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Abbott may encash Piramal buy in new geographies

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New Delhi: Apart from grabbing the leadership position in India via the \$3.7-billion Piramal Healthcare buy, Abbott might leverage the deal further by marketing products of its new Indian partner in other emerging markets.

This is the logical course of action for Abbott given that Piramal had restricted the sale of its 350 branded generics in the Indian sub-continent only, primarily Indian market. This opens the scope of geographic expansion for a global player like Abbott, which already has presence in 130 countries. For a company of Piramal's size and scale, marketing its drug in far-flung emerging markets would have meant substantial investment in setting up its own sales force or tying up with local or global firms with marketing expertise. The company has already hinted at this possibility when, within hours of the deal announcement, Abbott CEO Miles D White had said "...Piramal is focused on India which is what it is intended to be but we have the ability to market many of Piramal products out of India to enhance the breadth of our product offering in all the emerging markets".

"In an article, I read this week, manager of another company we compete with was commenting on the need to have a large footprint in these (emerging) markets and a broad product offering. He is right. You cannot dabble here in some niche boutique fashion," White said.

A step towards taking Piramal's product offerings to other emerging markets would be in perfect sync with Abbott's recent moves in pursuance of its emerging markets strategy. Two weeks back, Abbott cemented a licensing tie-up with another leading Indian player, obtaining rights to market at least 24 products of Zydus Cadila in 15 key emerging markets. The agreement also includes an option for Abbott to add over 40 other Zydus products to the collaboration. "The partnership will leverage Abbott's powerful emerging markets infrastructure to commercialise the Zydus products, with product launches beginning in early 2012," a company statement said. Abbott had also created a separate new stand-alone Established Products Division, with \$5 billion in current pharmaceutical sales, focused mainly on fast-growing emerging markets.

The new division will market Abbott's established products portfolio and acquired products (like those of Zydus) outside US, with an emphasis on accelerating growth in emerging markets. Abbott has also further consolidated its position in Russia, India and Brazil via Solvay Pharma buy a few months back.

Arrangements on the lines of Abbott-Zydus Cadila bring together the marketing strength of big pharmas in emerging markets and branded generics competence of Indian drug makers. Similar tie-ups have been forged between Pfizer-Strides Arcolab, Pfizer-Claris, Pfizer-Aurobindo Pharma, GSK-Dr Reddy's. In that light, it makes sense that Abbott would seriously consider the opportunity of augmenting Piramal's current annual revenue of over Rs 2,000 crore by milking the potential of its products in semi-regulated markets.