PRESS INFORMATION BUREAU
पत्र सूचना कार्यालय
GOVERNMENT OF INDIA
भारत सरकार

Economic Times , Delhi
Wednesday 31st December 2014, Page: 15
Width: 32.80 cms, Height: 8.15 cms, a3r, Ref: pmin.2014-12-31.50.72

FinMin Pitches for Easing of FDI Norms in Pharma Sector

India is now keen on drawing investments into the pharmaceuticals segment to reduce dependence on China for bulk drugs

Deepshikha.Sikarwar
@timesgroup.com

New Delhi: Foreign direct investment in pharmaceutical sector is back in the spotlight, with the finance ministry pitching for a review of the policy that was tightened for brownfield investments, or investments in existing Indian companies, following fears of large-scale takeover by multinational companies.

"There is a need for revisiting the policy and having a thorough debate on merits of restrictions and their impact on the sector," said a ministry official.

The development comes in the backdrop of discussions between the department of industrial policy and promotion and the finance ministry on switching to a composite cap, which includes all forms for foreign investments, for all sectors.

Last week, the government moved medical devices sector out of the approval route even in case of brownfield investments, indicating it may not be averse to dropping some restrictions.

India is keen to draw investments into the sector to reduce the country's dependence on China for bulk drugs and is looking at measures to boost productivity in the sector. The sector attracted $1.11 billion FDI between April and October.

However, a parliamentary panel had earlier this month called for a ban on foreign investments in pharmaceutical sector.

India had thrown open the sector to foreign investments up to 100% on the automatic route in 2002 under the previous NDA regime.

However, the subsequent United Progressive Alliance government imposed certain restrictions after an intense debate following a spate of acquisitions of Indian companies by global drug makers including the takeover of biggest domestic company Ranbaxy by Daichi Sankyo.

The sector attracted $1.11 billion FDI between April and October this year

The government then introduced distinct norms for FDI in greenfield or new projects and brownfield projects amid fears that consumers in India will be denied cheap medicines if foreign multinational companies continued to buy large domestic pharma companies.

As a result, all forms of FDI including foreign portfolio investments in existing Indian pharma companies have since required prior approval from the Foreign Investment Promotion Board and need to meet certain conditions to ensure the local company continues to produce essential drugs.

Investors also have to give a commitment to manufacture and make available essential drugs post acquisition for five years, besides increasing expenditure by 5% on research and development for diseases prevalent in India.

Non-compete clause is not allowed either, except in special circumstances.

Interestingly, Ranbaxy Laboratories, whose acquisition had fuelled strong protectionist concerns, has since been acquired by another large Indian firm, Sun Pharmaceuticals.

Doors Ajar

Policy was tightened on fears of large-scale takeover by MNCs

Brownfield investments were limited after spate of acquisitions

Panel had, this month, sought banning foreign investments in pharma

Ministry, DIPP now mulling composite cap for all foreign investment

Medical devices sector already moved out of the approval route

"There is a need for revisiting the policy and having a thorough debate on the merits of the restrictions and their impact on the sector."
Ministry official