PRESS INFORMATION BUREAU
पत्र सूचना कार्यालय
GOVERNMENT OF INDIA
भारत सरकार

The Indian Express, Delhi
Thursday, 24th February 2011, Page: 17
Width: 11.77 cms Height: 18.03 cms, Ref: pmin.2011-02-24.37.84

Allow pharma M&As only through FIPB route: DIPP

8417

PRIYADARSHI SIDDHANTA
NEW DELHI, FEBRUARY 23

FEARING that takeovers of Indian pharma companies by foreign firms could raise medicine prices, the Department of Industrial Policy and Promotion (DIPP) has endorsed the health ministry's proposal to subject any such mergers and acquisitions to bigger scrutiny.

If the DIPP has its way, foreign firms would have to secure prior approval of the Foreign Investment Promotion Board (FIPB) before executing such mergers. In a note to secretary, Department of Economic Affairs (finance ministry) R Gopalan on February 8, DIPP secretary R P Singh agreed to the concerns of the health ministry that "there was a need to exercise a certain degree of oversight over the takeovers of existing firms."

He suggested that in case of acquisition of Indian companies by foreign entities in the pharma sector, where such acquisitions resulted in transfer of ownership from Indian residents to non-residents, "prior approval would be necessary." Singh, however, made it clear that establishment of greenfield projects in this sector with up to 100 per cent FDI, without caps, could continue to be on the automatic route. As per the extant policy, FDI of up to 100 per cent is permitted in the pharmaceutical sector under the automatic route. But the health ministry has set the alarm bells ringing by describing the takeovers as an "extremely worrying trend" which is likely to affect the government's efforts at making generic versions of branded drugs available at affordable prices.

STRICTER NORMS

- Health ministry says such takeovers are likely to affect efforts at making available generic versions of branded drugs at affordable prices
- As per the extant policy, FDI of up to 100 per cent is permitted in the pharmaceutical sector under the automatic route
- DIPP says establishment of greenfield projects with up to 100% FDI, without caps, could continue to be on automatic route

In a letter to DIPP on January 7, health secretary K Chandramouli had pointed out that his ministry was "extremely apprehensive" that the takeovers of Indian pharma firms by their multi-national counterparts would result in their gaining market supremacy. "Essential medicines are bound to become costlier thereby as the companies producing cheaper generic versions would be owned by MNCs which may increase their costs. It is high time, therefore, to make MNC takeover norms stricter," he argued. He also reminded that 61 drugs worth $80 billion would reportedly go off patent of the US Patent and Trademark Office between 2011 and 2013, which could make it possible for Indian pharma companies to produce cheaper versions of these drugs.

Fearful of being marginalised, domestic pharma firms have expressed similar concerns. Spearheaded by the Indian Drug Manufacturers Association and Indian Pharmaceutical Alliance, the pharma companies have raised concerns that takeover of Indian companies by foreign firms could lead to a situation of over-pricing of drugs and edging them out.

Govt.