

MNCs POPPING INDIAN PHARMA FIRMS

By Mail Today Bureau in New Delhi

THE DEPARTMENT of Industrial Policy and Promotion (DIPP) is worried as foreign direct investment (FDI) in the pharmaceutical sector has jumped by 86.5 per cent to \$1.08 billion during April-October 2013 with multinationals on a merger-and-acquisition (M&A) spree.

According to senior officials, this could lead to an increase in the price of medicines as multinational companies (MNCs) tend to phase out cheap generic drugs in order to enhance profits by selling their own branded products, which are costlier.

According to DIPP figures, FDI in the pharmaceutical sector was at \$580 million during April-October 2012. As much as 96 per cent of the total FDI in the pharma sector between April 2012 and April 2013 flowed into existing units through M&As.

The government has very recently cleared US drug major Mylan Inc's \$5,168-crore proposal to acquire Indian generic drugs company Agila Specialities.

DIPP had proposed tightening of norms for foreign investors in domestic pharmaceutical companies in order to check their takeover by MNCs.

As part of the liberalised FDI policy, MNCs can now invest up to 100 per cent in Indian companies.

DIPP was keen to reduce the ceiling to 49 per cent so that the management of these firms remains in Indian hands.

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However, the finance ministry and the Planning Commission came out strongly against the DIPP proposal as a result of which it was rejected by the Cabinet. On the other hand, the health ministry, which is aware of the ground realities, had supported DIPP's view.

A senior official pointed out that the strength of the pharma sector lies in reverse engineering, which has helped it to produce copycat generic drugs of expensive brands.

This has made medicines affordable for the common man but MNCs have been hit as they cannot sell more expensive versions and rake in higher profits. The objective of the DIPP proposal was to bring in more investment into fresh greenfield units so that more medicines are produced in the country instead of existing units getting absorbed into MNCs.

"These MNCs are constantly suing Indian companies over patent rights and it is quite evident that they are against generic drugs, which erode their profits," the official added.

FDI PILL BECOMES BIGGER

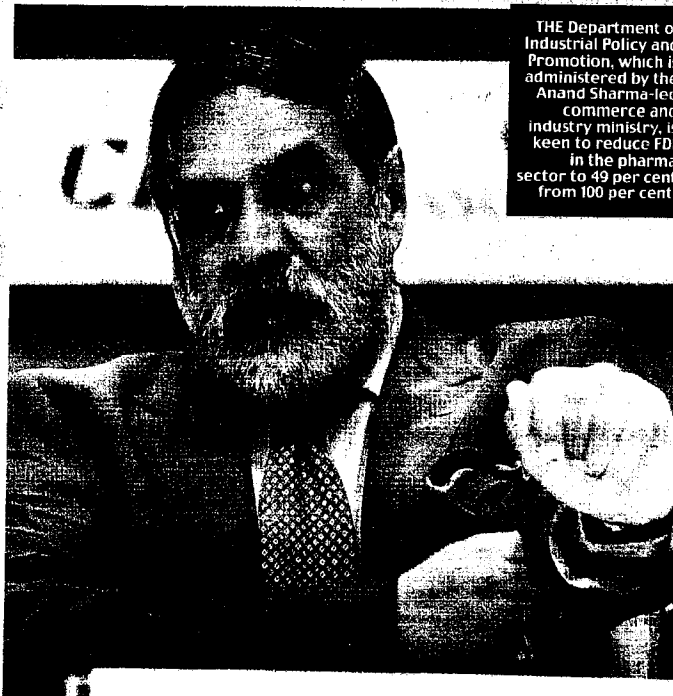
86.5% jump in FDI in pharma sector during April-Oct 2013

\$580 mn FDI flowed into pharma sector during April-Oct 2012



96% of FDI in the sector in Apr 2012-Apr 2013 came into brownfield pharma

100% FDI in pharma sector allowed through automatic approval route in new projects



THE Department of Industrial Policy and Promotion, which is administered by the Anand Sharma-led commerce and industry ministry, is keen to reduce FDI in the pharma sector to 49 per cent from 100 per cent.

Govt / FDI

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