



# INTERNATIONAL RESEARCH JOURNAL OF HUMANITIES AND INTERDISCIPLINARY STUDIES

( Peer-reviewed, Refereed, Indexed & Open Access Journal )

DOI : 03.2021-11278686

ISSN : 2582-8568

IMPACT FACTOR : 5.71 (SJIF 2021)

## JUXTAPOSITION EFFECT ON INDIAN PHARMACEUTICAL STOCK PRICES IN POST-COVID-19 ERA

**Alan Vellaiparambill**

Research Scholar,

Christ University, Bangalore (Karnataka)

E-mail: [alan.george@res.christuniversity.in](mailto:alan.george@res.christuniversity.in)

DOI No. **03.2021-11278686**

DOI Link :: <https://doi-ds.org/doilink/07.2021-47215735/IRJHIS2107007>

### **Abstract:**

*When modern medicines are used widely for healing instead of India's medical practices, a shield that had been ignored by Indian investors and media is resurfacing from the ashes; the Indian Pharmaceutical Companies. The stock prices of the Indian Pharma companies were dipped significantly over the last four years, and when the demand for a cure is in the limelight like never before. The Indian Pharma companies listed in BSE and NSE had their share of the favourable tide. Apart from the development, repurposing the existing drugs also found quite promising during these trial-and-error scenarios supportive to the Indian pharma companies. Nevertheless, as a nation, is India doing what it could do to benefit from this opportunity in disguise? The author is trying to portray the realities of Atmanirbhar Bharat with a pinch of reality about the associated Pharma companies.*

**Keywords:** Indian Pharmaceutical Companies, API, Indian Investors, Covid-19.

### **Introduction:**

India-A South Asian country that has a history and mythology all synchronising with its shreds of evidence dated back from 1500 BCE in medicine and study of the human body. A nation where the tale of "MrutuSanjeevani" and Vedic healing along with the art of Ayurveda prevails. The mesmerising stories of magical cure in the land of Sushruta, Chanakya and Vagbhatta was never short of surprises. The keen observation fuelled by passionate research and formulation of a cure for ailing counterparts was considered noble in this land for ages. The honourable profession of Vaidyas and the ethical factors involved in it was widely acclaimed and respected from various accounts, including that of Greek travellers and Buddhist texts. The magico-religious practice of advanced treatment methods was all a part of the Indian medical system (Saini, 2016), and in 2020, the once-forgotten glory of the Indian medical system is reviving itself when a pandemic is roaring at the very existence of humankind. But today, with a different version as its flag bearer - Pharmaceutical

Industry.

Every civilisation that is a part of glorious human history had its roots well penetrated into the fields of science and medicine. The Indian political uprising from the early 1900s may have its elegance that was unmatched due to the ideological and ethical norms associated with them. However, the renowned healing mechanism inscribed in various *grandhas* (manuscripts) was lost significantly before and after the political landscape changes and paradigm shifts that shaped the rest of history. When the ancient civilisation had its glory woven into them was forgotten, all that was found is left unnoticed. The healing practices such as Ayurveda, Siddha, Unani and Yoga is unchecked to a more considerable extent, and the confidence vested by the commoners is deviated from what was glorified once by far-off travellers and conquerors alike.

However, today, against the Covid-19, when modern medicines are used widely for healing instead of India's medical practices, a shield that was ignored by Indian investors and media is resurging from the ashes; the Indian Pharmaceutical Companies. The stock prices of the Indian Pharma companies were dipped significantly since the last four years, and when the demand for a cure is in the limelight like never before. NIFTY PHARMA and S&P BSE Healthcare<sup>1</sup> were significant underperformers till Covid 19, and Pharma stock prices are gaining heights that were not familiar to them for the past few years. The unbelievable reality in a globalised world connected with technology and trade networks portrays a pattern shift in 2020. The innate ability of a nation to survive often resides in the hands of its citizens and healthcare industry like never before during the testing times of a global pandemic. The global supply chain is undoubtedly disrupted and has made a significant dent in the way it used to work, with China is the sole supplier hub to nations, irrespective of its size and associated demography. The need for a one-stop cure seems secondary, even if vaccine trials are happening in an outbreak paradigm with overlapping phases and shorter development time (Nicole Lurie, MD, MSPH, Melanie Saville, M.D., Richard Hatchett, MD, and Jane Halton, A.O., 2020). The impact of uncertainty in a volatile market (Nicholas Bloom, 2007) is beyond the factoring in, and the uncertainty drop always precedes the volatility overshoot. All these aspects have made their mark in the secondary markets, irrespective of the geopolitical boundaries (Baker et al., 2020).

