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$7.5b FDI to pharma came via M&As

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From 2006 to 2011, FDI flowed into 74 existing companies. Of the $11 billion FDI received between April 2000 and June 2013, nearly $7.5 billion or about two-thirds came to fund mergers or acquisitions of existing firms.

These include Daiichi Sankyo's investments in Ranbaxy and Abbott Laboratories' in Piramal Healthcare. India received $2 billion FDI in existing drug firms between April 2012 and June 2013. Since April last year, 90 per cent of foreign funds that came into the sector was in existing companies. Such takeovers have badly hit India's medicine sector.

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The heath ministry has taken the stringent view that FDI in existing drug firms should be restricted to 26 per cent, but technically there is not much difference between 26 per cent and 49 per cent with regard to ownership.

Of the 800 Indian drug companies, at least 200 may be target of takeovers. With more companies being acquired at higher valuations, there is a threat of shifting the manufacturing from cheaper generic drugs to more expensive branded or patented drugs.

If this happens, it will impact healthcare not only in India but in many other developing countries as well. Indian companies supply generic drugs to most of the African countries. Over 8 million people in the world get anti-retroviral generic drugs manufactured in India. Hence, it is important to check takeovers of Indian drug companies by multinationals to secure the accessibility and affordability of generic medicines, particularly drugs that will go off patents in 2015, according to the DIPP.

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