

Pharma firms face payment issues in Venezuela

ANEESH PHADNIS

Mumbai, 28 November

Pharmaceuticals Export Promotion Council of India (Pharmexcil) has urged the central government to work out a medicines for oil barter arrangement with Venezuela.

The proposal has been made as foreign exchange (forex) controls in Venezuela have made repatriation of funds difficult for Indian companies operating there. Dr Reddy's, Glenmark, Sun Pharmaceutical and Claris Life Sciences are the top exporters to that market.

Stiff forex regulations have been imposed in Venezuela, following a drop in the price of its main export item, crude oil. These are hurting companies, finding it difficult to receive payments (for sales made in the country) from their subsidiaries in Venezuela.

"This situation is prevailing for some months. We have also received representations from some of the leading pharma exporters to Venezuela. We have recommended to the government for a solution to be worked out on the basis of the present arrangement with Iran or, alternatively, to adjust the payments to be made to Venezuela towards our crude oil imports against the receivables by our pharma exporters in dollar values," said Pharmexcil director general P V Appaji.

The Confederation of Indian Industry says our embassy in Venezuela is working with local officials to ease the process of doing business but is limited by the fluctuating forex rate, rising inflation and currency controls.

Along with Brazil and Mexico, Venezuela is an important emerging market for Indian pharma companies. Dr Reddy's earned ₹833 crore in revenue from Venezuela in 2014-15, now its fourth largest market. Glenmark earned ₹ 330 crore revenue from Venezuela last year, about five per cent of its total.

PAYMENT WOES

Stricter forex controls in Venezuela have made repatriation of funds difficult for the Indian pharma companies operating in the country.

As a solution, the Pharmaceuticals Export Promotion Council of India has urged the central government to work out a medicines for oil barter arrangement with Venezuela.

"Indian pharma companies continue to serve the Venezuelan market despite not being paid its dues from own subsidiaries in that country. This is in spite of cash available in that subsidiary. Since the products supplied in Venezuela are being manufactured in India, sustaining these operations without our dues being paid is becoming increasingly difficult. Hence the viability of these operations is under threat, despite the severe shortages of medicines that the country is witnessing. We hope both governments take steps to addressing the problems faced by Indian pharma companies," a Glenmark spokesperson said.

"We have control mechanisms in place to ensure our exposure to Venezuela is within acceptable limits. We continue to supply products to Venezuela within our operating limits," a Sun Pharma spokesperson said.

"Potential inability to raise debt for any further investment into Venezuela because of inability to repatriate funds for debt servicing could impact project expansions, growth and new investment into the country," said Raju Kumar, tax partner, EY.

Co. pharma