DIPP wants review of India's pharma FDI policy

17 June 2013 | Regulatory | By BioSpectrum Bureau

New Delhi: Concerned over spate of acquisitions of domestic pharma firms by multinationals, India's Department of Industrial Policy and Promotion (DIPP) will soon send a comprehensive proposal to the PMO (Prime Minster's Office) for review of the current policy for FDI (Foreign Direct Investment) in existing drug companies, Indian media reports said.

According to the sources, before sending the proposal to PMO, Commerce and Industry Minister Anand Sharma will meet both Health and Pharmaceutical minister to discuss the matter.

The DIPP has raised concerns over large number of acquisitions of domestic firms by foreign multi-nationals. It has asked the Foreign Investment Promotion Board (FIPB) not to take decision on any related proposal. "The DIPP will soon send a comprehensive proposal to the PMO. On an average, about 25 percent of the FIPB agenda is related with pharma sector. Pharma related proposals are regular feature in the FIPB meetings," sources said. They said continuing acquisitions of Indian pharma firms by foreign companies would pose serious problems in availability of life saving drugs to consumers in near future.

Recently, Shantha Biotechnics, pioneers in the Hepatitis-B vaccine, was acquired by French pharma company Sanofi-aventis. Indian Pharmaceutical Association (IPA) has suggested that the foreign firms acquiring domestic companies should be asked to invest in the manufacturing facilities. Although, a committee has put some conventionalities for acquisition of Indian companies, sources said, "those are fairly lenient".

About four applications for investments in drug firms have been pending for discussion in the FIPB. The proposals included two related to US-based Mylan Laboratories; Japan- based Terumo, and another of Medreich, a domestic firm.

Currently, India permits 100 percent FDI in pharmaceutical sector through automatic approval route in the new projects but the foreign investment in the existing pharmaceutical companies were allowed only through FIPB's approval. In 2008, Japanese firm Daiichi Sankyo had bought out the country's largest drug maker Ranbaxy for $4.6 billion. US-based Abbot Laboratories had acquired Piramal Health Care's domestic business for $3.7 billion. US-based Mylan bought Matrix Lab while

Dabur Pharma was acquired by Singapore's Fresenius and Orchid Chemicals by US-based Hospira.

Since April 2000, $10.3 billion FDI has come into the Indian pharmaceuticals sector, nearly 5 percent of the total foreign inflows the country has received.