

Govt may set policy to discipline pharma M&As

Officials worried MNC buyouts of Indian drugmakers could see domestic medicine prices rising, acquired companies losing their India focus

KV Ramana HYDERABAD

Top Indian pharma M&A deals

Announce date	Target	Acquirer	Seller	\$ million
May 21, 10	Healthcare Solutions	Abbott Lab	Picarel Healthcare	3720
Jan 11, 08	Ranbaxy Laboratories	Daiichi Sankyo		4600
Aug 11, 99	Hoechst Roussel Vet	Akzo Nobel	Hoechst	708
Mar 2, 01	Hokuriku Sanyoku	Abbott India	BASF SE	579
Feb 18, 06	Betapharm Arzneimittel	Dr Reddy's Labs	3i Group PLC	570
Aug 28, 06	Matrix Laboratories	Mylan Inc/PA	Multiple sellers	655
Dec 15, 09	Generic injectable	Hospira Inc	Orchid Chemicals	400
Oct 7, 98	6 medicine brands	Dr Reddy's Labs	Dolphin Laboratories	381
Mar 29, 06	Toripia	Ranbaxy Lab	Advent International	324
May 3, 07	Negma Levada	Wockhardt	Irish Finance	265

Source: Bloomberg

With the spate of mergers and acquisitions (M&As) in the pharmaceutical sector creating apprehensions about prices rising and Indian drugmakers losing their edge, the government is likely to work on a policy for disciplining the sector.

Though the policy intervention is likely to happen only towards the year-end, the government — through its agencies — is said to have come to an opinion that the taking over of Indian companies by multinational companies (MNCs) is likely to put Indian consumers at a disadvantage, though the companies would improve their financials.

"The government is keen on looking at the entire M&A episode from the Indian perspective. There are two aspects that are coming up for close examination — the MNCs after taking over the Indian company will work as per their global plan and there would be nothing specific to India in it. Secondly, the pricing of drugs too would be different and it might as well go beyond the affordability of Indian market," a senior official in the ministry of commerce said.

For now, the government, through its arm the Pharmaceutical Export Promotion

Year-end call

► Govt has commissioned a study by Pharmexcil and E&Y on 5-6 major M&A deals, evaluating their implications

► The report is expected to be completed by the end of the year

Council (Pharmexcil) and global consultancy major Ernst & Young, has commissioned a study on the 5-6 major M&A deals in the sector, evaluating their implications on the Indian market.

The Pharmexcil-E&Y report is expected to be completed by year-end.

"The government cannot stop an MNC from buying an Indian company. It also cannot block an Indian promoter from selling his company. The way

out is through a policy intervention. The effort would be to protect the Indian domestic market from any unreasonable practices by the MNCs. From a corporate deal point of view, the government would not intervene," the official said.

Officials, say sources, are worried about the pricing mechanism adopted by the MNCs after taking over the Indian pharma companies.

"The global prices of certain drugs manufactured in India would not be affordable for Indian consumers. Though it is the same drug and manufactured in India, when it is sold in the global markets, the pricing is significantly higher. The effort is to ensure that MNCs do not adopt their global pricing model for selling the drugs in the Indian market," a source in Pharmexcil said.

k_ramana@dnaindia.net