

The Rupee Prescription

With APIs and generics in its arsenal, India's pharma sector could help script a bigger role for its currency on the world stage



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INDIA'S pharmaceutical sector has long carried the label of "the pharmacy of the world." From life-saving antiretrovirals supplied to Africa to affordable generics filling U.S. prescriptions, Indian drugmakers have built a reputation for scale, affordability, and quality. But in the past few years, that reputation has transformed into something more strategic: resilience.

When the pandemic and geopolitical frictions exposed the risks of overdependence on Chinese Active Pharmaceutical Ingredients (APIs), India accelerated efforts to strengthen its domestic base. Production-linked incentives, bulk drug parks, and backward integration by leading firms have reduced vulnerabilities. API imports

from China, which once accounted for over 70% of India's needs, have begun to decline, while Indian firms are expanding capacity and even exporting key ingredients.

At the same time, Indian generics have entrenched themselves as indispensable to the world's largest market. Nearly 40–50% of all generics consumed in the U.S. originate in India, according to industry estimates. For American insurers and government programs like Medicare, these imports aren't optional—they're what keep drug bills manageable.

This dual achievement—greater self-reliance at home and deep dependence abroad—offers India a new kind of leverage. It raises the question: can pharma power be harnessed not just for healthcare, but for reshaping how India trades—with the Rupee at the center?

The Case for a Rupee Trade Push

The idea of using the Rupee for international trade has gained momentum in recent years. Settlements in local currency reduce dollar exposure, cut transaction costs, and protect exporters from currency swings. For partners dependent on Indian pharma, settling in Rupees could also mean more predictable access to essential medicines.

Pharma makes a strong candidate for piloting such a move. Demand for

medicines is non-cyclical, stable, and globally distributed. By tying Rupee trade to something as essential as healthcare, India could push its currency toward wider acceptance in a way few other sectors can.

The benefits extend beyond economics. Wider use of the Rupee in trade signals credibility. It positions India as a country capable of setting—not just following—the terms of global commerce.

The Hurdles Ahead

Yet ambition must be tempered by reality. The Rupee is not yet fully convertible, particularly on the capital account. Importing nations may accumulate Rupees but struggle to find avenues to reinvest them. Unlike the dollar or euro, Rupee liquidity is thin, and hedging instruments are still developing.

Trade imbalances pose another challenge. Nations that export more to India than they import—say oil producers—may be reluctant to hold large Rupee balances unless attractive reinvestment mechanisms exist. Without such channels, the appeal of Rupee settlement may remain limited to a handful of bilateral agreements.

There is also concentration risk. Pharma is powerful, but no single industry can carry the weight of currency internationalization. Regulatory pressures, price controls, or patent

disputes could undermine its reliability as the anchor for trade settlement. A broader ecosystem—IT services, agriculture, engineering goods—must complement pharma if the Rupee is to gain lasting traction.

The Strategic Path Forward

For the Rupee to move from aspiration to reality, India will need a multi-pronged approach:

- **Diversify the Base:** Pharma can be the entry point, but IT services, agro exports, and energy partnerships must be folded in to expand Rupee settlement volumes.
- **Build Financial Infrastructure:** More liquid Rupee-denominated bonds, global clearing mechanisms, and robust hedging tools will reassure partners holding Rupee balances.
- **Enable Reinvestment:** Trading partners need attractive ways to recycle Rupees—whether through infrastructure projects, sovereign bonds, or investments in Indian markets.
- **Expand Bilateral Pilots:** Countries in Africa, Latin America, and South Asia—regions heavily reliant on Indian generics—offer natural testing grounds for Rupee settlements in pharma trade.

Conclusion: Beyond Healthcare

India's pharma story has already moved beyond healthcare—it is now about economic resilience and strategic relevance. By reducing dependence on Chinese inputs and securing a dominant share of global generics, Indian pharma has created a foundation of indispensability.

That indispensability gives India something rare in today's interconnected world: leverage. If carefully harnessed, it can support the gradual internationalization of the Rupee. Not overnight, not in sweeping moves, but step by step—starting with the most essential of goods: medicines.

The Rupee may never replace the dollar, but with pharma as its ally, it could certainly command more respect in global trade.

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