

COVID-19- BLACKOUT FOR THE INDIAN INDUSTRIES?

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ABSTRACT

The purpose of this paper is to analyze and study the impact of coronavirus pandemic on three different sectors of Indian economy i.e. pharmaceutical, automobile and tourism sector. The lockdown has broken the back of these sectors and has given an unprecedented shock across the country. The past studies have emphasized upon such unprecedented worse effect that epidemics have brought to the economies of the countries whenever they have occurred but at the same time, these effects are short-run and the markets eventually stabilizes in the long run. Apart from studying the impact of Covid-19 on selected sectors, we have also tried to analyze the policies that have been announced so far by the Central Government to ameliorate the economic shock.

Keywords: Covid-19, Pharmaceutical, Tourism, Automobile, Lockdown

INTRODUCTION

It is a wide acknowledged fact now that the coronavirus (Covid-19) is a recently diagnosed infectious disease that has shook the entire humanity to its core. It was first tested in Wuhan, China in Dec 2019 and was recognized as novel corona virus in January 2020. World Health Organization declared this as Public Health Emergency of International Concern and declared it as Pandemic. Most countries have already undertaken extreme measures to restrict movements and impose lockdowns to control further transmission and minimize spread of infection, but by the time it had already crossed borders and territories. India also started with its Covid-19 confirmed cases by March which impacted the human population in almost every possible way.

Pharmaceutical, Automobile and Tourism are some of the sectors which were jeopardized because of restrictions which are further discussed in this report. The country's economy is facing challenges and is in a vulnerable state with sluggish growth and high debt levels. The financial markets have fallen to

significant low levels in the wake of the spread of virus. The effect of this pandemic on these sectors is multidimensional.

This study aims at analyzing the impact of the pandemic on the pharmaceutical, tourism and automobile industry across the country. The readers of this research paper will be able to understand how this outbreak had a significant effect on these sectors as compared to PreCovid-19 era. We have also included the statements of famous economists, leading CEO's of the organizations and Indian Ministry regarding the concern topics. For more clarification, we have also given our analysis about the prospective future of these sectors which makes our research article unique and different from others already existing on this topic.

PHARMACEUTICAL INDUSTRY

The Indian pharmaceutical industry is the world's third-largest drug producer by volume, thirteenth by value and the country's market manufactures 60 per cent of vaccines globally. India is the largest supplier of generic drugs that accounts

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for 20 per cent of global exports in terms of volume. Domestic pharmaceutical market turnover reached US\$18.12 billion in 2018, growing 9.4% year-on-year and US \$20.03 billion in 2019, growing 9.8% year-on-year from 18.12 billion.¹ While the market has gained confidence, it is also facing a period of flux due to the global Covid-19 pandemic. Fulfilling the necessity for several key drugs, medications and preventive medical supplies has ascended as a major concern in many countries. API (ACTIVE PHARMACEUTICAL INGREDIENTS) is the most important raw material to produce a finished medicine in the pharmaceutical industry. However, Indian manufacturers depend intensely on APIs from China for the production of their medications, securing around 70 per cent from China, the top worldwide maker and exporter of APIs by volume.

The import of raw materials from China was halted for over 2 months due to global and domestic lockdown. The continuous coronavirus emergency in China has constrained pharmaceutical and chemical companies to shut their manufacturing units from mid-January. This slowed production of APIs resulted in less availability and higher costs which is another major concern that impacts the cost of production as well as margins of Indian companies. The outbreak of Covid-19 causes potential disruptions to supply or shortages of vital medical products also. According to a note of the Ministry of Commerce, between March and May this year, there has been a 20 per cent increase in prices. As per the current data, the cost of paracetamol has gone up from Rs.250-300 per kg to 400-450 per kg. Similarly, the prices of vitamins and penicillin have also inflated to some great extent.²

Inter-state transport challenges are also a major issue. There is a lot of medicine stock that comes from Goa, Baddi, and Sikkim (Sharma, 2020). Due to the lockdown, it has become difficult to reach retailers. The administration has excluded private labs from the lockdown to guarantee that lab specialists and the transportation of tests, just as the opening of a temporary collection center, are unobstructed. Subsequent to posting double-digit growth rates for a quarter of a year straight, pharmaceutical deals in India moved to a slower pace in March 2020. Pharma stocks have seen a huge run-up. This is not just true for India, but globally too pharma companies have performed well. The pharma sector is up ~1% YTD

and has outperformed the Nifty Index by 28%.³

The Indian government undertook applaudable steps by proposing an incentive package of 13.76 billion Indian Rupees (approximately \$181 million) for the promotion of domestic manufacturing of critical key starting materials, drug intermediates, APIs, and medical devices (Dadhich, 2020).

