

India Inc Warms Up to Idea of Product Recalls

Rising disclosures & regulatory pressure responsible for trend

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ET Intelligence Group: Last week, Maruti Suzuki said it would recall over 16,000 units of its two top-selling car models due to a defect in its fuel pump motor. Earlier this month, Sun Pharma issued a recall of around 55,000 bottles of febuxostat tablets, a generic medication, from the US market due to deviations from good manufacturing practice (GMP) regulations. This is three months after the company recalled over 96,000 bottles of liothyronine sodium tablets from the US market. Product recalls have gone from being a novelty a few years ago to becoming a regular feature in India in certain manufacturing industries such as pharma and automobiles.

In FY23, 30 companies undertook voluntary product recalls, while 16 were forced to recall their products, shows data sourced from Prime Database. Product recall information forms part of the business responsibility and sustainability reporting (BRSR) framework that is mandatory disclosure for the top 1,000 listed companies from FY23. Since many companies have not disclosed data for FY22, a YoY comparison is not tenable.

While the voluntary recalls have been cautionary in nature, the reasons for forced product recalls range from improper functioning, damage in transit, quality issue, to leakages, product contamination and product being out of specification. However, the disclosed details don't reveal whether the recall has been done in the domestic or export market.

"Product recalls have certainly increased," said a GMP audit expert from a leading multinational pharma company who did not wish to be identified. "There is more transparency, the disclosures have gone up and the regulatory pressure has increased. However,



Taking It Back Forced Recalls

NUMBER OF PRODUCT RECALLS IN FY23

Voluntary Recalls

Sun Pharma	34
Dr. Reddys Labs	22
Zydus Life	16
HLE Glascoat	12
Alkem Labs	11
Sapphire Foods	11
Cipla	10
Torrent Pharma	10
Lupin	7
Maruti Suzuki	7

Zota Healthcare	11
Fineotex Chemical	5
Cipla	3
Galaxy Surfactants	3
Nahar Polyfilms	3
Uflex	3
JB Pharma	2
Navin Fluorine	2
Tata Coffee	2
RPG Life Sciences	2

Note: Top 10 cos in terms of number of recalls; YoY comparison not tenable as many cos have not disclosed FY22 data

Source: primeinfobase.com

Involuntary gov't-initiated recalls have a higher impact than firm-led voluntary recalls in the food and drug sectors, per a working paper

very cumbersome process — especially in the domestic market. It is easier when it is from the export market like the US where the supply chain management is streamlined, well-documented and under control. In fact, there are statutory measures in India for product recalls, but their enforcement is weak."

Sun Pharma, the company with the highest number of voluntary recalls in FY23, has in its annual report stated "the reasons for recall were primarily found to be leakage and out of specification results for various tests".

Auto major Maruti Suzuki disclosed seven instances of voluntary recalls during FY23. According to the company's annual report, the number of recalled vehicles reduced by over 60% from FY22.

While in India product recalls are not yet at a scale where they become an actively tracked parameter across in-

companies undertake voluntary recalls only when they find it reasonable and commercially feasible to do so," he said. "Besides, product recall is a

very cumbersome process — especially in the domestic market. It is easier when it is from the export market like the US where the supply chain management is streamlined, well-documented and under control. In fact, there are statutory measures in India for product recalls, but their enforcement is weak."

Unlike in the US, product recalls by the food and beverage industry are a rarity in India. The last major such recall was in 2015 when Nestle India's Maggi noodles were recalled due to excessive levels of lead and monosodium glutamate.

In FY23, food retailing company Sapphire Foods — a QSR chain that operates KFC, Pizza Hut and Taco Bell restaurants — reported 11 instances of recall. According to its annual report, it conducts "a quarterly product voluntary recall process" at its warehouses.

An October 2019 IFMR GSB working paper from Krea University found that product recall events have a minimal impact on the stock prices of companies in the automobile sector while food and drugs are the most impacted. Besides, involuntary government-initiated recalls show a higher impact than firm-led voluntary recalls in the case of food and drug sectors.