

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

UNSTARRED QUESTION NO:666
ANSWERED ON:24.02.2011
PRICING OF DRUGS
Rathwa Shri Ramsinhbhai Patalbhai

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

- (a) the details of controlled and control free drugs and branded and non-branded drugs;
- (b) the existing policy on pricing of each category of drugs;
- (c) whether proposals have been received by Government for imposing trade margins on each category of drugs both for wholesale and retail; and
- (d) if so, the details and action taken by the Government thereon?

Answer

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

(a) & (b): Under the provisions of the Drugs (Prices Control) Order, 1995, prices of 74 bulk drugs listed in its Schedule I, enclosed herewith as Annexure, and the formulations containing any of these scheduled drugs are controlled. Under DPCO, 1995, no distinction is made between branded and non-branded drugs.

NPPA / Government fixes or revises prices of scheduled drugs / formulations as per the provisions of the DPCO, 1995. The prices of scheduled formulations are fixed on the basis of the formula given in Para 7 of the DPCO, 1995. Para 8 of DPCO, 1995 empowers the Government to fix from time to time retail price of scheduled formulations in accordance with the formula laid down in Para 7 of the DPCO. Under Para 9 of DPCO, 1995 the Government is empowered to fix ceiling prices of scheduled formulations from time to time, in accordance with the formula laid down in Para 7 keeping in view cost or efficiency or both, of major manufacturers of such formulations and such price operates as the ceiling sale price for all such packs including those sold under generic name and for every manufacturer of such formulations. The NPPA monitors the prices of all formulations including imported scheduled formulations under price control. Under the DPCO, 1995 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/ Government, action is taken against them as per the provisions of the DPCO, 1995.

In respect of drugs - not covered under the Drugs (Prices Control) Order, 1995 i.e. non-scheduled drugs, manufacturers fix the prices by themselves without seeking the approval of Government / NPPA. Such prices are normally fixed depending on various factors like the cost of bulk drugs used in the formulation, cost of excipients, cost of R&D, cost of utilities / packing material, sales promotion costs, trade margins, quality assurance cost, landed cost of imports etc. However, as a part of price monitoring activity, NPPA regularly examines the movement in prices of non-scheduled formulations. The monthly reports of ORG IMS (now renamed as IMS Health) and the information furnished by individual manufacturers are utilized for the purpose of monitoring prices of non-scheduled formulations. Wherever a price increase beyond 10% per annum is noticed, the manufacturer is asked to bring down the price voluntarily failing which, subject to prescribed conditions, action is initiated under paragraph 10(b) of the DPCO, 1995 for fixing the price of the formulation in public interest. This is an ongoing process.

(c) & (d): The issue of trade margins has been the subject matter of intense debate from time to time and different views have been expressed on this issue. Government had appointed a Committee headed by Joint Secretary (Pharmaceutical Industry) in the Department of Chemicals & Petrochemicals (now Department of Pharmaceuticals) to examine this issue alongwith other issues relating to drug prices. The proposal submitted by the said Committee forms a part of the National Pharmaceutical Policy, 2006 which is at present under consideration of the Government.