more involved in potential crises.

**Badreldin & Atallah (2020)**, in this post, Wuhan, China, was liable for the coronavirus disease 2019 (COVID-19). The World Health Organization (WHO) has named COVID-19 a Global Pandemic. COVID-19 may have more severe effects, such as self-limiting exhaustion, sore throat and coughing, and these symptoms can worsen into syndrome with intense respiratory difficulty. Drug shortages have become an extremely severe global issue, leading to blockades

and rising demand. This report seeks to explain the effect of this pandemic on health care and the possible effects of opioid shortages, and the position played by pharmacists and opioid decision makers in alleviating this growing issue.

**Ayati et al. (2020)**, in this March 11, 2020 report the World Health Organization listed the most current coronavirus disease (COVID-19) as a global pandemic in 2019. It happens in the short and long term and it needs careful recognition and preparation to reduce the socio-economic strain. The COVID-19 pandemic has taken the healthcare sector, and the pharmaceutical business, into severe turmoil. They also direct decision-makers to create more evidence-based approaches to address future obstacles, in addition to recognizing such consequences.

**Ozili & Arun (2020)**, explored health problem turn into an economic crisis in this article. The solution lies in the two forms the coronavirus cuts down economic development. First of all, it has been disrupted in financial markets, policy institutions, companies and operations and reached its height due to the increasing gap between the disease and community. Third, the dissemination of the outbreak has increased, the uncertainty over the extent of the situation has worsened and global buyers, investors and partners' intake and investment has been higher. They concentrate on the timeframe from 2020 to March, when the coronavirus begins spreading to other countries and markets. They use real-world findings to assess the restrictive steps taken during this time, monetary policy steps, fiscal policy measures and public health measures. They also looked empirically into the effect of measures of social isolation on economic growth and market indices. Results of the survey suggest that the growth of vacations, monetary policy moves and the ban of international travel have a substantial effect on the pace of economic operation and the closure, starting, minimum and maximum prices of major index securities. Conversely, while the rise in the amount of locally reported cases of coronavirus may not have a substantial effect on the rates of economic activity, limits on foreign transfers and higher spending on fiscal policy have had a beneficial influence on economic activity levels.

**Jha & Sharma (2020)** explored on COVID-19 that dominated the environment in this report, which has had a huge influence on human life and the economy. Humanity confronted the biggest threat since World War II. While the planet is trying to deal with this pandemic, citizens have often posed concerns about the position of China in the COVID-19 epidemic. Throughout the post-COVID-19 environment of China, the issues under consideration cover the new supply chain architecture and the diversified demands of corporate governance and crisis management. In this background, this paper explores the important role that the Indian pharmaceutical industry may play in the post-COVID-19 growth of India's status as world leaders.

**Aravind & Manojkrishnan (2020)**, this research intends to analyze how the epidemic of the Covid 19 affects the large pharmaceutical stocks mentioned on the Indian National Stock Exchange. They picked ten leading pharmaceutical firms to be classified in the NSE. These shares are focused purely on these businesses' stock valuation. The general conclusion of this analysis is that pharmaceutical stocks reverse (opposite effect) the general consumer pattern. The era of inquiry is split into the pre-crisis phase, and the time of Covid-19. Information contains 123 average price reports from ten listed drug firms. The time of research is from September 3, 2019 to February 28, 2020. Data from the study suggest that the momentum impact is continuing as pharmaceutical stocks shift according to the general benchmark. Only two firms, Aurobindo Pharma Ltd and Lupine Ltd, registered separate patterns in returns during the study era. This study also indicates that given the overall downturn in industry dynamics, businesses with excellent brand reputations such as Sun Pharma, Cipla and Glenmark tend to be thriving in periods of crisis. This essay encourages the Indian pharmaceutical industry to expand and improve its R&D efforts in order to ensure its profitable operations in the long term.

### **III. COVID-19 short and long-term impacts on pharmaceutical sector**

COVID-19 can be dubbed a century of pharmaceutical industry growth. This would raise demand for pharmaceutical medications, vaccinations, and medical devices. That can be called

one of the COVID-19 epidemic's big short-term consequences. Nevertheless, the consequences are both short-term and long-term. It is explained below.

