

Govt looking at riders for foreign investment in pharma

Dow Jones

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Foreign pharmaceutical companies looking to acquire Indian drugs businesses are likely to face tougher conditions as the Health Ministry is working on new rules to ensure the availability of medicines at affordable prices in the local market, a senior official said on Monday.

The Ministry has suggested that after acquisitions, companies should at least over the next five years keep manufacturing certain life-saving medicines in India at the highest level of production they have recorded in the previous three years, Arun K. Panda, Joint Secretary at the Ministry For Health and Family Welfare, told Dow Jones Newswires.

Also, acquired companies would have to maintain research and development spending for a similar period on drugs that are relevant to the Indian market, Panda said.

There has recently been a lot of confusion over India's approach to foreign investment in the pharmaceuticals sector. The country is seen to be moving away from the liberal regime put in place in 2002 that allowed 100 per cent foreign investment without Government review.

CROSS-BORDER DEALS

In recent months, the Government has started reviewing all cross-border deals and is considering forcing companies that acquire Indian assets to meet certain conditions to satisfy health activists and others who fear giving greater control of the local market will allow foreign companies to increase the prices of generic drugs or push the sales of costlier branded products.

Some multinational companies operating here are unhappy with tough decisions in recent years by the patent office and Indian courts in rejecting drug patents recognised in many Western nations.

The Government decided to revisit its investment policy for the pharmaceuticals sector last November after a spate of foreign takeovers of Indian companies in recent years.

The significant deals were Japan-based Daiichi Sankyo Co.'s purchase of a majority stake in Ranbaxy Laboratories Ltd in 2008 and US-based Abbott Laboratories' acquisition of the local generic-drugs business of Piramal Healthcare Ltd in 2010.

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