FOREIGN DIRECT INVESTMENT IN PHARMA SECTOR

INTRODUCTION

Compared to other developed economies, India followed a restrictive foreign investment regime until 1991. However after the economic reforms and liberalization measures as introduced by the then Finance Minister Mr. Manmohan Singh, India has taken a good ride in attracting foreign investment from across the world.

RISE OF PHARMA INDUSTRY

The DIPP data suggests that India has attracted FDI worth USD 193.6 Billion during April, 2000 to February 2011 and pharma was not the exception and accordingly the drugs and pharmaceuticals sector has attracted an impressive level of FDI worth US$ 1,882.76 million during April 2000 to March 2011. As evident from the above, pharma sector has attracted lot of foreign interest and various MNC has established their presence in India including Glaxo Smith Kline Plc's (GSK), Mylan Inc. etc

As a result of above, today Indian pharmaceutical industry is counted as the third largest in the world. Indian pharmaceuticals industry has today become a worldwide exporter of high quality generic drugs. Indian Companies exports pharmaceuticals to many countries across the world including the U.S., Germany, France, Russia and UK.

RECENT ACQUISITIONS

In 2001, Government of India further liberated the FDI policy framework and allowed 100% FDI into the pharma sector.

Rise of the pharma industry in India especially the growing interest of some major pharma MNCs and 100% FDI under automatic route led some notable acquisitions in the pharma space since 2006 (refer list below)

Year	Company	Acquirer	Deal Size
2006	Matrix Lab	Mylan Inc	USD 736 M
2008	Dabur Pharma	Fresenius Kabi	872 Crore
2008	Ranbaxy	Daiichi Sankyo	USD 4.6 B
2009	Shanta Bioteach	Sanofi Aventis	USD 722 M
2010	Piramal Healthcare	Abbot Laboratories	USD 3.7 B

EXISTING FDI POLICY ON PHARMA, PROBLEMS FACED & SOLUTION ADOPTED

A lot of debate had taken place after such large acquisitions by the foreign companies that whether India should allow FDI in pharma sector under the Automatic Route. The aforesaid acquisitions forced the Indian Government and other think tank to discuss over the issue of existing policy framework of allowing 100% FDI into the sector.

As a result, the Indian Government has made changes on November 8, 2011 pursuant to which any foreign investment into the pharma sector would fall under the Automatic Route if this is a green field investment and all brown field investment would require the prior approval of Central Government (i.e. Foreign Investment Promotion Board). Therefore, this decision has been taken by the Government of India as above in 2011 keeping in mind the rising cost of drug & medicines among others.

Recently DIPP also made clear vide Press Note 1 of 2014 that existing framework (i.e. Green field under automatic route and brown field under approval route) would continue and 'non-compete clause' "would not be allowed except in special circumstances with the approval of FIPB.