### **The Investor and the Pharma Sector**

The contagion effect of a disease does alter the existing norms and investment patterns (Akhtaruzzaman et al., 2020). The stimulus packages and helicopter money in many nations by mid-2020 had boosted the investor morale. Yet, the spillover of a viral attack is beyond china, and this was making the global economy suffer, unleashing a possible economic recession and precisely paving its path to depression. The studies initiated on the idea of stock market volatility and return

---

<sup>1</sup>Two major indices that points out the Indian Healthcare and Pharmaceutical companies

over the same period (Diebold & Yilmaz, 2008) was significantly evolved like in the past, with gold along cryptocurrency being safe havens (Corbet et al., 2020). Despite all this, the undeniable fact of stock markets altering the course of human behaviour and saving patterns along with the health and psychological implications it has on them (Engelberg & Parsons, 2016) is framing the need for certain drugs available for immediate consumption. Yet, the fact of supply chain disruption is making it critical and troubling at the point. The reality is haunting beyond the retail investors when even the experts tend to rethink the fluctuations (Shiller, R.J.2001). Everything falling apart is systematically re-building a sector that was unattended for a long time, especially in the Indian investor perspective. And all that was a curse turns out to be a boon today in this secondary sector. The Indian Pharma sector seems to be one of the viable alternatives (Chatterjee & Jha, Raghendra and Sharma, 2020), which can possibly take over the baton from China to calibrate a cure and thereby put a kibosh on to the virus spread. When the surge in demand for affordable and reliable drugs heightened, the developed nations were given priority from the Indian policymakers, making a clear breakout to the Indian pharma sector, which was under peril since 2015 (BSE, n.d.) (*CNXPHERMA Historica Data*, 2020). All this had wiped the tears of licensing and R&D shortcomings of Indian players in the business who were comparatively late entrants into the global scenario.

The pandemic fear and death tale had wiped off a significant sum of money from investors across the globe, and no nation nor company was immune to the hammering it caused (Zhang et al., 2020). The nations were on a standstill, with almost no economic activity happening during that course of time, the stock market turned out to be more pessimistic, and the bear took over the market for a while, and the sharp fall substantiated the same. When the non-pharmaceutical interventions were themselves creating higher volatility through government interventions across the globe (Zaremba et al., 2020), along with uncertainty heightening despite the economic stimulus (Nicholas Bloom, 2007), the possibility of a stock associated with the pharma sector seems quite promising to look upon like never before, that too when the world await for a possible stop to the viral menace through a vaccine. The pharma sector outperformed in this scenario (Donadelli et al., 2017) with small and large pharma companies across the globe, which had a potential vaccine developing capability. The Indian Pharma companies listed in BSE and NSE had their share of this favourable tide. Apart from the development, repurposing the existing drugs also found quite promising during these trial and error scenarios supportive to the Indian pharma companies.

Indian Pharmaceutical industry is growing with a supply arm of over 50% coverage in aggregate global demand and being a significant player in the US and UK by providing generic products crucial for these developed economy's healthcare (IBEF, 2020). India's capacity to manufacture high quality, low priced medicines presents a huge business opportunity for the

domestic industry. Between 2008-19, the S&P BSE Healthcare Index has grown at 16.72 per cent. The recent healthcare crisis is making the process faster to leverage the potential. Hydroxychloroquine, azithromycin, Pirfenidone are the trump cards Indian Pharma companies can build their empire upon due to the economic aspects tagged with the production of these drugs at a global scale. (*India's Drug Regulator Grants Gilead Sciences Marketing Authorisation for Remdesivir - The Hindu*, n.d.). The money flown in through foreign direct investment since 2008-19 further proves the ability of pharma stocks to act as defensive stocks irrespective of the healthcare crisis and the economic crisis that often worsen the growth outlook of an economy (Thomas, 2020). The ability of the pharmaceutical stocks to override the health crisis along with being tagged under the ESG categories (BSE 100 ESG Index, Nifty 100) makes the investors venture into them more than pre-Covid days.

