DIPP, pharma players to talk FDI policy on Budget day

When Finance Minister P Chidambaram makes his Budget speech on February 28, the country's pharmaceutical industry would be busy discussing regulatory matters.

The Department of Industrial Policy and Promotion (DIPP) has called a meeting of pharma stakeholders on the day to discuss issues related to the foreign direct investment (FDI) policy in the sector. Investments in existing and brownfield units will be the focus of the discussion, industry sources said. The meeting will be chaired by DIPP Joint Secretary Anjali Prasad, it is learnt.

Last December, Prime Minister Manmohan Singh had convened a meeting to discuss issues surrounding foreign investment inflows into the sector. Whether the Competition Commission of India (CCI) should be involved to scrutinise mergers and acquisitions in pharma sector, and how much FDI in existing domestic units must be approved by the Foreign Investment Promotion Board (FIPB) were deliberated upon. There were also concerns regarding the FIPB norms and delay in clearance.

Then, it was decided that FIPB would continue to clear FDI proposals in the pharma sector till the Competition Act is amended to enable CCI to vet such proposals. According to sources, Singh had also directed the commerce ministry to work on the consolidated policy and bring in more clarity. DIPP, which works under the commerce ministry and has also framed guidelines for FIPB clearance, would discuss the policy with stakeholders, while also addressing concerns of the industry on the same, a source said.

In the absence of absolute benchmarks, even minority foreign investments have to now seek FIPB approval. Pharma companies, which need foreign investments to support expansion plans, are worried that the process would get delayed if FIPB does not provide prompt approval.

The government allows 100 per cent FDI under the automatic route for new projects in the pharmaceutical sector. But investment in existing facilities came under the spotlight following acquisitions of some major domestic companies — such as Ranbaxy, Shanta Biotech and Piramal Health Care's domestic formulations business — by multinational firms. Such buyouts triggered concerns among many that it may lead to a monopoly by foreign firms, resulting in an increase in medicine prices.

Such issues have also resulted in various inter-ministerial differences. For instance, the finance ministry was in favour of FIPB nod only for FDI beyond 49 per cent in existing units. But the commerce and health ministries wanted every foreign investment proposal in existing pharma units to be approved by the board.

According to sources, the health ministry had also insisted that foreign companies acquiring Indian firms must seek government approval if they decide to reduce or stop making the essential drugs being manufactured by the acquired entity.

(Business Standard)