



PHARMACEUTICALS EXPORT PROMOTION COUNCIL

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Big pharma cos gear up for M&As

By Kumar Shankar Roy May 27 2010 , Bangalore

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The looming patent cliff, whereby a large number of blockbuster drugs come off-patent between now and 2014, of major pharmaceutical companies is pushing the industry into a critical phase in terms of drug innovation and consolidation, according to the latest annual life sciences research from Marks & Clerk.

Blockbuster drugs are those medicines that rake in above \$1 billion a year. With the cost of developing a drug estimated by Bain Capital at \$1.7 billion and one in 13 drug molecules actually making it to the market, large innovator drug companies are facing tough times ahead.

The Marks & Clerk findings, based on a study of 381 executives across the pharmaceutical and biotechnology sectors, show that big pharmaceuticals are becoming increasingly reliant on patent term extensions to safeguard essential blockbuster revenue ahead of a likely 'make-or-break' round of company acquisitions.

The research reveals that more than 8 in 10 executives (82 per cent) predict that big pharma will be unable to innovate sufficiently from within to replenish dwindling drug pipelines, leading to an increase in acquisitions.

Almost 7 out of 10 surveyed forecast substantial acquisition activity within the next two years, with almost one-fifth (19 per cent) anticipating major activity within the next year itself. Two-thirds (65 per cent) believe the improved economic situation means the industry now has the confidence to go ahead with those mergers, with 63 per cent indicating that the climate for doing business and access to funding have improved in the last 12 months.

Gareth Williams, partner at Marks & Clerk, said: "Pharmaceutical companies may now have confidence and the support of institutional investors to press ahead with acquisitions, although at this stage, selecting the right acquisition targets will be critical to their future R&D success. This may explain the 84 per cent who believe the market is now confident to plough forward with strategic collaborations – they are determined to cherry-pick the best targets, while increasing reliance on patent term extensions buys them some vital time ahead of making a move. What is being predicted is not necessarily driven so much by desire as urgency."

Recent deals in the Indian M&A space include Matrix Labs buying Mylan for \$736 million, Fresenius Kabi buying Dabur Pharma, Sanofi acquiring Shantha Biotec, Hospira buying injectable business of Orchid Chemicals and Abbott buying domestic formulation business of Piramal healthcare for \$3.7 billion. Numerous pharma alliances have also been struck such as Aurobindo-Pfizer (for regulated markets), Dr Reddy's-Glaxo (for emerging markets), Indoco Remedies- Watson (partnership for regulated markets) and Torrent Pharma-European MNC (partnership for emerging markets).