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A billion-dollar destination for Indian pharma exports

Latin America accounted for 7% of India's global pharma exports of $15.3 billion in 2014-15

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In FY15, pharmaceutical exports from India to Latin America crossed the billion-dollar milestone, reaching $1,063 million. Within the region, Brazil is the largest destination for Indian pharma exports with $374 million, followed by Venezuela ($146 million), Mexico ($126 million), Colombia ($67 million), Chile ($56 million), Peru ($49 million), Argentina ($41 million), Dominican Republic ($27.6 million), Guatemala ($27.1 million) and Haiti ($26.9 million).

In fact, pharma exports constituted 7.7% of India's total exports of $13.7 billion to Latin America in 2014-15. The region also accounted for 7% of India's global pharma exports of $15.3 billion in 2014-15. In addition, pharma exports to Latin America have increased by 12% from $949 million in 2013-14, even though India's global exports have shown only a marginal increase of 2.6%.

In the past, India exported more bulk drugs (raw materials and intermediates) and less finished formulations to Latin America, but this trend has reversed since 2012-13. Of the total of $1,063 million, the value of formulations stood at $680 million and that of bulk drugs $350 million. In fact, bulk drug exports have declined from $426 million in 2011-12 to $350 million in 2014-15, reflecting the trend of growing value addition by Indian exporters. The export of finished formulations has shown a remarkable increase from $393 million in 2011-12 to $680 million in 2014-15. Exports of formulations to Brazil have almost doubled from $113 million in 2011-12 to $222 million in 2014-15, despite stringent inspection procedures of ANVISA, the Brazilian drug regulator. In the case of Venezuela, most exports are formulations. Mexico is a contrasting case where finished formulations accounted for just $20 million while the value of bulk drugs stood at $100 million.

The good news is that there is scope for India to increase exports even further. The Latin American pharma market—estimated to be around $80 billion today—is expected to touch $100 billion over the next five years. The governments of the region (majority of them centre-left) are promoting generic medicines to cut the cost of healthcare in their budgets as well as for the consumers, and are spending more on healthcare as part of their inclusive development agenda. Millions of people are coming out of poverty, thanks to pro-poor policies, and this new lower middle class can afford to buy medicines. Latin America has come to realise the value of affordable Indian generic medicines. In fact, Brazil and Chile took initiatives in the last decade to invite and encourage Indian pharma players to put pressure on MNCs and local drug-makers to increase the availability of generics and reduce the cost of medicines. Another good news is that the long distance factor has kept out small unscrupulous Indian traders and it is only reputed exporters and manufacturers from India who have invested in Latin America.

However, India's export of generics to Mexico, Chile and Peru will face challenges when these three countries ratify the Trans-Pacific Partnership (TPP), which is said to be more MNC-friendly with stricter patent protection.

Some Indian companies such as Dr Reddy's Laboratories, Lupin, Ranbaxy, Torrent, Cellofarm and IPCA Laboratories have local production facilities in Brazil and Mexico. Glenmark Pharmaceuticals has a plant for oncology products in Argentina. Some of these Latin American units are also used for exports.

There is a likelihood that Indian exports will rise even further. The pharma market of the region, estimated to be around $80 billion, is expected to touch $100 billion over the next five years

In a seminar at the National Autonomous University of Mexico in the first week of October, a Mexican expert made a comparison between the pharma patent regimes of Mexico and India. According to him, pharma companies of both countries had the same levels of scale, technology and growth till the 1980s. Mexico then adopted the patent regime of the developed world under pressure from the US and the EU, with whom it has signed FTAs. This favoured the domination of multinational drugmakers at the expense of Mexican domestic firms, who have since failed to grow like Indian pharma firms. The expert expressed admiration for the policy of the government of India which has helped create a formidable Indian pharma industry.

The growing popularity of Ayurveda in the region has also opened up opportunities for export of Ayurvedic medicines and preparations. There are some Latin American universities and institutions which give regular courses in Ayurvedic system. India needs to extend support to these Latin American initiatives and facilitate collaborations and exchange programmes with Indian Ayurvedic institutions.

The author is an expert on Latin America

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