



## PHARMACEUTICALS EXPORT PROMOTION COUNCIL

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### **Founders of many Indian pharma companies keen to exit: Malvinder**

28 May 2010, 0300 hrs IST, Khomba Singh, ET Bureau

Direct link to the News/Story:-

<http://economictimes.indiatimes.com/articleshow/5983101.cms>

NEW DELHI: THE founding families of many of India's drug companies want to sell their businesses, finding that it is difficult to grow them by relying mainly on selling generic versions of medicines, said the former owner of a pharmaceutical major who did just that.

"Many companies in the market want to sell and exit. But they may not admit it in public," said Malvinder Singh, whose family sold its stake in India's Ranbaxy Laboratories to Japan's Daiichi-Sankyo for \$4.6 billion.

Since the June 2008 sale of Ranbaxy, Delhi-based Dabur Pharma and Shantha Biotech have been bought by German's Fresenius Kabi and France's Sanofi Aventis, respectively, and last week Abbott Laboratories bought Piramal Healthcare's domestic business for \$3.7 billion.

Indian generics companies are an attractive target for overseas multinationals which are faced with loss of revenues due to the expiry of patents worth \$70 billion by 2013 and a squeeze on margins. Overseas drug firms are aggressively ramping up business in emerging markets, which are projected driving the \$837-billion global pharma industry in the years ahead. Emerging markets are estimated to grow at more than 15% a year, compared to 4-6% growth for developed markets.

Among those seen as potential targets for global drug companies are the Ahmedabad-based Torrent Pharma, Cadila Healthcare, Mankind Pharma, Dr Reddy's Laboratories and Elder Pharma.

"The model of the generic business has changed. You have to move up the value chain to develop new drugs or have the size, which I don't see in the Indian industry today," Mr Singh said.

The Abbott-Piramal deal is the latest example of what will be trend of Indian generics companies selling out to global drugmakers, he added. The R&D pipeline for drug innovators is drying up and new launches cannot compensate for the revenue losses from patent expiry.

Piramal, he believes, got a much better deal than what he did from selling his 35% stake to Daiichi-Sankyo for about Rs 10,000 crore, which was then considered high. "It is a damn good deal. I called up Ajay (Piramal) and congratulated him."

Since business in emerging markets is more stable with good margins, global innovator companies will further diversify into these geographies. "You cannot choose between developing and emerging market, or generics and branded," he said.

Mr Singh rejected the view that the recent trend of Indian companies being bought by foreign firms would make drugs costlier. "The industry is just too fragmented."