**Short-Term Impacts:** COVID-19's short-term effect on the health sector would be performance shifts, demand shortages, panic selling and distribution improvements, regulatory revisions, shifts in communication and promotional strategies, all transitioning to remote access by enhanced infrastructure and R&D. The analysis can be seen here.

**Demand change:** If the demand is inadequate, especially for chronic diseases, it could be attributable to a pandemic (connected to COVID-19) and the imminent procurement of oral medicines, or the lack of supply chain...

**Shift of Communication and Promotions to Remote Interactions through Tele-Communication and Tele-Health:** Globally and globally, the advertisement and distribution of health goods and patients has moved from face-to-face contact to online connectivity because of social control measures; it is ideal and lobbying and patient care behaviors. The number of patients in a doctor's office or pharmacy in the United States has declined from 70% to 80%. In Iran, the Higher Insurance Council approved telemedicine insurance policy for the first time in May 2020. That can contribute to improvements in the healthcare market's long-term actions.

#### **IV. Research and Development Changes**

Globally, the studies or current clinical trials contain at least 113 medicines or facilities and 53 vaccinations as a treatment for COVID-19 patients. As of 23 April 2020, about 924 simultaneous COVID-19 clinical studies are being performed worldwide. In the reference sample, about 15 percent of such trials are focused on traditional RCT, double-blind, and multi-center randomization, but about 40 percent have not yet been randomized.

**Long-Term Impacts:** The long-term effect of COVID-19 may be viewed as legal instability for the healthcare and pharmaceutical sectors, a step toward self-sufficiency in pharmaceutical manufacturing and supply chain, sluggish business development and potential shifts in customer behavior.

**Delayed Approvals for Non-COVID-Related Pharmaceutical Products:** Both countries are in a crisis condition like Iran. The key problem is the administration of COVID-19, which can postpone many months in accepting the application, thus slowing acceptance. Throughout Iran, the implementation of IML, enrollment, and repayment decisions was long postponed owing to the economic crisis. This condition will carry it to full. This was also impacted, for around half a month, by the closing of the regulator.

**Moving Towards Self-Sufficiency In Pharma Industry:** India and China are the main raw materials and generic medicines suppliers. The possible shortages caused by the export bans of India and China have forced policy makers in some countries to seek supply chain self-sufficiency and announce that they will prevent these crises. Governance failed. In this context, in March 2020, the European Commission released new recommendations on foreign direct investment and unrestricted capital movement from third world countries; it was noted that EU foreign investment, especially those affecting the healthy economy, should be assessed as risk. Evite some negative impacts on the EU's capacity to satisfy its residents' safety needs. Until this incident, Iran's pharmaceutical sector was being self-sufficient owing to restrictions and import

difficulties. Nevertheless, the COVID-19 pandemic could prompt further restrictions on imports, which could also stimulate local manufacturing surveillance.

**Pharmaceutical industry growth slow-down;** in several nations, the coronavirus pandemic has triggered a slowdown in economic development, which may contribute to a slowdown in the pharmaceutical sector, which is very responsive to economic growth in the world. Particularly in countries with large market shares such as Iran. The decline of demand development results from the launch of innovative medications. It is because their holdings have shifted to the preferences of pharmaceutical firms. Note, though, that the healthcare sector was less impacted by the downturn of economic activity of past recessions, and did not necessarily pursue this pattern.

**Ethical considerations:** The implementation of evidence-based harmful treatments is one of the long-term consequences of continuing developments in health research related to current epidemics. Ethical problems should be addressed while administering such drugs. The long-term therapeutic consequences of utilizing such approaches over the coming years will be studied in the selection of approved treatments, and health care professionals will make educated choices on the usage of inferior interventions in clinical practice;

**Consumption trend changes in health-related products:** Consumption patterns and supplemental medications can alter, particularly in the area of chronic disease management, and the evolving telemedicine may also impact them. Now the public cares over preserving personal hygiene. Using primarily safety of the nose / mouth, environmentally safe anti-infective fabrics, shoes, hand sanitizer. Such intake may now occur in general, national and regional behavior, owing to the current pandemic. Consequently, the Indian stock markets observed one of the major crashes ever since their nascent stage. The benchmark indices SENSEX and NIFTY declined by around 20% since the beginning of March, 2020.

