Notice u/s 6 (2) of the Competition Act, 2002 given by Pfizer, Inc.

Order under Section 31(1) of the Competition Act, 2002

1. On 09.03.2015, the Competition Commission of India ("Commission") received a notice under sub-section (2) of Section 6 of the Competition Act, 2002 ("Act") given by Pfizer, Inc. ("Pfizer" or the "Acquirer"). The notice was filed pursuant to the execution of an Agreement and Plan of Merger between Pfizer, Hospira, Inc. ("Hospira") and Perkins Holding Company ("Perkins"), a wholly owned subsidiary of Pfizer, on 05.02.2015.

2. The proposed combination relates to the acquisition of 100 per cent of the equity share capital of Hospira by Pfizer. The proposed combination is structured as the merger of Perkins with and into Hospira, as a result of which the separate corporate existence of Perkins will cease and Hospira will survive as a wholly owned subsidiary of Pfizer.

3. In terms of Regulation 14 of Competition Commission of India (Procedure in regard to the transaction of business relating to combinations) Regulations, 2011 ("Combination Regulations") vide letter dated 11.03.2015, the Acquirer was required to remove certain defect(s) by 16.03.2015, the response to which was received on due date. Further, in terms of Regulation 14 of the Combination Regulations, vide letter dated 25.03.2015, the Acquirer was again required to remove certain defects and provide information/document(s) by 30.03.2015. The Acquirer filed its response through two separate submissions on 16.04.2015 and 29.04.2015 after seeking extension of time. In terms of Regulation 14 of the Combination Regulations, vide letter dated 06.05.2015, the Acquirer was further required to remove certain defects and provide information/document(s), the response to which was received on 15.05.2015. Vide letter dated 20.05.2015, the Acquirer was again required to remove certain defects and provide information/document(s) by 26.05.2015, the response to which was received on 08.06.2015 after seeking extension of time.
4. In terms of Regulation 16 of the Combination Regulations, the Acquirer vide letter dated 15.04.2015 informed the Commission about certain changes in the details of the products of the parties to the combination as given in the notice filed under sub-section (2) of Section 6 of the Act. However, as the information provided by the Acquirer under Regulation 16 was not sufficient to assess the competitive significance of the changes and to examine as to whether the changes in the information were likely to affect the factors for the determination of the appreciable adverse effect on competition significantly, vide letter dated 20.04.2015, the Acquirer was asked to furnish certain information by 22.04.2015. The reply to the same was received on 29.04.2015 after seeking extension of time. The Commission in its meeting held on 07.05.2015 considered the said intimation of changes and noted that the changes in the information are not likely to affect the factors for determination of the appreciable adverse effect on competition significantly. Accordingly, the said changes were noted by the Commission.

5. Pfizer is a multinational pharmaceutical corporation headquartered in New York. Pfizer develops and produces medicines and vaccines for a wide range of medical disciplines, including immunology, oncology, cardiology, diabetology/endocrinology and neurology. Pfizer is operating in India through its various subsidiaries including Pfizer Limited.

6. Hospira is also a multinational pharmaceutical and medical device company headquartered in Illinois. Hospira is stated to be a manufacturer of generic injectable pharmaceuticals. It also manufactures generic acute-care and oncology injectables as well as integrated fusion therapy and medication management systems. Hospira operates in India through Hospira Healthcare India Pvt. Ltd. which is a subsidiary of Hospira and manufactures injectable formulations and active pharmaceutical ingredients (APIs) at several facilities across the country. It has also been stated in the notice that Hospira has a 50-50 joint venture with Cadila Healthcare Limited, called Zydus Hospira Oncology Private Limited (“ZHOPL”). ZHOPL manufactures oncology drugs, which are in turn, sold by Hospira outside India and by Cadila in India.

7. It is noted from the information given in the notice that Hospira does not sell any formulations in India and it only manufactures and sells few APIs in India. Whereas, Pfizer does not manufacture or sell any APIs in India and imports the APIs to manufacture formulations that it sells in India. Thus, there is no horizontal overlap between Pfizer and Hospira, as in India.
Pfizer is not present in the market for APIs, whereas Hospira is not present in the market for formulations.

8. It is further noted that at the molecule level, i.e., medicines/formulations based on the same API, there is limited overlap between Pfizer and ZHOPL in relation to formulations based on Epirubicin. However, this overlap does not raise any competition concerns as the incremental market share, in the market of formulations based on Epirubicin, is less than [1-5] per cent, in India.

9. As already stated, Pfizer is engaged in the business of formulations, whereas Hospira is in the business of APIs which are the primary inputs for manufacture of the formulations. The Commission therefore, analysed the possibility of any vertical foreclosure in the upstream or the downstream market, resulting from the proposed combination. In this regard, it is noted that majority of the APIs manufactured by Hospira in India are for captive consumption by Hospira, i.e. Hospira uses these APIs to manufacture formulations, which are then sold outside India. However, there are certain APIs which are manufactured by Hospira for supply to another pharmaceutical company in India. It is observed that amongst these APIs, there is only one API i.e. Tadalafil, which may have the potential usage for Pfizer, as Pfizer sells formulations based on Tadalafil at present. In this regard, it is also noted from the information provided by the Acquirer that there are other suppliers who supply Tadalafil to the entities engaged in the downstream market of formulations based on the said API and that the merged entity would not have the ability to foreclose access to inputs for such entities. In view of the forgoing, the proposed combination is not likely to result in any vertical foreclosure in the relevant market of Tadalafil API in India.

10. It is also noted that Hospira manufactures oral cephalosporin formulations on a contract manufacturing basis for a pharmaceutical company in India and Pfizer also sells some of the formulations based on cephalosporin in India. However, in this regard, it is noted that the said pharmaceutical company is an insignificant player in the market of different formulations based on cephalosporin as its market share in each of these markets is even less than one per cent. Thus, the proposed combination is not likely to result in any vertical foreclosure in this regard also.
11. Considering the facts on record and the details provided in the notice given under sub-section (2) of Section 6 of the Act and the assessment of the combination after considering the relevant factors mentioned in sub-section (4) of Section 20 of the Act, the Commission is of the opinion that the proposed combination is not likely to have any appreciable adverse effect on competition in India and therefore, the Commission hereby approves the proposed combination under sub-section (1) of Section 31 of the Act.

12. This order shall stand revoked if, at any time, the information provided by the Acquirer is found to be incorrect.

13. The Secretary is directed to communicate to the Acquirer accordingly.