A recent study (Nicole Lurie, MD, MSPH, Melanie Saville, M.D., Richard Hatchett, MD, and Jane Halton, A.O., 2020) states a significant investor behaviour shift in resource allocation. It was more specific on December 31 2019, when the official declaration from China about the disease, and on March 11 2020, when WHO announced COVID 19 as a pandemic. A similar trend was visible throughout the world on similar timelines (Wagner, 2020). The NIFTY pharma and S&P BSE Healthcare were clear underperformers till this period, and when the other sectoral indices fell, these indices outperformed. The Disease-related news (DRN) did create a rippling effect, but on the contrary, the same had an evolved impact, unlike the 2008 subprime mortgage crisis nor the 2000's dot-com bubble on the healthcare sector (Donadelli et al., 2017). Particular concerns over API (Active pharma ingredients) are monumentally making the whole scenario at stake and even raised eyebrows over national security from Indian policymakers, which can be considered the only possible veil of concern (Chatterjee, 2020). A bitter pill that can devastate the very grandeur, despite of the rhetorical claims from various corners.

The rise of Indian Pharma companies into the global standards were significantly powered by the active Pharma Ingredients (API) imported from China. Making an alternative to this is under peril due to the economic inefficiency and possible environmental hazards that can take a toll on India as the infrastructure meagerness is making it impossible to compete. The 15-20% extra cost involved in making the same happen on Indian soil is way beyond "Atma-Nirbharta"<sup>2</sup> under the existing norms. The report by TIFAC<sup>3</sup>, a union ministry think tank, is setting the concrete and calling a spade a spade. When the future was still bright for an investor in the short run, the haunting facts such as 67% dependence of Chemical intermediates and API from a neighbour who strikes at the border with unacceptable claims can erode the accumulated confidence over a while. When

---

<sup>2</sup>Self-reliant India

<sup>3</sup>Technology Information Forecasting and Assessment Council (TIFAC)

globalisation was evolved and the total pharmaceutical export mix condensed to 20% in 2018 from 42% in 2008, making a stable and reliable source of API procurement must be a priority. The alternate options of importing from the US and Italy will still be scarring the already ailing trade deficit. With the 2.7 million job-creating sector in 2019 and an elegant trade surplus neutraliser (Indian Pharmaceutical Alliance, 2019), Indian Pharma companies have a long way to go.

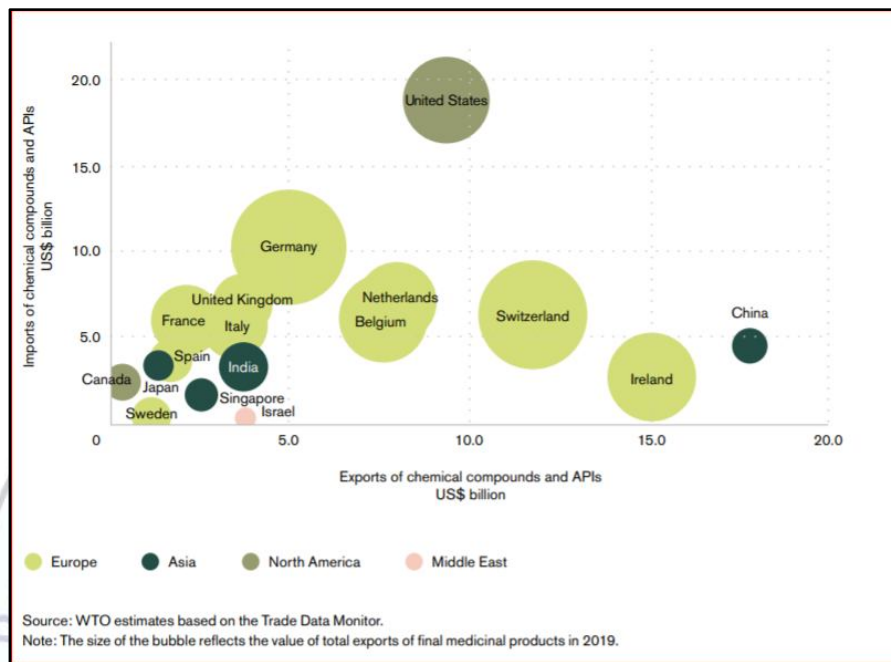


Figure 1: Export pattern across various nations – Chemical Compounds & APIs.

