BioSpectrum
the business of Bio & Health Sciences
ASIA EDITION

India may halt foreign investment in pharma

20 September 2013 | News | By BioSpectrum Bureau

Singapore: As a resolution to the ongoing debate about whether to restrict foreign direct investment (FDI) in the existing pharmaceutical projects in India, the country's health ministry has now decided to identify 'critical' pharma sectors. FDI restrictions would be applied on these 'critical' drugs in the existing pharmaceutical projects that the health ministry identifies.

The health ministry would further have to identify the sectors where takeovers would not be permitted, the industry department mentioned in its draft Cabinet note. Further, an official from the Department of Industrial Policy and Promotion (DIPP) official said in a news statement that the body has proposed that foreign investors be mandated to create at least 25 percent additional capacity and generate additional employment in the critical pharma projects they are investing in.

DIPP in India has being pushing for restrictions on FDI in brown-field or existing pharma companies as it is concerned that such acquisitions could shrink India's capacity of producing low-cost generic drugs.

The official explained further, "We want to ensure that not only is FDI in critical pharma sector restricted to 49 percent to prevent takeovers, the foreign investment is also used for increasing existing capacities by at least 25 percent and generating more jobs."

Currently India allows 100 percent FDI in pharmaceuticals, however, while investments in new projects are allowed automatically, those in brown-field have to be routed through the Foreign Investment Promotion Board since late last year. DIPP has opined that the FIPB route was not an adequate safeguard against indiscriminate take-overs and a policy change was required as the board had approved almost all pharma proposals placed before it over the past year.