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Govt explores setting pharma FDI limit

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stake in India's largest drug maker Ranbaxy Laboratories in 2008 by Japan's **Daiichi Sankyo Co. Ltd**. US drug maker **Mylan Inc.** paid $734 million to acquire Hyderabad-based Matrix Laboratories in 2006.

German health care group Fresenius SE spent $219 million to take over Dabur Pharma in 2008. French drug multinational **Sanofi-Aventis SA** acquired a majority stake in Indian vaccines company Shanta Biotech in 2009 for €550 million. Last year, US drug and nutrition firm Abbott Laboratories paid $3.72 billion to acquire **Piramal Healthcare Ltd**'s domestic drug formulation business and spent $726 million to buy out Ahmedabad-based consumer health company Paras Pharmaceuticals.

All these deals have already resulted in a key shift of share in the ₹50,000 crore domestic drug market. Foreign drug makers' market share in India has risen to at least 15% from 10% in 2009.

"Considering the current local business ownership of foreign drug makers, their market share will exceed 20% by the end of this fiscal," said Ranjit Kapadia, senior vice-president (institutional research, pharma) with brokerage **HDFC Securities Ltd**.

Mirdha wrote in her letter to the finance minister in November that 80% of the local population is dependent on private healthcare and most paid for the medicines they required.

"Since medicines are sensitive items and expenditure on treatment of diseases is the second biggest cause of rural indebtedness, a heavy dependence on foreign sources can put the country in serious trouble," she wrote.

DIPP had in September come out with a discussion paper on implementing compulsory licensing provisions in the country to ensure the availability of low-cost versions of patented drugs in the country.

> The ₹90,000 crore Indian drug industry has in the last five years seen half a dozen big takeovers by foreign firms

Since India introduced a product patent regime for drugs and pharmaceuticals in 2005 in compliance with its obligation to the Trade Related Intellectual Property Rights agreement, there have been concerns among public healthcare stakeholders that many life-saving drugs under patent protection may go out of reach of ordinary consumers.

Several foreign lobbies, including Pharmaceutical Research and Manufacturers of America, Japan Pharmaceutical Manufacturers Association, Japan Intellectual Property Association and USINDIA Business Council, have opposed compulsory licensing provisioning while responding to DIPP's discussion paper. They said that it may hamper the flow of foreign investment in the pharmaceutical sector.

Ranjit Shahani and Tapan Ray, president and director general, respectively, of the Organisation of Pharmaceutical Producers of India (OPPI), an industry lobby that represents foreign drug makers in India, couldn't be reached for comment by telephone on Saturday and Sunday.

In a different context, Shahani wrote in an email to *Mint* last week about the potential for "increasing collaborations and partnerships not only in the commercial arena but also in the research space in a bid to keep the escalating costs in control, leverage skills to get newer drugs to the market in shorter time spans and finally to share risks and rewards..."