



## PHARMACEUTICALS EXPORT PROMOTION COUNCIL

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News / Story reproduced with thanks:- **Financial Express**

### Patterns in Indian pharma

Direct link to the News/Story:-

<http://www.financialexpress.com/news/Column-Patterns-in-Indian-pharma/630613/#>

Between June 2008 and now, the Indian pharma sector has seen seven instances where MNCs have acquired controlling stakes in Indian companies or bought out key businesses. The biggest of them have been the Daiichi Sankyo-Ranbaxy and Abbott Labs-Piramal deals, but read together with Fresenius Kabi AG's acquisition of Dabur Pharma, Sanofi's Shantha Biotech buy, two sales of Wockhardt subsidiaries and Pfizer's move in the animal health space, emerges a pattern.

Most of the stake sales have been driven either by a shortage of funds to run the business or due to a realisation that the next leap in business will only be possible with substantial marketing and distribution strength and capital. This is true for branded generics. Also, some Indian pharma companies with R&D strengths recognise that only those who can pump in substantial risk capital can be credible participants in the race to develop drugs for new diseases.

Last year, the Indian Pharmaceutical Alliance brought to the government's notice the limitations of the 'policy framework providing weighted deduction for R&D and meagre amounts under market development assistance programme'. In December, a ministry official said a fund with a Rs 2,000 crore corpus would be set up to aid R&D in pharma. This is a helpful gesture from the government, but may not dither top companies with several molecules in different stages of development from mulling a sell off.

While pharma companies have their own compulsions for selling out to MNCs, what is now in focus is the aftermath—what will happen if a majority of the top 10 pharma companies in India are MNCs? How will this impact medicine prices? Experts differ on this. Some say that there is ample competition in the sector, which will ensure that no one overcharges. Also, essential drugs are already regulated by the government. Others argue that MNCs may try to retrieve the huge monies that they put into the acquisitions by pricing their products higher over a period of time. This camp argues for barriers against unbridled M&A activity. A Union minister recently went on record saying prices will be protected. The pricing front will bear watching.