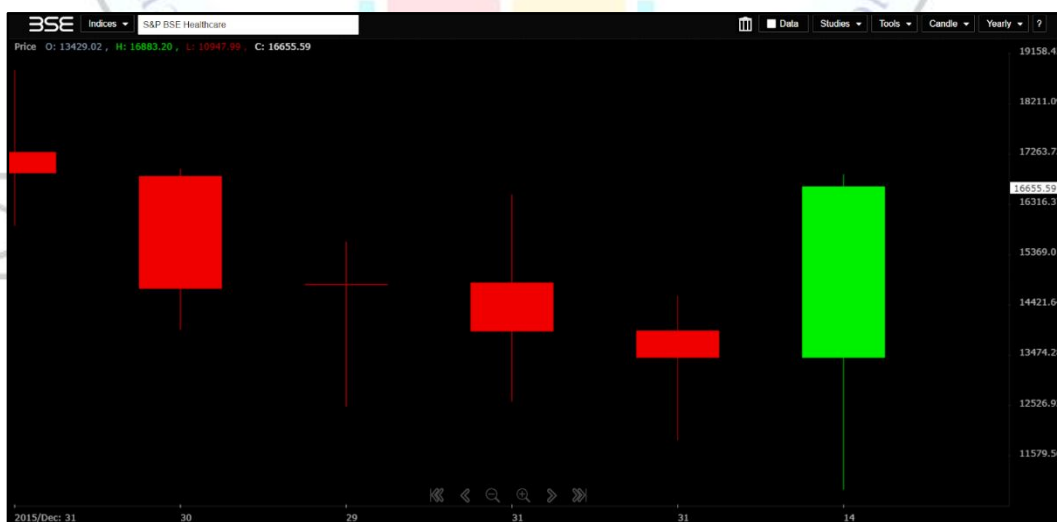


Figure 2: Performance of S&P BSE Healthcare from 2015-2020.

**Conclusion:**

The analysis of the neighbour who feeds the Indian needs in the Pharma circle today is the best inspiration. When the government intervention and policy formulation prioritised API manufacturing, a massive 15% YoY outcome is evident in Chinese Industrial return today. The sectoral booms of IT and Textile in India point out that such a state powered nudge can create Indian medicines and their manufacturers back on the track of glory, from short term to longer-term. Other requirements such as additional manpower and medical aids are left unchecked, yet the essential requirement of an in-house cure has a pivotal role. As a developing nation and a country with its heritage and history embedded in medicine and cure, India has the potential. The revived investor perception during the pandemic and the possible chances of medical emergencies in the future make this sector a hot cake for long term investors if the raw material requirements are met with urgency. Remember, the magic cure is never born by chance but by formulating the right ingredients and policies in the ever-changing geopolitical business world. After all, *Atmanirbhar Bharat* is what the nation needs for a sustainable healthcare system that is home to the second-largest population, which should cater for the needs of her people from the cradle to the grave.

**REFERENCES:**

1. Akhtaruzzaman, M., Boubaker, S., & Sensoy, A. (2020). Financial contagion during COVID-19 crisis. *Finance Research Letters*, May, 101604. <https://doi.org/10.1016/j.frl.2020.101604>
2. Baker, S., Bloom, N., Davis, S., Kost, K., Sammon, M., & Viratyosin, T. (2020). The Unprecedented Stock Market Impact of COVID-19. *National Bureau of Economic Research*, 1957–1958. <https://doi.org/10.3386/w26945>
3. BSE. (n.d.). *Historical data S&P BSE Healthcare*. 2020. Retrieved July 22, 2020, from <https://www.bseindia.com/indices/IndexArchiveData.html>
4. Chatterjee, P. (2020). Indian pharma threatened by COVID-19 shutdowns in China. *Lancet (London, England)*, 395(10225), 675. [https://doi.org/10.1016/S0140-6736\(20\)30459-1](https://doi.org/10.1016/S0140-6736(20)30459-1)
5. Chatterjee, P., & Jha, Raghendra and Sharma, A. (2020). India's Pharmaceutical Industry: Global Supply Chain and Governance in the Post- COVID-19 World. In *Lancet (London, England)* (Vol. 395, Issue 10225). Elsevier Ltd. [https://doi.org/10.1016/S0140-6736\(20\)30459-1](https://doi.org/10.1016/S0140-6736(20)30459-1)
6. *CNXPHERMA historical data*. (2020). www.Tradingview.Com. <https://in.tradingview.com/symbols/NSE-CNXPHERMA/>
7. Corbet, S., Larkin, C., & Lucey, B. (2020). The contagion effects of the COVID-19 pandemic: Evidence from gold and cryptocurrencies. *Finance Research Letters*, 35(May), 101554. <https://doi.org/10.1016/j.frl.2020.101554>