During recent times, the way to purchase products and services has changed and basically the internet has taken over the market and customers are buying medications online frequently. E-Pharmacy adds value in the health care system because it is more convenient and easily approachable services due to transparency of price, medicine reminder, and will be working with other healthcare organizations, professionals and government agencies to address in that panic situation for customers.

E-pharmacies slog as “Evolving as a One Stop Solution for All Healthcare Needs”.

They are expected to grow 7 times to \$3.7 billion by 2022 in this pandemic situation which can be a boon for the pharmaceutical industry said by Rajnath Singh in Pharma times.⁴ E-pharmacies provide information and awareness about various medical conditions to increase patient education and awareness. With more and more people opting to stay indoors, web medications are ensuring that patients do not forego their necessary diagnostics tests by sending their phlebotomists to the patients’ doorsteps.

B L Mittal, founder and executive chairman of SastaSundar.com, a leading e-pharmacy company, told TOI that the demand for delivery of medicines has clocked a 10-15% spike in the city in order to maintain social distancing norms. Another online medical store PharmEasy recorded a staggering growth rate of 50% in orders in the last one month, the co-founder of the company, Dharmil Sheth, told TOI.⁵

As we realize, Pharmaceutical Sector has various advantages and degree increment in web-based business with the goal that the Indian Government must think about the better guidelines which can be helpful for the general public. The Ministry of Health and Family Welfare has embraced different activities utilizing Information & Communication Technologies (ICT) for improving the proficiency and adequacy of the open medicinal services framework. Some of the government initiatives and schemes for e-pharmacy are Ayushman

Bharat Health Insurance Scheme and the Jan Aushadhi Program (Singh, H., Majumdar, A., Malviya, N., 2020). Moreover, the government of India has allowed 100% Foreign Direct Investment (FDI) under the automatic route for greenfieldpharma. Also, with the introduction of product patents, companies are spending nearly 8-13 per cent of their total turnover on R&D to develop new drugs to boost sales. Therefore, government is striving towards “Pharma Vision 2020” aimed at making India a global leader in end to end drug manufacture.

AUTOMOBILE INDUSTRY

Automobile industry includes all those organizations and activities associated with the production of engine vehicles, including most parts, for example, motors and bodies, however excluding tires, batteries, and fuel. The business vital items are two-wheeler, four-wheeler, passenger vehicle and commercial vehicles. As of 2019, India is the 4th largest automobile market in the world. The vehicle area as of now contributes around 50 per cent of the assembling total national output (GDP) in India, 26 per cent of the industry GDP and 7.1 per cent of overall GDP.⁶ The investment in this segment is around \$40 billion in the most recent decade.

From a very long time, we are seeing automotive industry saw its fortunes fluctuate from month to month, from segment to segment which is dependent on various factors like raw material cost, tax rates and of course, the policies. These indicators had both a positive as well as a negative impact on the Automobile industry. The auto sector had just experienced a slowdown in the course of the last 12-18 months because of changes starting with the Goods and Services Tax, move to Shared Mobility, Axle-load changes, the Bharat Stage-IV (BS-IV) to Bharat Stage-VI (BS-VI) progress, Liquidity Crunch, etc.

With the World Health Organization announced the COVID-19 flare-up a pandemic, an extraordinary worldwide disturbance is close by. Car and segment producing plants were shuttered around the world, purchaser footfalls in showrooms have fallen forcefully, and vehicle sales started dropping. The business has nearly been at a total halt since 24th March. A delayed truncation of customer request because of the lockdown is seen fundamentally influencing vehicle manufacturer incomes and cash flows. Society of Indian Automobile Manufacturers

(SIAM) proclaimed that the plant closure of auto original gear makers and part producers will lead to loss of INR 2,300 crore for every day and an in total three-week shut down of the car business will convert into a complete income loss of INR 48,300 crore. (Joshi, 2020)⁷

TVS has reported NIL sales for the month of April 2020, having stopped production earlier on March 23 due to the ensuing nationwide lockdown.⁸ BAJAJ has also reported zero domestic sales in April this year. However, the company managed to export 32,009 units during the same period. An investigation has demonstrated that worldwide vehicle sales in March 2020 saw a 39 per cent decrease to 55.5 lakh units, contrasted with 90.3 lakh units a year prior, because of the across the nation lockdowns implemented in different nations for capturing the spread of coronavirus. TATA MOTORS has reported a nearly 82% dip in total sales during Q1 as compared to in the same period a year ago. MARUTI SUZUKI, another automobile company, has reported a 54% drop in total sales in June as compared to the units sold in the previous year. Meanwhile, the company's exports fell by 56.4%. This company has also reduced its production capacity by 97.4% in May amid coronavirus pandemic.

