

Global pharma majors take JV route to India

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NEW DELHI, 15 MAY: Global pharma majors are opting for joint venture route to tap the consumption story in India, one of the world's key markets, as high valuations are acting as deterrent for M&A deals, believe experts.

So far this year, two global pharma majors have entered the Indian market through JV route.

In January, Germany's Bayer Healthcare announced a joint venture with Zydus Cadila to sell drugs in India and in April, Sun Pharmaceutical Industries and US-based Merck & Co Inc entered into a joint venture agreement to develop, produce and market generic drugs in emerging markets.

Commenting on the trend, *Mergermarket* Asia Pacific deputy editor Ms Anjali Naik said: "Especially for MNCs, who don't have existing regional operations, it makes sense to take a JV route as opposed to an acquisition."

Through the JV option, the over-



seas firm gets easy access to the Indian market as the local partner has established distributors and vendors in place and is comfortable with regulations and politics.

"Emerging markets present a huge opportunity for these soon to be generic drugs not only because income levels and with it the consumption story are growing the fastest

in these markets, but also because the cost advantage in manufacturing and R&D is hard to ignore in comparison to the established markets," VCCEdge research director Mr Kunal Shrivastava said.

Merger and acquisitions in the pharma space are likely to heat up further as about \$75 billion in patents are expected to get off patent by 2015, which would make global MNCs enter emerging markets to protect their bottomline.

Explaining the reason behind the preference for JVs, experts said, besides high valuations, the other major factor is the decentralised model of operation.

As the industry moves towards more decentralised models to operate in the global market, JVs seem to be most viable strategy to enter emerging markets like India, where the focus is to tap the cost advantage and leverage the local technical know-how and expertise to promote R&D and manufacturing.