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Buyouts of Indian Pharmaceutical Companies by Multinational Pharmaceutical Companies: An Issue of Concern

Sir,

Indian pharmaceutical industry has climbed the ladder to reach third position in terms of volume and fourteenth position in value terms. It is estimated to be worth US\$ 4.5 billion at annual growth rate of 8-9%. India exports generic medicines worth US\$ 11 billion and is considered to be the world's largest. It is estimated to grow at a compound annual growth rate (CAGR) of 17% between 2010-11 and 2012-13. As stated by Department of Pharmaceuticals, the total turnover of pharmaceutical industry in India was US\$ 21.04 billion during September 2008 and September 2009, of which the domestic market was worth US\$ 12.26 billion. The Indian pharmaceutical market is expected to reach US\$ 55 billion by 2020 at the present growth rate and is said to have a potential to reach US\$ 70 billion if the growth rate is aggressive. Domestic pharmaceutical market in India was about US\$ 12 billion in 2010. Estimates say that it would reach to US\$ 49 billion at a CAGR of 15 per cent. Indian diagnostic service and clinical trial services were also said to be growing at a faster pace.^[1]

India's pharmaceutical industry has emerged from almost nonexistent to a world leader in production of high-quality generic drugs. It meets around 70% of the country's demand for bulk drugs and formulations. Contract manufacturing, Foreign Direct Investment policy, drug regulatory reforms, reverse engineering of patented products, Trade-Related Intellectual Property agreement are a few factors behind the success story. However, foreign drug manufacturers are poised to recuperate their dominance soon. There were barely two foreign companies among top 10 pharmaceutical companies in India in the year 2007 and presently three out of top five are foreign companies.^[2] Also only two out of top 10 selling brands are from Indian pharmaceutical companies. Mocef by Aristo Pharma at seventh position and Taxim by Alkem at tenth position as Piramal

healthcare and Ranbaxy have been bought by Abbott and Daiichi Sankyo, respectively.^[3] Cipla, an indigenous company, lone with a market share of about 5.4% tops the list of top 10 companies in India. The increasing presence of foreign companies among the top pharmaceutical companies in India is may be due to a few buyouts which happened in the recent past. Daiichi Sankyo, a leading Japanese pharmaceutical company, which is actually a joint holding company of Sankyo Co. Ltd. and Daiichi Co. Ltd. had acquired a majority stake in Ranbaxy Laboratories, the then number one pharmaceutical company in India. Recently, in 2010, Hospira, a US-based global specialty pharmaceutical and medication delivery company acquired Orchid Chemicals injectable business for US\$ 400 million; Abbott, a US-based company, acquired Piramal Healthcare's domestic formulations business for US\$ 3.7 billion; and Reckitt Benckiser, a UK-based company bought Paras Pharma for US\$ 720 million. It is said that if the takeovers continue, soon foreign pharmaceutical companies control nearly 50% of Indian drug retail market.^[2] The impact of such takeovers would be anything from surge in drug prices to market supremacy by foreign companies. Issue of concern is that the companies which were taken over by foreign companies are major producers of cheaper generic versions of essential medicines and vaccines with extensive market reach in India and other developing countries.^[4]

Currently, there is 100% foreign direct investment (FDI) through automatic route. Stake holders of pharmaceutical industry had suggested imposing a cap of 49% and shifting from automatic route to Government route. Jyotiraditya Scindia, Minister of State for Commerce and Industry, said that the government has initiated interdepartmental consultations to address this important issue.^[5]

It is not just the duty of Ministry of State for Commerce and Industry but all the concerned ministries of Government of India which govern pharmaceutical industry to look into the buyouts of Indian pharmaceutical companies by foreign pharmaceutical companies and its possible impact. The time has arisen to come out with suitable policy which would stop possible adversities of such takeovers.

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