# Experts address impact of M&A in pharma and promoting API manufacturing in India

*By Lakshmipriya Nair on November 13, 2015*

***M&A report recommendations focused on pricing, production and availability, R&D and social consequences***

In order to provide greater clarity on the policy governing M&A/FDI in the pharmaceutical sector, while striking a balance between larger public health concerns and strengthening domestic capacities, the Knowledge Partnership Programme (KPP) supported by Government of UK's Department for International Development (DFID) and implemented by IPE Global, recently hosted a half-day workshop in New Delhi.

The workshop, which registered the participation of stakeholders from the government, industry associations, research bodies, donor agencies, pharmaceutical companies, deliberated on the findings from two studies; one on API manufacturing in India and the second study on the imapct of M&A in the pharma industry.

DFID played a catalytic role in commissioning these studies, under the KPP to IMS Health. Such studies not only influence the Indian pharma industry but consequently also impact more than 200 countries where Indian products are exported.

Considering India is largely dependent on import from a single source for basic chemicals, intermediates and APIs for many commonly used medicines, experts at the workshop felt the need to focus on the manufacturing of APIs in India. This would avoid the price and supply risks associated with such situation and ensure assured and sustained availability of these basic inputs to formulation sector and is also consistent with the avowed objective of the Government of India's 'Make in India' initiative. Also, the Ministry of Chemicals and Fertilizers, Government of India has declared 2015 – as the 'Year of Active Pharmaceutical Ingredients (APIs)' to initiate reforms and make India self-sufficient in bulk drugs.

The API study recommendations resonate with the high-level Katoch Committee recommendations released in September 2015 constituted by Government of India to study and identify the APIs of critical importance and to work out a package of interventions/concessions required to build domestic production capabilities and to examine the cost implications.

The workshop also addressed the fact that Mergers and Acquisitions (M&A) not only act as a source of capital, productivity and innovation but can potentially jeopardise the capability of the Indian pharma industry in relation to 'access to medicines', which is one of the major goals of the health system. The top 1.25 per cent companies (approximately 250 companies) control 70 per cent of the overall market. The Indian domestic pharma players enjoy certain advantages which attract M&A in the country: lower cost of operations, Research & Development and capital expenditure, proven track record in bulk drug and formulation patents, strong domestic support in production and so on. The opening of the pharma sector for FDI has directed lots of capital and interest into the sector from a foreign investment point of view.

However, it has been noted that more than 90 per cent of FDIs are currently for brownfield projects which has already led to the loss of local production of many important drugs. E.g. The brownfield investment between April 2012-13 was $989 million compared to $87.3 million for greenfield investments.

The workshop deliberated upon the overall the current status of M&A in Indian pharma. The recommendations were offered in four broad areas: pricing, production and availability, R&D and social consequences.

The discussions highlighted the need for the industry to work in tandem with the government to ensure commercial viability is maintained on innovator drugs and for policymakers to promote competition in selected molecules where competition is lower and public health priority is higher.

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