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CHECK-UP

Govt commissions study on pharma M&A deals

Decision taken after Pharmexcil's request to protect the interests of the domestic industry; E&Y gets mandate

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HYDERABAD/MUMBAI

In response to growing concerns over acquisitions of local pharma firms by multinationals, the government has commissioned a study by global audit and consulting firm **Ernst and Young** (E&Y).

The study was sought by the department of pharmaceuticals at the request of Pharmaceuticals Export Promotion Council (Pharmexcil), Rajeev Kher, joint secretary in the ministry of commerce and industry, told reporters in Hyderabad on Friday.

The report is expected in the next three months.

The government is not against mergers and acquisitions (M&As), Kher said.

"I am not saying that the government is planning to bring in regulations to check M&A activities by the multinationals. There are people who want to expand their business by acquiring and there are people who are ready to get acquired. That is not the issue," Kher said. "The issue is that these kinds of M&As should not lead to a situation where the Indian pharma industry's unique strength is compromised."

He said the government would formulate any measures that were needed to protect the interests of the Indian pharma industry based on recommendations made by E&Y.

The government won't consider policy interventions if M&As are market-driven or if such acquisitions help the Indian pharma industry.

"The key focuses in the study are going to be how to leverage the existing capabilities of Indian drug industry to ensure extended access and affordability to local public, taking the industry's strength to the next level by identifying the current weaknesses, and growing the capabilities to explore the changed market scenario in the world market, which is in favour of generic drugs," said Muralidharan Nair, leader (healthcare practice) at Ernst and Young India.

Recent deals include **Abbott Laboratories** acquiring **Piramal Healthcare Ltd**'s domestic formulations business, Japanese drug maker **Daiichi Sankyo Co. Ltd** taking control of **Ranbaxy Laboratories Ltd** and **Sanofi-Aventis SA** acquiring **Shantha Biotechnics Ltd**.

Six of India's top 10 drug makers by market share are controlled by domestic promoters, down from nine in December 2008.

India has a ₹60,000 crore drug market.

The government move comes after plans to strengthen compulsory licensing provisions that allow third parties to produce patented products, in the backdrop of concerns over acquisitions and their likely impact on drug prices in the domestic market.

The department of industrial policy and promotion had issued a discussion paper last month on the role of compulsory licensing in ensuring drug availability.

Dhanendra Kumar, chairman of the Competition Commission, had said in Hyderabad on 14 September that it may probe the acquisition of local pharmaceutical companies by multinationals if such deals had any anti-competitive element and resulted in abuse of dominance.

He was responding to questions over whether such acquisitions could distort competition and increase drug prices.

P.V. Appaji, executive director of Pharmexcil, said, "To ensure availability of affordable medicines to the common man, the Indian pharma industry should be strengthened. Through measures based on the recommendations of E&Y, the government wants to ensure the health of the industry and address the issues that were making the companies vulnerable to acquisitions."

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