

Novartis-GSK-Eli Lilly deal may affect Indian market

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Swiss drug major Novartis' multi-billion-dollar overhaul through deals with two multinational firms — GlaxoSmithKline (GSK) and Eli Lilly — is likely to have an impact on the Indian market, too, as all the three companies have significant presence in the country, primarily in the segments involved in the transaction.

On Tuesday, Novartis agreed to buy GSK's oncology products business for \$14.5 billion, while selling its vaccines business, excluding flu, to GSK for \$7.1 billion. Besides, Novartis will pay up to \$1.5 billion more if certain milestones are met. It will also form a consumer health joint venture, in which GSK, with an equity interest of 63.5 per cent, will have majority control.

Novartis has also agreed to sell its animal health arm to Eli Lilly for about \$5.4 billion.

The Swiss drugmakers' moves are believed to be aimed at simplifying its business structure, while providing a focus on high-margin cancer drugs, a segment on which Novartis already has a strong grip.

"The transactions are significant. While Novartis will significantly strengthen its oncology business, GSK will consolidate its position as a leader in the vaccines busi-



\$14.5 billion

The amount Novartis will pay to acquire GSK's oncology products business (\$1.5 bn more if certain milestones are met)

\$7.1 billion

The amount GSK will pay for Novartis' vaccines business (excluding flu)

\$5.4 billion

The amount Eli Lilly will pay for Novartis' animal health arm

63.5% GSK's equity interest in a consumer health joint venture it will form with Novartis

ness. The sale of the animal health business to Eli Lilly will also result in Novartis focusing on its core business portfolio. This is congruent with the recent trend of concentrating on core business areas and dispensing with peripheral ones," said Anand Mehta, partner at Khaitan & Co, a firm that provides advisory and litigation-related services to companies.

An email questionnaire sent to Novartis India did not immediately elicit response, while a company spokesperson said it was too early to examine the implications of the deal in India.

A GSK spokesperson told *Business Standard* the deal would strengthen the compa-

ny's vaccine business globally. "The India consumer business is not part of the joint venture but we will evaluate the opportunity, subject to shareholder approval, to potentially sell some of the joint-venture products in the country," she said.

Currently, GSK operates in India through GSK Pharmaceutical and GSK Consumer Healthcare.

The global deal, seen as a major transaction in the international pharmaceutical space, is likely to change equations in the Indian market, too.

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In fact, some experts pointed out the three companies might also have to seek the Foreign Investment Promotion Board's (FIPB's) approval for transactions involving their Indian businesses. "To the extent these transactions involve Indian businesses, they may require FIPB's prior approval. Besides, any non-compete clause would also require FIPB's approval. It would be interesting to see whether the board believes 'special circumstances' exist," said Khaitan & Co's partner (corporate) Bhavik Narsana.

For instance, GSK Pharma, the Indian arm of GSK, is likely to lose its newly-built oncology portfolio in the domestic market to Novartis, when the global cancer business is divested. According to GSK Pharma's website, there are four brands in the company's oncology segment — Revolade, Tykerb, Votrient and Hycamtin. As part of the deal, these products will be sold or transferred to Novartis.

In the vaccine segment, Eli Lilly is a significant player in India. After acquiring major vaccines from Novartis, GSK might gain a significant share in the domestic market if it decides to sell those products here. GSK has said it might use some of the proceeds from the deal to expand its vaccines business in India. "The vaccines business will be expanded and, therefore, the India pharmaceuticals business might benefit from sales of additional vaccines when the deal is completed," the GSK spokesperson said.

She added the company would secure from Novartis brands like Bexsero, a new vaccine for the prevention of meningitis B, and a meningitis 'ABCWY' combination vaccine being developed.

"The transaction will strengthen our vaccines business, where opportunities to build scale and combine high-quality assets are rare. It will consolidate our position as a world leader in the segment, supplying about two million vaccines every day to about 90 countries. It is too early to give specifics for India, as this will be worked out as we move towards closing the deal by early 2015," she said.

Novartis sells a few veterinary products in India. But now, with the company selling the animal health business to Eli Lilly, those brands might either cease to be sold in India or sold by Eli Lilly.



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