



## PHARMACEUTICALS EXPORT PROMOTION COUNCIL

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### **No cartel, no stranglehold, says govt on pharma MNCs' local acquisitions**

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**Mumbai** The government will not allow “any strangleholds or cartels” in the domestic pharmaceutical industry, minister for commerce and industry Anand Sharma told FE. The minister’s remarks come in the backdrop of rising fears that pharma MNCs that turn big players in the local market overnight through acquisitions could form cartels and raise prices in a bid to recover the cost of these buys.

Big-ticket acquisitions by MNCs involving the country’s pharma companies will be monitored by the government.

Industry and consumer bodies have raised concerns that deals like Daiichi Sankyo’s acquisition of Ranbaxy and the recent sale of Piramal Healthcare’s formulations business to Abbott Labs could lead to higher drug prices, as the acquirers attempt to recover the cost of the acquisition from the fast-growing domestic market. In an interview, Sharma said: “I can assure you that the government will not allow that to happen (a hike in prices resulting from such deals). In the interest of the public, I can say with full commitment and clarity that we will ensure availability of all medicines for the people of India at affordable prices. We will not allow any stranglehold or cartels.”

However, experts said the government could approach the issue more proactively. Welcoming the move, the Indian Pharmaceutical Alliance (IPA), a grouping of large Indian drug companies which has taken up the issue of a possible rise in drug prices owing to large-scale M&As with the government, suggested the government adopt measures that will discourage such deals, more often born out of a paucity of funds and other grave challenges facing the domestic industry. “Even the US has classified certain sectors as sensitive, and has stipulated that foreign investments of 49% and above would require approval,” said DG Shah, secretary-general, IPA. “It is very evident that Abbott will have to recover the huge spend (around Rs 17,000 crore) on the Piramal buy from the Indian market as the Indian firm had very little exports,” he added.

The Union minister pointed out that the government has the powers to invoke compulsory licensing. However, IPA’s Shah said this can be done only in the case of patented drugs. Compulsory licensing is a provision in the patent laws of countries that have adopted IPR regimes compliant with World Trade Organization’s TRIPS agreement. This provision empowers governments to side-step patents and grant licences for the production/marketing of patented products to those other than the holder of the patent in the event of national emergencies or extreme urgency or public non-commercial use. It is debatable if the high price of a patented product can be a ground for compulsory licensing.

The minister was quick to add: “But I don’t see such a situation (rise in drug prices) happening now. There

are no alarm bells.” He added that corporate decisions are guided by their business considerations.

Last month, Piramal sold its domestic formulations business to Abbott in a deal that valued the Indian firm’s business at a whopping nine times its sales. Piramal’s formulations business had revenues of just Rs 2,000 crore in 2009-10. In 2008, Japan’s Daiichi Sankyo bought Ranbaxy Laboratories for \$4.6 billion (around Rs 21,000 crore). Top pharma MNCs are combing the Indian landscape for buys, as they face looming patent expiries of their blockbuster drugs on one hand and a dwindling research pipeline and tough government regulations on the other.

“In the Abbott-Piramal deal, it is clear that Abbott can’t recover its costs from the market with volume growth alone. Profits from the Indian market are also small,” IPA’s Shah told FE on Thursday. Some experts, however, did not see any immediate hike in drug prices owing to the deals, since the Indian landscape is extremely competitive. “For most products, there are 20-30 generic equivalents; so, prices will be maintained at a low level,” said Hitesh Sharma, partner & national leader, life sciences practice, Ernst & Young.