



PHARMACEUTICALS EXPORT PROMOTION COUNCIL

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Right pricing strategy a must to optimise potential of acquired Indian pharma assets, says expert

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Gireesh Babu, Mumbai

Direct link to the News/Story:- <http://www.pharmabiz.com/article/detnews.asp?articleid=56168§ionid=>

With a couple of more major brand or business acquisitions expected to take place in the Indian pharma space in tandem with the current trends in the inbound domestic pharma formulation deals, the pricing strategy should be a key deciding factor to the success of such inorganic deals, says an M&A expert.

Adding to the recent major acquisitions in Indian pharma industry, more multi national pharma companies are expressing strong interest to grab their share in the generic market space. A few more such deals are expected to take place in Indian pharma within next two to three years, said Dr Abhishek Sharma, VP and head, Life Sciences, MAPE Advisory Group Private Limited, a boutique investment banking firm.

“The growth in terms of volume of sales in Indian market, owing to the increase in market reach to rural and urban outskirts along with the increase in number of specialist general practitioners in these region are the major attraction for the MNCs in acquiring an Indian pharma firm,” reveals Dr Sharma. However, the right pricing strategy, like the price differentiation for Indian market implemented by some of the MNCs in India, could be the key factor for success of such ventures in the country, he added.

The companies should take into account the market penetration the domestic companies has achieved and the reach to the specialists, which opens up a major market especially for chronic care antibiotics segment, should be rightly utilized for their future growth.

From a buyer’s perspective, the MNCs are looking at Indian companies with unique or different product portfolio from their existing business. The buyers are also keen in targeting companies with good corporate governance practices and presence in high growth areas either in therapeutic segments or in geographic reach.

Meanwhile, the Indian promoters apart from their cardinal concerns on the value metrics, tends to give a lot of weight to whether their brands are going to the right hands and the protection of their employees while going into such a deal.

“What attracts the buyers most is the growth of the company in recent past and we can see some of the top and mid cap domestic pharma firms should be finalising such deals in this decade,” he says. The Big Pharma is keen on following the M&A strategy in almost all the emerging pharma markets including India, China and Brazil, in an effort to keep their growth at the time of their crisis in the regulated markets.

However, some of the buyers also expressed their apprehensions on over valuation in such deals in the backdrop of the major deals happened in the recent past, which were finalized with great valuations though the buyers showed their confidence in leveraging the potential of the newly added asset to recover the price they have paid.

MAPE Advisory Group has earlier revealed that the family run Indian pharma firms, including the majors, are on the MNC's M&A radar.