## **V. Impact of Lockdown and Government Policies on Indian Stock Market of Pharma Sectors**

Investors have understood the potential of pharmaceutical stocks amidst the ongoing crisis. They appear to literally be on a major rise, with almost all the pharma companies, barring a few, closing in green every single trading day. Various reports suggested that both the major indices in pharmaceutical stocks – S&P BSE Healthcare and Nifty Pharma increased about 36% and 42% respectively since March 23, 2020. This huge uplift in demand for pharmaceutical stocks provides an apple and golden investment opportunity for retail and institutional investors. Parallel diagnostic laboratories have also observed a major uptrend and a sharp rise in their share prices. The stock prices of both Dr. Lal Pathlabs and Thyrocare, two of the biggest diagnostics firms in India, have grown tremendously by around 20% and 14% respectively since March 23, 2020. This phenomenal rise in share prices was triggered by rising health awareness among consumers and an increase in the number of preventive checkups and diagnostic lab testing. The aftermath of the covid-19 outbreak and the government-imposed lockdown is clearly evident in financial markets. Yet we are not getting a clear picture about the fundamental impact different industries are withstanding. Several surveys and researches have been conducted by different organizations. Some projections regarding the impact of covid -19 on the pharma sector can be presented on the basis of analysis by various analysts and industry body FICCI.

### **India pharma's global standing**

The Indian pharmaceutical sector, with global demand with generic drugs by value, can be listed as a market leader in generic drugs internationally and mostly locally. Medicines made in our

country are shipped to developing countries such as the United States, UK and Japan and are deemed secure and good quality medicines. But in recent years India is witnessing a rising competition from countries like China. It became possible as China is efficiently taking benefits of their cost advantages, manufacturing intermediates and APIs at lower cost. These are the primary cause of increasing number of API imports from China to India. This is potentially destroying the domestic manufacturing capabilities for the primary APIs and their advanced intermediates.

### **Risks from India pharma's China linkages**

India's strong dependence on China's imports (about 70 percent in value) has generated a problem for India's healthcare manufacturing and global supply chain. As Indian pharmaceutical firms have developed the supply chain strongly to accentuate the provision of added value with higher margins, this over-reliance on China is certainly a red flag for health protection in India, as some of these vital APIs are necessary to curb the rising burden of disease in India.

### **Supply chain disruption for India pharma:**

Every form of disturbance in the API supply chain is likely to cause a severe crisis in India's supply of vital medicines. The National List of Important Medicines (NLEM) contains several vital APIs for types of high-burden diseases, such as coronary disease, diabetes and tuberculosis. Ultimately, for many antibiotics the demand is reliant on China. As a result of China's major efforts to create economies of scale, loosening regulations for bulk drug producers, abundance of low-cost facilities, improve better process performance, the growing dependence on low-cost APIs started. Help to producers in the form of discounts and tax breaks and business benefits.

India has generally lost ground in the manufacture of APIs due to a lack of policy funding and API-focused facilities linked to difficulty in securing manufacturing plant permits, impeded emission clearances, rising product depletion rates, regulatory and price regulation policies are some of the main factors confronting the bulk drug industry.

### **Major earnings cuts ahead for pharma firms**

As per the report of Edelweiss Securities is concerned, we can state that COVID-19 has impacted the pharma industry in granular level. It led to a huge crisis and challenge for the supply chain in every sector. Earnings have witnessed a decline of 10-15%. Pharma segment is rising amid all other segments. Outlook pharmaceutical companies have seen a strong uptrend in recent months. Not only is this seen in India but it is also a global trend. Globally now pharmaceutical firms are in a successful place.

### **Relative stability, Reasonable Valuations**

HDFC Securities said that given the Covid supply chain slowdown, the Indian pharmaceutical market is fairly stable, and is projected to grow dramatically. Cover businesses are projected to rise by 11 per cent in the next two years. So far this year, the pharmaceutical sector posted a rise of 1% and surpassed the Nifty Index by 28%. Global exposure stocks are favored, because they have more earnings detail.

## **VI. Indian Pharmaceutical Industry Stock Market and Covid1-19 Impact**

Indian pharma sector was exhibiting the major impact of COVID-19 induced lockdown restrictions. It was evident that the acute segment and chronic treatment segment was performing very low as a result of delay in surgeries in the last few months. As a result of the lockdown there was a huge decline in surgeries and that triggered a lower sale in injectable medicines. The pharma sector was showing a weak trend in April -June quarter earnings. The Nifty Pharma

index increased significantly to 42% in the June quarter of the current fiscal as contrasted to a 10.8 per cent fall in the March quarter of the last financial year.

