

Turmoil in Nigeria looms over Indian pharma, auto firms

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Exports of Indian automotive, pharmaceutical, and consumer goods companies are likely to be impacted in the near-term by the political uncertainty, demonetisation, and poor economic growth in Nigeria.

Among the factors affecting the outlook for Indian firms is the contested result of the presidential elections in Nigeria, won by Bola Ahmed Tinubu, which the Opposition has threatened to challenge in court. Apart from that, there is the Nigerian central bank's October 2022 decision to demonetise 200, 500, and 1,000-naira notes, which was implemented in February.

On Friday, Nigeria's Supreme Court ordered the central bank to extend until December 31 the use of old banknotes, whose withdrawal from circulation became an election issue after it caused cash shortages, widespread hardship and anger.

Nigeria is a major export destination for India's two-wheeler



CURRENCY CRISIS

▶ In Oct 2022, Nigeria's central bank announced demonetisation of 200, 500, and 1,000 naira notes; decision was implemented last month

▶ Players like Sun Pharma have manufacturing presence in Nigeria

▶ Pharma delegation now in Nigeria, in talks with NAFDAC

▶ Bajaj Auto to take a 25% production cut across its export-focused plants in March

▶ 7-8% of Godrej Consumer's revenues come from Nigeria

makers. Analysts at IIFL Securities said that while two-wheeler exports have been weak for some time, the elections in Nigeria may have magnified the impact in January-February this year. However, this may improve from April-May.

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Nigeria...

Bajaj Auto, one of the largest two-wheeler exporters to Nigeria, is set to cut bike and three-wheeler production at its export focused plants by 25 per cent in March. The company is likely to produce around 250,000-270,000 units in March, compared with average production of 338,000 units in each of the first nine months of financial year 2022-23 (FY23).

Rakesh Sharma, executive director, Bajaj Auto told Business Standard that the firm has reduced shipments to Nigeria until things stabilise. He added that Nigeria accounts for roughly 25 per cent of the firm's exports in normal times. Sharma said he expects the market to reach some sort of equilibrium around May. Apart from Bajaj, TVS Motor, too, exports two-wheelers to Nigeria. The firm refused to comment.

Pharma

Nigeria is a major destination for Indian pharmaceutical companies, especially mid-sized ones. But exports slowed between April and December to \$410.1 million, compared with \$573.17 million in 2020-21 and \$588.59 million in 2021-22. Uday Bhaskar, director general of the Pharmaceutical Exports Promotion Council (Pharmexcil), said a delegation was visiting Nigeria. "The Indian embassy there is helping us meet stakeholders. We are meeting trade associations and also the National Agency for Food and Drug Administration and Control (NAFDAC)," Bhaskar said. NAFDAC is a federal agency under the Federal Ministry of Health that is responsible for regulating the manufacture, import, export, advertisement, distribution, sale and use of food, drugs, cosmetics, medical devices, chemicals and packaged water.

He added that after the pandemic's outbreak, delegations could not visit countries physically, and everything was done online. "With trade delegations visiting Nigeria, we expect business to pick up and do not see much impact on the 2022-23 export numbers," he said. As such, around 16-17 per cent of India's pharma

exports go to Africa, and Nigeria is a major destination, where big Indian drug companies like Sun Pharmaceutical have a manufacturing presence, and it is among the top 10 consumer healthcare companies there.

Consumer goods

Consumer companies like Godrej and Dabur, too, have significant exposure to Nigeria. "Godrej Consumer sees 30 per cent of its revenue come from Africa, as a result, the impact of Nigeria's demonetisation will be felt. It sees approximately 7-8 per cent of its consolidated revenue come from Nigeria. In this quarter, Godrej Consumer Products will see a meaningful impact due to the demonetisation," said Vishal Gutka, vice-president of research (consumer and retail sector), Phillip Capital India. He added that other companies don't have significant exposure to the country.

"As it happened in India, there will be some impact on consumption patterns due to demonetisation in Nigeria. However, we believe that consumption trends will normalise over the next few months. There are very few Indian consumer companies with exposure to Nigeria and we do not see a significant impact on Indian consumer companies" said Sachin Bobade, vice-president, Dolat Capital.

Dabur India and Godrej Consumer Products did not respond to *Business Standard's* emails.

CEA...

"This will ultimately lead to loss of competition across similar platforms, concentrating power in the hands of a few...Competition agencies should be mindful of the unintended consequences of their action," he said.

The CEA also said excess competition could be undesirable in sectors such as banking, insurance, and securities, as it could create instability in these sectors. He said banking and financial services sectors were subject to norms that promoted competition among existing firms to keep interest rates fair and prevent market dominance by big institutions.

Nageswaran said regulators were often hesitant to intervene in markets.