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# Key drug ingredients, electronic parts may run short as coronavirus threatens supply

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Written by [Prabha Raghavan](#) , [Sandeep Singh](#) | [Alka Pande & Ravish Tiwarilucknow/new Delhi, New Delhi](#) |

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India's dependence on China for certain key ingredients used to make several antibiotics and vitamins as well as components for electronic products may put it in a tough spot, as the outbreak of a **novel coronavirus** in the neighbouring country has the potential to impact operations here.

China, earlier this week, decided to extend its Lunar New Year holiday to February 2 to control the spread of the virus.

“At the moment, everyone is closely evaluating the impact,” said Sudarshan Jain, secretary general, Indian Pharmaceutical Alliance, adding: “Many companies have inventory of APIs (active pharmaceutical ingredients) and intermediates keeping in mind the holidays. If they are extended beyond 10-15 days, it will have an impact on the supply chain.”

According to him, this could mean these key ingredients might become more expensive in markets that could be used as alternatives. In other cases, there is also a possibility of shortages in supply of some of ingredients like those that are used to make several antibiotics and vitamins.

“The industry has limited alternatives as there is high dependence (on China) for fermentation-based products — antibiotics and vitamins. So, their availability may be impacted if the situation persists,” Jain told [The Indian Express](#).

For all other intermediates, several companies also have local manufacturing capacities or can explore the option of other geographies that can help “in case this carries on for longer,” said Jain. “The prices of these ingredients are likely to go up in these cases.”

Even when operations in China open again, it will take time for the situation to stabilise because it takes time for the orders to be shipped here after they are placed, according to him.

“India has to seriously wake up to the reality that it is still heavily dependent on China for intermediates. This is a situation that calls for us to reduce this dependence and incentivise and encourage local production,” he added.

Experts also feel that, if the situation persists, India’s electronics industry might take a hit.

“For us, what is comforting is the fact that all Indian importers, who import from China stock up at this time of the year (ahead of the holidays every year) because of the annual break and so, as of now, there is no supply chain impact for our

businesses,” said Vinod Sharma, managing director at Deki Electronics, which manufactures and supplies several types of capacitors in the country.

“However, if the situation gets prolonged, then it can have a significant impact on several sectors including ours,” he said, adding: “What is worrying is that several million people have been quarantined and we don’t know the actual situation inside.”

India imports a “significant” amount of components from China, according to Rajat Kathuria, director and chief executive at think tank ICRIER.

“If it were just consumer goods — a final product—then the impact would have been less because it is easier to substitute a final product than it is to substitute parts of your supply chain,” he said.

“Almost everything” used to manufacture electronic products, including “critical” components like printed circuit boards (PCBs), comes from China, according to him.

## EXPLAINED

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### Essential supply chains at risk in case of more delay

“Depending on how long the situation takes to sort itself out, the longer it drags out, the impact would be higher on the value chain and companies would have to start looking at alternatives,” he said.

Another potential issue is the indirect impact that the situation could have on India, as China also has heavy presence in the supply chains of other trading partners. “[ASEAN](#), for example — a lot of their value chains are dependent on China, both in terms of intermediate as well as final products,” said Kathuria.

India’s imports from China rose to \$76.38 billion in 2017-18 from \$60.41 billion in 2014-15 before dropping to \$70.32 billion in 2018-19. According to government data, products like telecom instruments, electronic components, computer hardware peripherals, consumer electronics and organic chemicals and bulk drugs used to manufacture medicines were among the top 10 imports during this period.

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**TAGS:** Coronavirus