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# Finmin opposes plans to put curbs on FDI in pharma sector

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THE finance ministry has red-flagged a move to impose curbs on foreign direct investment in the pharmaceutical sector. The proposed curbs were prompted by fears of large-scale take-over of Indian companies by foreigners.

In its response to a note by the department of industrial policy and promotion, or DIPP, the finance ministry has said that a rollback of the open foreign direct investment policy regime for pharmaceuticals would be retrograde and hurt India's image as an investment destination, a government official told ET.

Moreover, India would not like to be seen as putting up projectionist barriers as it resists the moves in the United States to restrict outsourcing.

At present 100% foreign direct investment is allowed in the pharmaceuticals sector through the automatic route. The DIPP, the nodal policy making body for foreign direct investment, had put out a discussion paper suggesting to shift foreign investment in pharma to the government route so that proposals for mergers and acquisitions in this sector could be scrutinised by the Foreign Investment Promotion Board. The move was prompted by some recent big ticket takeovers of Indian pharma companies by global drugs majors. The country's largest drugs producer Ranbaxy was acquired by Japanese Daiichi Sankyo for $ 4.6 billion in 2008. Piramal Health Care's domestic business was recently acquired by US-based Abbot Laboratories for $3.7 billion.

**"Such (curbs on FDI in pharma) a move would adversely impact the image of India as an attractive destination for inbound FDI**

**PUNIT SHAH**
**ED, Tax & Regulatory Services, KPMG**

India, with its high-tech processing and low-cost manpower, is considered an attractive base for production for pharmaceuticals. Domestic companies are thus seen as lucrative buyout targets by MNCs seeking to expand capacity. The large-scale sell-out to MNC drug companies has created an apprehension that this could undermine the generics industry, affecting the availability of cheap drugs. "We want some checks as the country's manufacturing capability may move out," said Indian Drug Manufacturer's Association executive director Gajanan Wakankar.

The association has pitched for allowing foreign investment to only 74% and making FIPB approval mandatory. However, the logic has not found takers outside the industry. "Such a move would adversely impact the image of India as an attractive destination for inbound FDI," said Punit Shah, executive director, tax and regulatory services, KPMG, adding that the FIPB should play only the monitoring role rather than regulatory.