Indian carmakers suggested several steps to revive the industry like an impermanent tax reduction on cars, trucks and motorbikes as well as motivating forces to scrap old vehicles. In an announcement prior, SIAM had said that carmakers need a transitory, 10% cut in tax on the sale of all automobiles and gear parts and incentives, like tax rebates, for vehicle proprietors to scrap their old vehicles. Also, some of the companies are helping the nation to revive in this pandemic.

Force Motors supplied to the Government of Andhra Pradesh over one thousand ambulances including 130 advanced life support ambulances, 282 basic life support ambulances and over 656 mobile medical units that will significantly upgrade the healthcare infrastructure, improve reach and reduce response time.⁹ Automakers like Tesla and Mahindra coming out with their own versions of ventilators using their expertise to help the medical industry.

There is a high dependence on *Chinese* parts of the *Indian* auto industry. About 27% of the roughly \$4.8 billion worth of component imports into India comes from China. Some of these components are

critical and hard to source elsewhere immediately. Cheap infrastructure support, such as cheap electricity, hidden subsidies and economies of scale, make China profitable and competitive in the export market (Bhardwaj, 2020).

The effect is assessed to be higher for high value-added and customized parts, while commoditized items could move to alternate suppliers. "We don't import because we like to, but because we have no choice," said RC Bhargava, chairman of Maruti Suzuki India Ltd, the country's biggest carmaker.¹⁰

Considering the serious invasion of our territory and the unjustifiable assault of the Chinese armed force on our military, our government took several steps to protect sovereignty and integrity of India, defense of India, the security of state and public order. Analyzing the grievousness of the situation, there seems to be considerable anger against China in the country. This anger is reflected in a survey which shows that the majority i.e. 87% of the countrymen favour boycott of china-made goods. Under the Aatmanirbhar Bharat Mission and Make in India Initiative, when the government is promoting the campaign to make India self-sufficient, the call to boycott 'Made in China' products takes a surge. Moreover, importing products overtime is expensive as the rupees get weaker. This has provided this industry to take steps towards "Deep Localisation" to de-risk business from Chinese imports. Ease of doing business, availability of capital at lower rates, and globally competitive logistics and energy costs are some of the pre-requisites that the government should look into to ensure the growth of domestic auto component.

The impacts of this health crisis will have lasting implications for the economy; revised consumer choices, demand changes for most public services, fixed monetary conditions, and obviously, slamming commodity prices. The viewpoint for FY21, particularly the first half, stays weak given the macroeconomic factors. Rating agency CRISIL has estimated that this sector would see sales drop in double-digits for next year. It predicts that the maximum amount of fall will be seen in passenger vehicles with a lesser decline in the two-wheeler segment and tractors. With two-wheeler sales spread out more equally the nation over than different classes and expected to ascend to almost 47 million units

constantly 2030, this is the ideal opportunity for stakeholders to push for more electric alternatives.¹¹ However, a planned and deliberate reaction, both prompt and medium to long term, will guarantee a V shape recovery.

TOURISM INDUSTRY

India's tourism industry has significant potential taking into account the rich cultural and historical heritage, assortment in ecology, territories and places of natural beauty spread all over the country. India offers astounding decent variety in the travel industry, ranging from 38 UNESCO World Heritage sites to the different physiographic features to medical and Wildlife Tourism. According to World Travel & Tourism Council (WTTC), India ranked third among 185 countries in terms of travel & tourism's total contribution to GDP in 2018. The World Travel and Tourism Council calculated that tourism generated 16.91 lakh crore (US\$240 billion) or 9.2% of India's GDP in 2018 and supported 42.673 million jobs, 8.1% of its total employment.¹² The tourism and hospitality sector comprises of accommodation and category industry (hotels, motels, apartments, house boats, restaurants, and cafeterias), transportation industry (cruises, aviation, railways and car rentals).

The travel industry is entering an incredible emergency because of the overall panic of the coronavirus, duration and scope still unknown, which is prompting the stock market exchange crash. The effect of the coronavirus on organizations is as of now worldwide with cancellations of outings, public events, staff changes, and falls in revenue. This industry as a whole will suffer huge damages across the globe as this was the first industry to get affected and it may well be the last to recover. The whole tourism value chain including hotels, travel agents, tour operations, destinations, restaurants, family entertainment venues and air, land and sea transportation have suffered a huge blow.¹³ As the updates on the infection started picking up from November, the level of cancellations started going up in this fragment exponentially and is arriving at a pinnacle of just about 80 percent now in March in numerous Indian areas. The Indian tourism industry, travel and accommodation segment impacts almost around 10 percent of GDP.

