

## SUCCESS STRATEGY

# DRUG FIRMS TRY M&A ROUTE

■ Acquisition could be the key for success in overseas emerging markets

AGE CORRESPONDENT  
MUMBAI, AUG. 19

Leading Indian pharmaceutical companies are expected to opt for the merger and acquisition (M&A) strategy to scale up their businesses in emerging markets as they are looking to diversify beyond their traditional markets seeking steady and sustainable growth.

Emerging markets now account for just about 10-15 per cent of India's total pharma exports while the US accounts for around 40 per cent of the total pharma exports.

Of the 22 pharma companies that ICRA spoke to, some of the leading players are looking at acquisition for geographical expansion, while others are trying to fill their portfolio gap

## A STEP OVERSEAS

### INDIAN COMPANIES ARE OPTING FOR ACQUISITIONS IN THE EMERGING MARKETS

● Emerging markets account for about 10-15 per cent of India's total pharma exports while the US accounts for around 40 per cent of the total pharma exports.

● Acquisitions could be the key route to emerging markets for Indian players

● Delay in approvals and changing regulatory landscape have slowed growth of Indian pharma companies in emerging markets



and scale up their technological capabilities.

"Over the past couple of years, Indian companies have faced challenges in scaling up their business in emerging markets owing to the changing regulatory

landscape and delays in receiving timely approvals for new product launches in few of the markets," said Shamsheer Dewan, assistant vice-president, ICRA.

"Thus, acquisitions

appear to be the key route to emerging markets for Indian players," he added.

According to him, the acquisition of a local firm would help domestic companies jump the regulatory barriers and gain local experience in that market.

"The trend of expanding business in emerging markets would continue as the revenue of leading Indian companies are more skewed in favour of the US, India and one or two other overseas markets," added Mr Dewan.

According to ICRA, Indian pharma companies would continue to experience strong growth in the US over the medium term. This would be driven by the sizeable generic opportunities over the next 2-3 years and strong product

pipeline of pending abbreviated new drug application (ANDA).

In addition, the rating agency believes that acquisitions by Indian companies to gain technological capabilities and focus on strengthening their branded businesses are also likely to drive growth going forward.

However, the rating agency noted that the operating environment in Europe remained challenging as ongoing healthcare reforms and resultant price cuts continued to impact performance of drug manufacturers.

"During the current year, many of the key markets, particularly Germany and Spain have continued to implement reforms, resulting in further price cuts," it said.

M&A