

Competition panel 'can monitor' pharma M&As

Arun Maira Committee's draft report says CCI prepared to look at such deals

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Mumbai, Sept. 26

With the acquisition of domestic pharmaceutical companies by overseas players already coming in for a close scrutiny, a draft report by the Planning Commission's Arun Maira Committee looks set to further stir the pot.

The committee's draft report has largely laid the onus of assessing potential distortions in the domestic pharma space (as a result of overseas acquisitions) on the doorstep of the Competition Commission of India (CCI), a ministry source familiar with the development told *Business Line*.

The draft report is expected to be submitted for further discussion and possible adoption at the committee's meeting on Tuesday.

The CCI is prepared to deal with such merger and acquisition (M&A)-related situations, in terms of the institutional structures and fora created for open discus-

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sions with stakeholders, the draft said, even as it outlined other measures of Government intervention.

The draft is expected to face objections from the Union Health Ministry and the Department of Industrial Policy and Promotion, particularly on the choice of the CCI over the Foreign Investment Promotion Board to watch over local M&As.

SIZE RELAXATION

The modification that the committee recommends specifically for the pharmaceutical industry is regarding thresholds for M&A evaluation that come for CCI scrutiny.

The modification is because

affordable medicines are a public need, the draft says.

The threshold outlined (in one scenario) at present is Rs 1,000 crore (turnover beyond Rs 750 crore and assets over Rs 250 crore). But as pharmaceutical companies have turnovers below this, except for large drug companies, the pharma sector needs to be exempted from such benchmarks, given the importance of the sector, the draft says.

Though the acquisitions of local operations so far — Ranbaxy, Piramal Healthcare's domestic formulations, certain operations of Wockhardt — would have come under the purview of the CCI, given that the sector deals with the health of the country's people,

other types of combinations between companies will also be looked at by the CCI, the draft said.

However, not everyone is happy with the recommendations in the draft report.

Concerns regarding local acquisitions are not just price-related but also alter the ability of local drug companies to make new medicines for local people, say representatives working with the healthcare sector. Indian companies could get trapped at the lower-end of the value chain, they add.

Raising concerns on "health security", they point out foreign companies cannot be forced to address the critical concerns of India's health needs, specially given the several bi-lateral trade treaties the country is formalising with other countries.

"The Competition Act and the commission are not equipped to deal with this situation," point out a industry representative.