

**GOVERNMENT OF INDIA  
CHEMICALS AND FERTILIZERS  
LOK SABHA**

UNSTARRED QUESTION NO:1275  
ANSWERED ON:26.11.2009  
PROFIT MARGIN ON SALE OF MEDICINES  
Dubey Shri Nishikant

**Will the Minister of CHEMICALS AND FERTILIZERS be pleased to state:**

- (a) whether the pharmaceutical companies give sufficient margins to the wholesale dealers and also to the chemists resulting in the consumers have to pay the heavy prices for the medicines;
- (b) if so, the details thereof;
- (c) whether the Government has fixed/proposed to fix any limit on the profit margin which is to be retained by the wholesale and retail pharmaceutical dealers;
- (d) if so, the details thereof indicating the time by which this limit is likely to be implemented; and
- (e) the extent to which the cost of the medicines is likely to be decreased in the wake of implementation of this time limit?

**Answer**

MINISTER OF THE STATE IN THE MINISTRY OF CHEMICAL AND FERTILIZERS (SHRI SRIKANT KUMAR JENA)

(a) to (e): The 74 bulk drugs specified in the First Schedule of the Drugs (Prices Control) Order, 1995 (DPCO,95) and the formulations based thereon are under price control and their prices are fixed / revised by the National Pharmaceutical Pricing Authority (NPPA) in accordance with the provisions of the DPCO, 95. NPPA fixes the prices of Scheduled formulations taking into account a margin of 8% for the wholesaler and 16 % to the retailer. No one can sell the Scheduled medicines at a price higher than the price fixed by NPPA/Government.

Prices of non-Scheduled formulations are fixed by the manufacturers themselves keeping in view the various factors like cost of production, marketing/selling expenses, R&D expenses, trade commission, market competition, product innovation, product quality etc. The Government takes corrective measures where the public interest is found to be adversely affected. It has been noticed by the National Pharmaceutical Pricing Authority (NPPA) that some companies provide high trade margins to the wholesalers and retailers in respect of branded-generics and generic-generic medicines of certain non-Scheduled formulations. However, this segment forms a small portion of total pharma market in the country.

The Draft National Pharmaceuticals Policy, 2006 proposes to streamline the system of trade margins by capping the trade margins. At present it is under consideration of Group of Ministers (GOM).