There have been various instances reported in the country that describes the worsening of the sector- Pandemic dries up Rajasthan's tourism sector-

The state is suffering from nationwide lockdown with tourism sector taking a hit. The locals had earlier also sought government intervention to help them.¹⁴ According to a report, 81 per cent travel and tourism companies have lost their revenue up to 100 per cent while 15 per cent of the companies have witnessed it slide up to 75 per cent.¹⁵ Make My Trip fires 350 employees as the coronavirus outbreak has ravaged the tourism industry. Uber lays off around 14 per cent of its global workforce. In addition, Uber CEO Dara Khosrowshahi will forgo his salary for the rest of the year as the company continues to struggle in response to the COVID-19 pandemic.¹⁶ Oyo Hotels & Homes said that CEO Ritesh Agarwal has decided to forego 100 percent of his salary for the rest of the year and will fire around 5,000 employees globally.

The hotels across the nation are virtually closed now for a long time, profiting them essentially zero revenues. “The impact of COVID-19 has severely impacted the domestic hotel and hospitality sector in Q1 2020,” property consultant JLL India said in a report. The key issue with the hospitality industry in India is that the number of employers working in these industries are either on contract basis or on easygoing working which accounts to around 30-40% of the staff and they all come from a weaker background so shutting down the chains and other services has influenced them financially. As per Federation of Associations in Indian Tourism and Hospitality (FAITH), around 70 per cent out of a total estimated workforce of 5.5 crore (direct and indirect) could get unemployed (around 3.8 crore).¹⁷

“While the industry has received the moratorium for three months, however, it needs a minimum of one year moratorium on all working capital, principal, interest payments, loans and overdrafts. Collateral and interest free loans up to five years for SMEs (small and medium enterprises) in tourism, which will help them, sustain and rebuild,” JK Mohanty, co-chairman of FICCI national tourism council and secretary, Hotel Association of India, wrote to Finance Minister Nirmala Sitharaman.¹⁸ On June 8, 2020, according to the source, the year-over-year decline of seated diners in restaurants worldwide was a staggering 76.39 per cent. The sector has seen a negative hiring pattern of upto 91% which has made the aspiring students and the job seekers in this field anxious. (Tamanna, 2020)¹⁹ By the time placements were about to take place, the pandemic struck the

nation and now the recruiting is left in hold.

Flight network, the order of financial plans, and client confidence are for the vital factors in choosing what the future resembles. Business travel will lessen since individuals are getting settled and familiar with working together on video conferencing. VFR (visiting friends and relatives) and recreation travel will get once travel is resolved as sheltered in light of the fact that there will be a repressed interest for holidaying and meeting their family (Dean, 2020).

Considering the present situations, the Ministry of Travel and Tourism of India urged people to focus on domestic travel rather than traveling overseas. In this respect an initiative was also launched last year “Dekho Apna Desh” as there are so many incredible places to explore on our doorsteps after all it depends on the political framework conditions. The re-designing of interactions and processes will be accompanied by a new look and feel for travel and tourism. This sector will take time for it to return to normal scenario and business education that will prepare us not only to face the challenges affecting the sector but to create the change that we want to see.

CONCLUSION

While the world is still battling with the pandemic and the number of cases is rising at an unprecedented rate, we can draw some conclusions on the basis of the research we have done above. History shows that irresistible ailments, epidemics and pandemics, have been the enemies of individuals, outflanking even natural events and wars and event like COVID-19 is not too rare. Without a doubt, history is loaded with such occasions, for e.g. – Spanish flu, Influenza, Financial Crisis 2007-2008 etc. There have been various warnings from numerous sources, and the mathematical odds of an event are not too remote. Therefore, Covid-19 cannot be termed as BLACK SWAN. However, a planned and deliberate reaction would guarantee a V Shape recovery. The past studies have revealed that such an outbreak does have a worse impact on the economy in the short run but the market eventually stabilizes in the long run. Government is promoting the already growing pharma sector by allowing 100% FDI and spending on R&D along with the promotion of e-pharma. Similarly, the government has launched various schemes to promote domestic travel to revive the tourism industry with the planning of various exemptions for the people

connected to this sector. Additionally, for the critical automobile industry, various political frameworks have been designed. After all, the current circumstances are a call for activity by one and all in these troubled times and the countries continue to fight their way through the recovery phase.

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