

Prolonged crisis in Ukraine could affect Indian pharma companies

New Delhi, 18 March 2104: While recent developments in Ukraine have had no immediate impact on the businesses of leading Indian pharmaceutical companies based in Ukraine, it is felt that if the situation continues then it could have a bearing on the country's exchange rate that would make the landed cost of Indian pharmaceuticals higher. This was brought out in a quick survey conducted by FICCI among representatives of leading Indian pharmaceutical companies based in the country.

Ukraine is India's second largest trading partner in the CIS after Russia. In 2012-13, India's total trade with Ukraine was USD 3.18 billion of which, our exports were USD 519 million and imports were USD 2.65 billion.

Exports of pharmaceuticals from India in 2012-13 was USD 154 million which is about 30 per cent of our total exports to Ukraine.

The troubled region of Crimea has traditionally accounted for just about 5-6 per cent of the sales of the leading Indian pharmaceutical companies, and is not a large market. However, there have been reasons for concern over a likely impact on the pharmaceutical companies, largely due to a recent devaluation of the local currency (Hryvnia) against the USD.

From an exchange rate of 1 USD = 8.20 Hryvnia in mid December, the exchange rate in the beginning of March was 1 USD = 9.86 Hryvnia, a devaluation of 20 per cent. As on date the exchange rate stands at 9.05 Hryvnia to one USD.

Though the industry has staved off immediate fallout of the crisis in Ukraine, industry is worried that if the trend continues, the price of imported products in Ukraine will become expensive. The higher landed cost will ultimately affect the end consumer.

While it is still early to say whether the recent turn of events would impact pharmaceutical sales in the medium to long term, industry is taking comfort from the absence of any threat in the short run and is hoping for a revival of the economy once the present crisis is over.

FICCI MEDIA DIVISION