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IN SYNC WITH INDUSTRY DEPARTMENT

Science & Tech Ministry for curbs on FDI in pharma

Our Bureau
New Delhi, Sept. 27

The Ministry of Science and Technology has endorsed to the Industry Department's draft Cabinet note restricting Foreign Direct Investment (FDI) in critical pharmaceutical sectors, in order to ensure continued availability of cheap and reliable drugs in the country.

"The Science & Technology Ministry agrees that indiscriminate acquisition of Indian generic companies by foreigners needs to be checked as these focus on ailments specific to our country and produce low-priced drugs," a Department of Industrial Policy & Promotion (DIPP) told *Business Line*.

The Cabinet note floated by the DIPP early this month proposes to restrict FDI in "critical" sectors at 49 per cent.

It also suggests that foreign investors be mandated to create at least 25 per cent additional capacity and generate additional employment in brownfield (existing) pharma projects they are investing in.

The DIPP is yet to receive comments on the Cabinet note from other Ministries and Department like Health, Finance and Pharmaceuticals as well as the Planning Commission.

"We will send the Cabinet note for approval as soon as we get all comments," the official said. The FDI policy currently allows 100 per cent FDI in pharmaceuticals.

The Science & Technology Ministry is concerned that takeover of Indian pharmaceutical companies by foreign investors could lead to a waste of Government efforts, research and resources as many of these companies sourced their technologies from Government laboratories under the Government-funded Council of Scientific and Industrial Research (CSIR).

The Ministry is concerned that takeover of Indian pharma companies by foreign investors will lead to a waste of Government efforts, research and resources.

These companies benefited from the scientific know-how and institutional research provided by CSIR, Government subsidy and tax benefits.

"With the latest acquisitions, all those benefits have now gone to foreign multinationals. Therefore, acquisitions should always be accompanied with stringent conditions to protect the interests of the people and the country," the Department said in its representation to the Parliamentary Standing Committee on FDI in Pharmaceuticals. The report was submitted last month.

Although the DIPP wants the Health Department to identify the sectors where FDI should be restricted, it had, in earlier inter-ministerial discussions, identified vaccines, oncology (cancer-related) medicines and injectibles as sectors that needed protection.

Last month, ignoring strong objections voiced by the DIPP, an inter-ministerial panel, headed by the Prime Minister, cleared US-based Mylan's proposal to acquire Indian generic manufacturer Agilla for Rs 5,168 crore. Agilla is one of the few companies that produces oncology injectibles in the country.

The DIPP is hopeful that once the changes in the FDI policy are implemented, such acquisitions can be avoided.

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