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How Mergers and Acquisitions Spell Success for Pharma Companies

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The recent acquisition of Organon by Sun Pharmaceutical Industries marks one of the largest pharmaceutical deals involving an Indian company. The all-cash transaction, valued at approximately $11.75 billion, highlights the growing global ambitions of Indian pharmaceutical firms. The latest mergers and acquisitions (M&A) have emerged as a strategic tool for pharmaceutical companies to strengthen market presence, what the future holds and the associated risks. However, challenges remain. Let us delve deep into what goes into these huge M&A transactions and what can be the likely challenges.

Sun Pharma's purchase of Organon shows that leading Indian pharma companies are now focussed on owning therapeutic franchises instead of just selling generics in large volumes. The goal has clearly moved from "manufacture for the world" to "own the global value chain."

While Indian pharmaceutical companies are already recognised as some of the world's largest suppliers of medicines by volume, the transaction represents a pivotal shift in the industry's evolution. It signals India's transition beyond its traditional role as a global generics powerhouse toward becoming a diversified pharmaceutical leader with broad product portfolios, direct commercial presence in key international markets, and a stronger foothold in high-value segments such as biosimilars and specialty therapies.

The deal aligns closely with the government's broader vision of positioning India as a globally competitive, innovation-driven pharmaceutical hub.

Evolving global ambitions

The transaction deal involving Sun Pharma and Organon, which is expected by 2027 will operate in approximately 150 countries and rank among the world's top 25 pharmaceutical companies, with annual revenues exceeding $12 billion. The acquisition will significantly strengthen the company's portfolio by adding more than 70 products across multiple therapeutic areas, including women's health and biosimilars.

India's pharmaceutical industry has reached a stage where organic growth, while still essential, is no longer sufficient on its own to capture the scale, capability and global reach that the future demands.

According to **Anil Matai, Director General, The Organisation of Pharmaceutical Producers of India (OPPI)**, overseas acquisitions are increasingly becoming a strategic lever for Indian pharma companies to access new markets, strengthen specialty and differentiated portfolios, deepen R&D capabilities, and build a truly global footprint. In today's environment, mergers and acquisitions are important because they can accelerate transformation far faster than building everything from scratch. They allow companies to combine strengths, unlock synergies and respond more decisively to changing market and patient needs.

Matai goes on to add and mentions, "The real test begins after the deal is signed. Successful integration requires careful alignment of culture, systems, compliance frameworks, talent, supply chains and long-term strategy. Without that discipline, even the most attractive acquisition can lose value. I do believe we will see more large-ticket acquisitions involving Indian pharma firms over the next five years, provided they are guided by strategic fit, financial prudence and execution strength. Just as importantly, these collaborations matter because the future of healthcare will increasingly depend on partnerships that bring together complementary capabilities, expand access and create sustainable value for patients, industry and society alike."

Sharing his thoughts, **Hari Kiran Chereddi, Managing Director, HRV Global Life Sciences and CEO, New Horizon Global Pharma**, is of the opinion that the deal isn't about gaining manufacturing ability. It's about obtaining brand value, relationships with doctors, regulatory status in various markets, and a portfolio with pricing power. This shows a fundamental change in strategy compared to the past acquisitions made by Indian pharma, indicating the industry's maturity.

Difficult to build organically

The increased overseas acquisitions by Indian pharmaceutical companies reflect the intent to accelerate entry into different markets, bridge portfolio gaps, and acquire capabilities that are difficult to build organically.

Building on the above statement, **Kinjal Shah, Senior Vice President and Co-Group Head, Corporate Sector Ratings, ICRA** opines, “Reduced bargaining power of generic pharmaceutical manufacturers in key regulated markets like the US and stricter regulatory requirements have made organic growth more challenging for the Indian pharmaceutical manufacturers. Organic growth is even more challenging in complex drug segments like specialty and innovative medicines and biosimilars given capability gaps in advanced R&D, biologics infrastructure, and regulatory execution. Thus, in many cases, acquiring products or platforms is faster and less risky than developing one internally over several years.”

Organic growth seems insufficient in the first place. With generic prices dropping in the US market, which has been the main revenue source for the last decade, the prices for commodity generics have fallen by 8-12 per cent each year. Then comes the rising cost of meeting US FDA regulations followed by the approach of patent expirations creating limited opportunities to enter markets etc.

Ravi Shah, Partner, Cyril Amarchand Mangaldas points out, **“**Billion-dollar overseas acquisitions by Indian pharmaceutical companies remain relatively uncommon and transactions such as the Sun-Organon deal reflect the growing confidence and global ambition of Indian pharma. While every transaction has its own strategic rationale, I see a gradual shift beyond traditional scale-led generic growth towards acquisition of differentiated portfolios, specialty capabilities, select innovation platforms and access to regulated markets. In many ways, this is less about size and more about strategic positioning as Indian pharmaceutical companies seek to compete more effectively on a global stage.