8. Diebold, F. X., & Yilmaz, K. (2008). Measuring Financial Asset Return and Volatility Spillovers, with Application to Global Equity Markets. *The Economic Journal*, 119(534), 158–171. <https://doi.org/10.1111/j.1468-0297.2008.02208.x>
9. Donadelli, M., Kizys, R., & Riedel, M. (2017). Dangerous infectious diseases: Bad news for Main Street, good news for Wall Street? *Journal of Financial Markets*, 35, 84–103. <https://doi.org/10.1016/j.finmar.2016.12.003>
10. Engelberg, J., & Parsons, C. A. (2016). Worrying about the Stock Market: Evidence from Hospital Admissions. *Journal of Finance*, 71(3), 1227–1250. <https://doi.org/10.1111/jofi.12386>
11. IBEF(India Brand Equity Foundation). (2020). *INDIAN PHARMACEUTICALS INDUSTRY REPORT* (Vol. 2, Issue 2). <https://doi.org/10.36548/jsws.2020.2>
12. *India's drug regulator grants Gilead Sciences marketing authorisation for remdesivir - The Hindu*. (n.d.). Retrieved July 23, 2020, from <https://www.thehindu.com/sci-tech/health/indias-drug-regulator-grants-gilead-sciences-marketing-authorisation-for-remdesivir/article31727034.ece>
13. Nicholas Bloom. (2007). THE IMPACT OF UNCERTAINTY SHOCKS. In *NBER WORKING PAPER SERIES THE: Vol. NBER Worki*. NATIONAL BUREAU OF ECONOMIC RESEARCH. <https://doi.org/10.1016/j.finmar.2016.12.003>
14. Nicole Lurie, M.D., M.S.P.H., Melanie Saville, M.D., Richard Hatchett, M.D., and Jane Halton, A.O., P. S. M. (2020). *Developing Covid-19 Vaccines at Pandemic Speed*. New England Journal of Medicine. <https://doi.org/10.1056/NEJMp2005630>
15. Thomas, T. (2020). Impact Of Large Cap Stocks On Movement Of Sectoral Index Of Nse. *INTERNATIONAL JOURNAL OF SCIENTIFIC & TECHNOLOGY RESEARCH*, 9, 1. [www.ijstr.org](http://www.ijstr.org)
16. Wagner, A. F. (2020). What the stock market tells us about the post-COVID-19 world. *Nature Human Behaviour*, 4(5), 440. <https://doi.org/10.1038/s41562-020-0869-y>
17. Zaremba, A., Kizys, R., Aharon, D. Y., & Demir, E. (2020). Infected Markets: Novel Coronavirus, Government Interventions, and Stock Return Volatility around the Globe. *Finance Research Letters*, 35(May), 101597. <https://doi.org/10.1016/j.frl.2020.101597>
18. Zhang, D., Hu, M., & Ji, Q. (2020). Financial markets under the global pandemic of COVID-19. *Finance Research Letters*, April, 101528. <https://doi.org/10.1016/j.frl.2020.101528>
19. Akhtaruzzaman, M., Boubaker, S., & Sensoy, A. (2020). Financial contagion during COVID-19 crisis. *Finance Research Letters*, May, 101604. <https://doi.org/10.1016/j.frl.2020.101604>

