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MNC takeover of Indian pharmaceutical firms pains Azad

Union health minister wants stricter acquisition norms

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NEW DELHI: Sensing a worrying pattern in multinational giants taking over Indian drug companies, Union Health Minister Ghulam Nabi Azad has asked commerce minister Anand Sharma to make the MNC takeover norms stricter and to retain a legal flexibility so vital drugs can be made available to Indians during any public health emergency.

Even though the MNCs are slowly mounting pressure on the Centre to raise the cap on foreign direct investment (FDI), Azad said FDI issues in the drug sector should be revisited.

The minister is of the view that FDI in the domestic pharmaceutical industry should be shifted from the automatic route to the foreign investment promotion board (FIPB) route to ensure healthy growth of pharmaceutical industry and easy access to medicines for ordinary Indians.

"Shifting to the FIPB route would make the takeover difficult," he said.

In the last four years, at least six major acquisitions of Indian companies took place – Ranbaxy, Dabur Pharma, Shanta Biotech, Piramal Healthcare, Matrix Lab and Orchid Chemicals.

Further, there have been tie-ups between MNCs and domestic companies including GSK's link with with Dr Reddy's; Pfizer with three companies - Aurobindo, Strides Arcolab and Claris Life Sciences; Abbot with Cadilla Health Care and Astra Zeneca with Torrent.

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A recent paper circulated by the Department of Industrial Policy and Promotion (DIPP) under the commerce ministry pointed out: "There is a concern that their (Indian drug companies) takeover by multinationals will further orient them away from the Indian market, thus reducing domestic availability of the drugs being produced by them."

In fact, in 1998-99 there was only one foreign company (GSK) in the list of ten largest drug manufacturer in India. The number has gone up to 3 (GSK, Ranbaxy and Piramal).

A few voluntary organisations wrote to the Prime Minister expressing their concerns on domestic companies becoming junior partner to the MNC through tie-up.

Azad wrote to Sharma a day after a delegation from the US met several key ministers and officials lobbying for an increase in the FDI and discourage "compulsory licensing (CL)" – a TRIPS provision using which India can ask domestic companies to manufacture even patented medicine in case of any public health crisis.

Generally products made under the CL would be sold by the government. Azad said public funded patents of Indian research organisations which have been sold to Indian private sector companies should come back to the organisations if these companies are taken over by foreign companies.

The health ministry is also in favour of issuing compulsory license in cases of abuse of the market or anti-competitive practices under taken by the companies after such a ruling has been made by the Competition Commission of India.

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