



## PHARMACEUTICALS EXPORT PROMOTION COUNCIL

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### Indian pharma space set for 'MNCisation'

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New Delhi: When US drug firm Abbott announced it is buying out Piramal Healthcare's domestic formulation business for \$3.72 billion, a memory of a similar albeit bigger deal flashed in the minds of pharma experts and non-experts. It wasn't so long ago that the third largest Japanese drug maker Daiichi Sankyo surprised fellow countrymen by announcing the acquisition of Ranbaxy Labs.

Abbott's deal is the next significant chapter in the big story of big pharma cos which are scripting the epic of 'MNCisation' of the Indian pharma space. The results are clear. After Saturday, three out of the top five drug firms in the Indian pharma market would be controlled by players of foreign origin. Abbott which leapfrogs to the top position from its current rank 18 would lead the pack when Piramal's market share is included in its kitty. GSK and Ranbaxy are the other MNCs which are safely positioned in the top five league.

Just the top four companies — the above three and Pfizer ranking eight — with reigns in foreign hands would control close to one-fifth (18-20%) of the Indian pharma market. Add to this, other MNCs, Novartis, Merck, Merck Sharp & Dome with their ambitious plans for the second fastest growing pharma market, which is projected to double by 2015.

Experts point out that the process would have significant impact on three aspects in the long run — the pricing of drugs, product launches, and the quality of medicines.

"What Abbott has achieved through this deal is no mean feat. It also signals that MNCs would now play increasingly important role in the Indian pharma market. It would mean new product launches in the Indian market from their global portfolio. It would impact the pricing of drugs, by which I don't mean that prices would shoot up in the near future. Most of these players are aware that India is a highly price sensitive market. In long run though, prices could be affected," Sujoy Shetty, India Pharma Leader, PwC said. He added, "Also, these companies are very conscious of quality and invest heavily in their infrastructure and supply chain to ensure the quality."

The pharma players of foreign origin are not only sculpting the domestic landscape through their acquisitions in the Indian market but are shaping it through their deals abroad. Pfizer-Wyeth, Merck-Schering Plough, Novartis-Alcon, Abbott-Solvay are deals which got executed in the global space but have impact here as both the players involved in deal have significant presence in India. When control of Ranbaxy passed to the Japanese firm, many eminent Indians, including the then leader of opposition L K Advani, expressed their reservations about the sell-off. But ex-promoter of Ranbaxy, Malvinder Singh, had prophesised that he has just pioneered a trend.

"We have set high benchmark for future deals," a pragmatic Singh had said. Since then, Malvinder has moved on to other lofty peaks, leaving his prophecy to unfold as reality.

#### Pharma result sheet

Pharma MNCs in India		
Company	Net sales (Rs cr)	Net profit (Rs cr)
GlaxoSmithKline	1,884.14	512.29
Pfizer	831.04	136.88
Abbott India	794.12	77.90
Novartis India	601.13	103.71
Merck	481.79	65.48