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'Cut pharma FDI cap to below 49%'

Kounteya Sinha | TNN

New Delhi: A high-level expert panel of the Planning Commission on universal health has recommended to lower the present cap of 100% FDI in pharmaceutical sector through the automatic route to below 49% "to retain predominance of Indian pharmaceutical companies and preserve our self-sufficiency in drug production". The committee has suggested removal of FDI in the pharma industry from automatic route and bring it under Foreign Investment Promotion Board (FIPB) to ensure that all M&A proposals of Indian drug companies are scrutinized thoroughly.

The panel's report says that alternatively, a provision for separation of "financial" ownership from "legal" ownership may be enforced, "analogous to the Reserve Bank of India (RBI) rules, which limit the voting rights of the foreign investor". Recent acquistions of Indian generic drug companies by MNCs have increased fears that the price of low-cost generic drugs will rise. The recent buyouts will reduce domestic availability of many essential medicines that were earlier manufactured and sold by the acquired firms, points out an internal assessment of the health ministry.

FOR LESSER M&AS

PM Manmohan Singh has called a meeting of the health and commerce ministries on October 10 to decide on whether to bring FDI in the pharmaceutical sector under FIPB for "brown-field projects". The Planning Commission's panel has recommended that the government should strengthen PSUs. "This is possible through infusion of capital to existing but sick PSUs such as, Indian Drugs and Pharmaceuticals Ltd (IDPL), Hindustan Antibiotics Limited (HAL), and other state-owned enterprises, in addition to providing them with autonomous status. Revival of PSUs will offer an opportunity to produce drug volumes for use in primary and secondary care facilities and for benchmarking drug costs," the report said.