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Domestic drug-makers worried by side-effects of MNC buyouts

Submission to Plan panel committee raises issues of drug prices, overseas focus

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Mumbai, Aug. 2

Have some medicines sold by the US drug-maker Abbott seen a steep price increase, after they were acquired from Piramal Healthcare?

Is Ranbaxy's research centre now realigned to support its Japanese-acquirer Daiichi Sankyo's products?

Does Orchid's injectable facility, used by acquirer US-based Hospira, sell only to domestic markets?

Or, does France's Sanofi use Shanta Biotech's facility to make vaccines for lucrative European and North American markets?

These worrisome pointers on the changing domestic pharmaceutical landscape were raised by local industry

players in their submission to the Planning Commission's Arun Maira committee. The committee is evaluating acquisition, and foreign direct investment (FDI) norms governing the sector.

With "unbridled freedom of acquisition", foreign companies leap-frog into a dominant position by acquiring local companies, gain the latter's access to doctors, and this could lead to more prescriptions for their medicines, observes the Indian Pharmaceutical Alliance (IPA), a platform for large Indian companies. Abbott's acquisition of Piramal Healthcare in May 2010, for instance, catapulted it as a market-leader in India.

Acquisitions in the pharma industry came in for sharp fo-

India allowed 100% FDI through the automatic route in pharma in 2001.

In 1995-2010, foreign companies invested Rs 3,022 crore in fixed assets, domestic companies invested Rs 54,010 crore

Domestic pharma's research investment increased in the same period to Rs 3,342 crore, or 4.5 per cent of domestic sales in 2009-10.

Foreign companies research-investment in the same period, stands at Rs 934 crore, about 4 per cent of sales.

cus, after several domestic drug-makers sold their operations partially or entirely to overseas companies - raising concerns of, among other things, increase in medicine prices.

PRICE RISE

Citing retail data, the industry note says, leading Piramal

brands under Abbott showed 20 to 120 per cent increase between the pre-acquisition May 2009 and post-acquisition 2011. For instance, Haemaccel injection (300 ml) increased from Rs 99 in May 2009 to Rs 215 in May 2011. Anti-epileptic Gardenal (60 mg tablet) increased from Rs 16 to Rs 35, in the same period, the note said.

An Abbott spokesperson told *Business Line* that brands acquired from Piramal have seen a two per cent price increase, inline with the increase before acquisition. Several brands have not seen a price increase in 2011, and some have even seen a reduction, for better access to patients, the spokesperson said. While Matrix and Sanofi did not respond, Orchid's representative explained that, its generic injectable facility had been transferred to Hospira and it did not cater to the domestic market.

Ranbaxy's President, Mr Ramesh Adige, said that they have about 1,300 scientists working for its generic research division and "they continue to do their research with full force and vi-

gour." The IPA, however, cautions that domestic companies drive the research on low-cost products and once acquired, these efforts get focussed on more remunerative global markets, and the Indian market could become secondary.

FDI

The Government should allow 100 per cent FDI only in green-field projects that bring in new technology to produce pharmaceutical ingredients locally. Local production of patented products and to promote discovery research in India, the note said. Big ticket local acquisitions create pressure on others also to sell. And those who do not, become mere contract manufacturers for foreign drug-companies, it added

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