The impact of COVID-19 was really harsh for every industry, the impact has somehow impacted the pharma industry as well, The growth in this pharma industry became stagnant. This industry is observing a major downfall in sales at -11.7% year-on-year in the month of April. There were several factors behind this major downfall in this specific industry. Supply chain disruption was one major aspect. This was because of a huge reduction in manpower in the factories and logistic problems due to this lockdown. And one major aspect was in the lack of demand. Due to lockdown people were less opting for new treatment, diagnosis and elective surgeries. There was only demand of COVID-19 related drugs.

The colossal decline in the pharma industries was being witnessed by some big players of this industry. Cipla's sales declined by 28%. On the other hand, GlaxoSmithKline, Dr Reddy Laboratories, Zydus Cadila were facing a downfall of 25 % each. While in the domestic market, strong pre-buying was observed for chronic medicines in the March end in an assumption of medicine scarcity and an extended lockdown. Something different can be contrasted in the cardiac segment. This segment observed 13% rise Year on Year. Along with cardiac segment anti-diabetic category jumped 10%. That was really a commendable growth as per the situation is concerned. Only these segments performed really well in the course of lockdown. Other big players were facing through the heat of double-digit decline in sales.

Supply chain at the global level was severely affected. So this impact can be sustainable on a long term basis. Although it can be stated that there is always a demand for chronic medicine in India, so this segment will bounce back soon. Analysts project that Cipla is best placed in the pharma sector to sustain the covid-19 crisis. A well-diversified portfolio of this company is a major reason for this sustainability in this time of unprecedented crisis.

## **VII. Conclusion**

Because of the pandemic, the moving of physicians and nurses from their usual jobs to other locations has rendered such healthcare professionals more reliant on clinical pharmacists, and more focused on pharmacists than ever on the team. Although clinical pharmacists can work in different settings or represent particular classes of individuals, they typically focus on medication regulations, orders, computerized order entry, databases for product knowledge and recommendations from agents. This paper discussed the state of the pharmaceutical and financial sector COVID-19. First, using the developing countries as an illustration, on a global scale, and then in India on a regional scale, we would investigate the short-term and long-term impact of epidemics on natural resources and pharmaceutical industry regulations. Identifying these findings is crucial to help policymakers develop more evidence-based strategies to tackle problems affecting them. Globally, numerous companies are facing a major challenge due to this pandemic. The coronavirus disease poses serious obstacles to public health, but also to their survival. The pandemic year of uncertainty for the capital markets and the global economy. Across all markets and businesses faced global decline. Only large-cap and blue-chip corporations were not the exception. Amid such an extraordinary fall in share values around the board, one section showed a ray of hope: pharmaceutical industry. In this article we try to investigate the impact of covid-19 on pharmaceutical stock prices.

## **References**

Aravind, M., & Manojkrishnan, C. G. (2020). COVID 19: Effect on leading pharmaceutical stocks listed with NSE. *International Journal of Research in Pharmaceutical Sciences*, 11(SPL1), 31-36.

- Ayati, N., Saiyarsarai, P., & Nikfar, S. (2020). Short- and long-term impacts of COVID-19 on the pharmaceutical sector. *DARU Journal of Pharmaceutical Sciences*, 1-7.
- Badreldin, H. A., & Atallah, B. (2020). Global drug shortages due to COVID-19: Impact on patient care and mitigation strategies. *Research in Social and Administrative Pharmacy*.
- Chatterjee, P. (2020). Indian pharma threatened by COVID-19 shutdowns in China. *The Lancet*, 395(10225), 675.
- Jha, R., & Sharma, A. (2020). India's Pharmaceutical Industry: Global Supply Chain and Governance in the Post-COVID-19 World. *Available at SSRN 3622794*.
- Ozili, P. K., & Arun, T. (2020). Spillover of COVID-19: impact on the Global Economy. *Available at SSRN 3562570*.
- Sarkees, M. E., Fitzgerald, M. P., & Lamberton, C. (2020). The Pandemic Ripple Effect: Understanding Marketing and Public Policy Opportunities in the Pharmaceutical Industry. *Journal of Public Policy & Marketing*, 0743915620930693.