

Ranbaxy Aftershocks- Indian Drug Makers Is Up For Grabs

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Pharmaceutical powerhouse of Japan Daiichi Sankyo's acquisition of Ranbaxy Laboratories, India's largest drug company is likely to have a domino effect on mergers and acquisitions of Indian pharmaceutical companies. {mosbotwordcount}

Pharmaceutical powerhouse of Japan Daiichi Sankyo's acquisition of Ranbaxy Laboratories, India's largest drug company is likely to have a domino effect on mergers and acquisitions of Indian pharmaceutical companies. The business model which brought mega bucks to the kitty of Ranbaxy would influence other firms in the industry to follow suit.

{bot_wrgoogle}Ranbaxy is one of the few Indian firms that have made a global footprint in generic drugs. Yet their decision to give up the controlling stake to another multi-national company indicates doing business in India with existing norms is tough and less lucrative. Although India manufactured drugs at roughly eighth of global cost, the Indian government persistently moved with policies to control the prices. Some industry experts averred, the price controls to a certain extent has made Indian pharmacy business less attractive.

On the contrary, Hasit Joshipura, Managing Director of GlaxoSmithKline opined, the Mylan-Matrix deal and now Ranbaxy deal confirm that global pharmacy companies are looking at India from another angle per se, recognizing the country as a key pharmacy destination. The global pharmacy players would be keen on investing in India either by setting up their fully-owned entities, or by deals of strategic alliances or acquisitions.

India has become more attractive in the eyes of big pharmacy companies in the world owing to India's ability to manufacture drugs at very low cost and availability of quality English speaking scientific personnel with required skills. Whereas, pharmacy majors have to live up with rising manufacturing cost at home which has forced them to seek other viable locations such as India for maintaining momentum in their businesses.

Vice Chairman and Managing Director of Novartis India Ranjit Shahani stated Indian generic players with established global businesses had definitely been a target for multi-national companies to beef up their businesses. The coming months would transform the pharmacy industry of India with more of such deals, predicted Shahani.

When India introduced product patent regime in 2005, Indian drug companies had to swallow the bitter pill that prevented them from bringing out generic versions of patented drugs. The drug discovery process as well as drug development process involved billions of dollars and this hampered Indian companies to pursue any such processes in a highly competitive global generic market. There are many big names of Indian drug industry including Aurobindo Pharma, Cipla, and Orchid Chemicals and Pharmaceuticals have been targets for multi-national companies for sometime. Higher valuations by these companies have deferred them being acquired so far.

Malvinder Mohan Singh, CEO & MD of Ranbaxy himself believes the business model which he shares with Daiichi Sankyo would be replicated by many other companies, small and big in the industry. CEO & MD of Glenmark Glen Saldanha agreed that especially small players would be forced out from business, and only the fundamentally strong businesses could be able to remain in generic business in future.

Though many industrialists felt anguish over Ranbaxy's sale, however they added, gaining good profit in the process should be looked upon than other aspects in a highly competitive pharmacy business. Many global drug majors sans generic drugs in their portfolio and several problems encountered by Indian pharmacy companies combined will create a perfect backdrop to redefine \$50 billion Indian pharmacy business in the near future.

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