GOVERNMENT OF INDIA
CHEMICALS AND FERTILIZERS
LOK SABHA

STARRED QUESTION NO:203
ANSWERED ON:10.03.2011
PRICING OF DRUGS
Khaire Shri Chandrakant Bhaurao

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

(a) whether the maximum allowable post-manufacturing expenses for fixing the maximum retail price of medicines manufactured in the country is about cent percent;

(b) if so, the details thereof;

(c) whether allowance of cent percent post-manufacturing expenses in fixing prices helps the retail chemists to earn more profits at the expense of the poor who cannot afford such expensive medicines;

(d) if so, whether the Government/National Pharmaceutical Pricing Authority proposes to review the extant mechanism for fixing the prices of drugs; and

(e) if so, the details thereof?

Answer

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

(a) to (e): A Statement is laid on the Table of the House.

STATEMENT REFERRED TO IN REPLY TO PARTS (A) TO (E) OF THE LOK SABHA STARRED Q.NO.203 (3RD POSITION) FOR ANSWER ON 10.3.2011 REGARDING PRCING OF DRUG.

There are broadly two categories of drugs under Drugs (Prices Control) Order, 1995 (DPCO,95) for the purpose of price fixation / revision and monitoring. These are scheduled drugs (drugs under price control) and non-scheduled drugs which are out of price control. National Pharmaceutical Pricing Authority (NPPA) fixes / revise prices of 74 bulk drugs listed in the Schedule I of the DPCO, 1995 and formulations containing any of these scheduled bulk drugs under the provisions of DPCO, 95.

The prices of scheduled formulations are fixed/revised under paragraph 7 of DPCO, 95. `MAPE` (Maximum Allowable Post-manufacturing Expenses) means all costs incurred by a manufacturer from the stage of ex-factory cost to retailing and includes trade margin and margin for the manufacturer. While fixing the prices of indigenously manufactured scheduled formulations, MAPE is allowed at 100% by NPPA. 100% MAPE also includes trade margin (wholesaler/ retailer margin) and margin for the manufacturer besides the selling and distribution expenses and other related marketing expenses etc. As prescribed in DPCO, 95 a margin 16 per cent is allowed to the retailer and as per practice wholesalers margin is allowed at 8 per cent in respect of schedule formulations.

In the case of an imported formulation, the landed cost forms the basis for fixing its price along with such margin to cover selling and distribution expenses including interest and importer`s profit which shall not exceed fifty percent of the landed cost. In respect of imported formulations for which equivalent domestic substitutes are available, 35% margin is allowed by the NPPA.

No person can sell any formulation (medicine) of price controlled category to a consumer at a price exceeding the price notified / approved by the NPPA / Government, In case, a company is found selling at prices higher than the price notified / approved by the NPPA/Govemment, action is taken against them as per the provisions of the DPCO, 1995.

The extant mechanism for fixing the prices of drugs is under review. The Draft Pharmaceutical Policy, 2006 is under consideration of the Government.