20. Baker, S., Bloom, N., Davis, S., Kost, K., Sammon, M., & Viratyosin, T. (2020). The Unprecedented Stock Market Impact of COVID-19. *National Bureau of Economic Research*, 1957–1958. <https://doi.org/10.3386/w26945>
21. BSE. (n.d.). *Historical data S&P BSE Healthcare*. 2020. Retrieved July 22, 2020, from <https://www.bseindia.com/indices/IndexArchiveData.html>
22. Chatterjee, P. (2020). Indian pharma threatened by COVID-19 shutdowns in China. *Lancet (London, England)*, 395(10225), 675. [https://doi.org/10.1016/S0140-6736\(20\)30459-1](https://doi.org/10.1016/S0140-6736(20)30459-1)
23. Chatterjee, P., & Jha, Raghendra and Sharma, A. (2020). India's Pharmaceutical Industry: Global Supply Chain and Governance in the Post- COVID-19 World. In *Lancet (London, England)* (Vol. 395, Issue 10225). Elsevier Ltd. [https://doi.org/10.1016/S0140-6736\(20\)30459-1](https://doi.org/10.1016/S0140-6736(20)30459-1)
24. *CNXPHERMA historical data*. (2020). www.Tradingview.Com. <https://in.tradingview.com/symbols/NSE-CNXPHERMA/>
25. Corbet, S., Larkin, C., & Lucey, B. (2020). The contagion effects of the COVID-19 pandemic: Evidence from gold and cryptocurrencies. *Finance Research Letters*, 35(May), 101554. <https://doi.org/10.1016/j.frl.2020.101554>
26. Diebold, F. X., & Yilmaz, K. (2008). Measuring Financial Asset Return and Volatility Spillovers, with Application to Global Equity Markets. *The Economic Journal*, 119(534), 158–171. <https://doi.org/10.1111/j.1468-0297.2008.02208.x>
27. Donadelli, M., Kizys, R., & Riedel, M. (2017). Dangerous infectious diseases: Bad news for Main Street, good news for Wall Street? *Journal of Financial Markets*, 35, 84–103. <https://doi.org/10.1016/j.finmar.2016.12.003>
28. Engelberg, J., & Parsons, C. A. (2016). Worrying about the Stock Market: Evidence from Hospital Admissions. *Journal of Finance*, 71(3), 1227–1250. <https://doi.org/10.1111/jofi.12386>
29. IBEF (India Brand Equity Foundation). (2020). *INDIAN PHARMACEUTICALS INDUSTRY REPORT* (Vol. 2, Issue 2). <https://doi.org/10.36548/jsws.2020.2>
30. *India's drug regulator grants Gilead Sciences marketing authorisation for remdesivir - The Hindu*. (n.d.). Retrieved July 23, 2020, from <https://www.thehindu.com/sci-tech/health/indias-drug-regulator-grants-gilead-sciences-marketing-authorisation-for-remdesivir/article31727034.ece>
31. Nicholas Bloom. (2007). THE IMPACT OF UNCERTAINTY SHOCKS. In *NBER WORKING PAPER SERIES THE: Vol. NBER Worki*. NATIONAL BUREAU OF ECONOMIC RESEARCH. <https://doi.org/10.1016/j.finmar.2016.12.003>



32. Nicole Lurie, M.D., M.S.P.H., Melanie Saville, M.D., Richard Hatchett, M.D., and Jane Halton, A.O., P. S. M. (2020). *Developing Covid-19 Vaccines at Pandemic Speed*. New England Journal of Medicine. <https://doi.org/10.1056/NEJMp2005630>
33. Thomas, T. (2020). Impact Of Large Cap Stocks On Movement Of Sectoral Index Of Nse. *INTERNATIONAL JOURNAL OF SCIENTIFIC & TECHNOLOGY RESEARCH*, 9, 1. [www.ijstr.org](http://www.ijstr.org)
34. Wagner, A. F. (2020). What the stock market tells us about the post-COVID-19 world. *Nature Human Behaviour*, 4(5), 440. <https://doi.org/10.1038/s41562-020-0869-y>
35. Zaremba, A., Kizys, R., Aharon, D. Y., & Demir, E. (2020). Infected Markets: Novel Coronavirus, Government Interventions, and Stock Return Volatility around the Globe. *Finance Research Letters*, 35(May), 101597. <https://doi.org/10.1016/j.frl.2020.101597>
36. Zhang, D., Hu, M., & Ji, Q. (2020). Financial markets under the global pandemic of COVID-19. *Finance Research Letters*, April, 101528. <https://doi.org/10.1016/j.frl.2020.101528>
37. Indian Pharmaceutical Alliance. (2019). *The Indian pharmaceutical industry – the way forward*. <https://www.ipa-india.org/static-files/pdf/publications/position-papers/2019/ipa-way-forward.pdf>
38. Saini, A. (2016). Physicians of ancient India. *Journal of Family Medicine and Primary Care*, 5(2), 254. <https://doi.org/10.4103/2249-4863.192322>