Shah expects cross-border M&A to remain an important growth driver, particularly in specialty pharma, biologics, biosimilars, medical technology and other differentiated healthcare segments. The significant patent expiry cycle expected over the coming years, combined with stronger execution capabilities, deeper access to capital and the need to diversify supply chains and strengthen presence in regulated markets outside India, should provide further momentum to cross-border M&A.

M&As, an important strategic tool

M&As has been able to address two structural issues namely, the patent cliff where major companies are losing big revenue as blockbuster drugs expire and the other being the funding gap for innovation. This is where M&A has been able to address the above challenges thus ensuring that the time to establish a branded presence in regulated Western markets is reduced.

Large outbound acquisitions by Indian pharmaceutical companies—such as Sun Pharma’s acquisition of Organon—reflect a shift toward building global scale, diversifying risk, and strengthening portfolio quality.

According to **Abhay Anand, Partner, Deals Lifecycle, Grant Thornton Bharat,** one of the primary drivers is scale acceleration. Such transactions enable a step-change in global presence that would otherwise take years to achieve organically. In this context, the Sun–Organon combination has the potential to position Sun among the top ~25 global pharma companies, enhancing its global relevance and bargaining power.

Anand also mentions geographic diversification where Indian pharma companies have historically been concentrated in the US generics market and domestic India. Acquiring overseas platforms provides immediate access to markets such as Europe, Latin America, and other emerging regions, helping reduce geographic concentration risk and creating a more balanced global footprint. Besides, he touches upon the access to pipelines in “sunrise” segments. These acquisitions often bring differentiated portfolios in high-growth areas such as biosimilars, enabling Indian companies to participate in segments with stronger long-term growth visibility.

Challenges due to acquisitions

In large pharmaceutical acquisitions, the harmonisation of regulatory processes and quality management systems across jurisdictions frequently represents the most complex integration hurdle.

Vandana Iyer, Director, TechVision Growth Analytics, Frost & Sullivan opines, **“**Acquirers must align manufacturing sites, quality management systems, pharmacovigilance processes, and regulatory filings with the requirements of different health authorities. As Indian pharmaceutical companies expand globally, they must increasingly ensure compliance with international standards such as Good Manufacturing Practices (GMP) and International Council for Harmonisation (ICH) guidelines, especially in complex areas such as biologics and advanced biomanufacturing. Integrating facilities, documentation systems,

validation protocols, and quality cultures across geographies are time, cost and resource intensive."

Talking more about the challenges, **Kapish Mandhyan, Partner, Khaitan & Co** mentions, **"**Large acquisitions present complex integration challenges, including aligning regulatory frameworks, integrating manufacturing and quality systems, and managing cultural differences. In deals like Sun Pharma's Organon acquisition, combining global operations, R&D pipelines, and retaining talent is critical. Additionally, the debt used to finance such transactions raises concerns around leverage, profitability, and continued investment capacity."

More billion dollar acquisitions

Acquisitions will remain an important route for Indian pharma companies to accelerate global expansion and strengthen long-term competitiveness.

As Manish Jain, Director, Naprod Life Sciences points out and says, "Yes, more large acquisitions involving Indian pharmaceutical companies are likely over the next five years, especially as the sector becomes more confident, financially stronger, and globally integrated. Indian companies are increasingly looking beyond traditional generics and are focusing on specialty medicines, complex products, branded portfolios, and advanced manufacturing capabilities."

Saurabh Agarwal, Director, HAB Pharma hints out that the structural drivers are firmly in place. Indian pharma companies have strong cash generation, growing investor appetite for global expansion, and increasing confidence in navigating complex cross-border transactions. The Sun–Organon deal will itself act as a catalyst — it demonstrates what is possible and raises the ambition of every boardroom in the industry.

The future

Financially strong companies such as Sun Pharma, Dr. Reddy's, and Cipla are expected to focus on opportunities in specialty and women's health segments, where higher pricing power can offset the substantial costs of acquisitions. The industry has also become more aware of the challenges and expenses involved in integrating large deals, prompting many boards to prefer structures that deliver strategic value while minimizing execution complexities.

On an ending note, Vandana notes that transactions on the scale of the Organon acquisition are expected to remain uncommon. However, the Indian pharmaceutical sector is likely to see a rise in cross-border acquisitions over the next five years, particularly in markets such as the US, Europe, and select emerging economies. These deals are expected to be driven by growth opportunities in specialty pharma, biologics, biosimilars, women's health, oncology, and rare disease segments.

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