PRESS INFORMATION BUREAU
पत्र सूचना कार्यालय
GOVERNMENT OF INDIA
भारत सरकार

The Times of India, Delhi
Saturday, 11th December 2010, Page: 25
Width: 20.95 cms Height: 9.69 cms, Ref: pmin.2010-12-11.27.125

Govt mulls tighter pharma FDI norms

Reviews Proposal To Cut FDI To 49% In Sector To Stave Off Takeovers

TIMES NEWS NETWORK

New Delhi: Worried over the spate of takeover of Indian pharmaceutical companies by multinational firms, the government has set up a panel to study the impact of such takeovers on the domestic healthcare sector.

Minister of state for chemicals and fertilizers Srikant Jena said in a written reply in the Rajya Sabha that the department of pharmaceuticals has asked the commerce ministry to conduct the study as it was felt that the takeover of Indian pharmaceutical companies by foreign firms could impact the domestic healthcare sector as well as pricing and availability of medicines in India.

Foreign Cos' Desi Assets

1285-28

Month	Indian Co	Foreign Co	Country	Deal Size ($)
Aug '06	Matrix Lab	Mylan Inc	US	736 m
Apr '08	Dabur Pharma	Fresenius Kabi	Singapore	219 m
June '08	Ranbaxy	Daiichi Sankyo	Japan	4.6 bn
July '08	Shantha Bio	Sanofi Aventis	France	783 m
Dec '09	Orchid Chem	Hospira	US	400 m
May '10	Piramal	Abbot Lab	US	3.7 bn

The study follows concerns expressed by domestic pharmaceutical companies which said they were being forced to sell out due to lack of funding for research and development. There have been suggestions that the foreign direct investment limit in the pharmaceutical sector be cut to 49% and that the Foreign Investment Promotion Board should review any proposal beyond this limit. The government currently allows 100% FDI under the automatic route in the sector. Jena told Parliament that the recommendations of the study panel would be placed before the PMEAC or another competent authority.

The biggest takeover in the India pharma space was sealed by Japan's Daiichi Sankyo when it acquired Ranbaxy in June 2008 for $4.6 billion. In May this year, in the second largest deal, US-based Abbott acquired Mumbai-based Piramal Healthcare for $3.72 billion.

TOI had earlier reported that commerce minister Anand Sharma, in a letter to health minister Ghulam Nabi Azad, had raised the issue of acquisition of Indian pharmaceutical companies by multinational firms. He had written that such acquisitions have raised public concerns over their impact on the availability of low-cost medicines in the country.

The need for a review of the FDI norms in the sector has come in the wake of inaccessibility of medicines for chronic diseases like cancer. It is also felt that foreign companies use the subsidiaries more for exports and tend to cut production for the domestic market.