

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

UNSTARRED QUESTION NO:2794  
ANSWERED ON:18.08.2011  
TRADE MARGINS TO WHOLESALERS AND RETAILERS  
Reddy Shri Anantha Venkatarami

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

- (a) whether the prices of non-scheduled medicines are fixed by the manufacturers themselves;
- (b) if so, whether some companies provide high trade margins to the wholesalers and retailers especially medicines of certain non-scheduled formulations;
- (c) if so, the details thereof; and
- (d) if so, the steps taken by the Government in this regard?

**Answer**

MINISTER OF THE STATE (INDEPENDENT CHARGE) IN THE MINISTRY OF STATISTICS AND PROGRAMME IMPLEMENTATION AND MINISTER OF THE STATE IN THE MINISTRY OF CHEMICALS AND FERTILIZERS (SHRI SRIKANT KUMAR JENA)

(a): Yes, Sir. In respect of non-scheduled medicines, i.e. drugs not covered under the Drugs (Prices Control) Order, 1995 (DPCO, 1995), manufacturers fix the prices by themselves without seeking approval of Government/ National Pharmaceutical Pricing Authority (NPPA).

(b) & (c): The trade margin normally being given by the industry themselves is 10% to the wholesalers and 20% to the retailers. However, it has been noticed by NPPA that some companies provide high trade margins to the wholesalers and retailers which results in heavy increase in prices for consumers. This has been noticed in case of certain non-Scheduled formulations, e.g. Citrizine, Nimuslide and Omeprazole etc.

(d) With the intervention of the Government, three industry associations, namely 1DMA, OPPI and IPA have notified to their members vide their letter dated 18th September, 2006 that in all cases in which the trade margins of drugs are higher than those already existing for scheduled drugs (8% and 16% at wholesale and retail level respectively) and for non-scheduled drugs (10% and 20% at wholesale and retail level respectively) would be revised downwards to ensure that margins not exceeding 15% and 35% are extended to wholesalers and retailers respectively. However, the industry has not implemented their own circular referred to above.

However, NPPA monitors movement of prices of non-scheduled formulations as per their guidelines. The companies are not allowed to increase the price of non-scheduled formulations more than 10% over the period of one year as per the monitoring criteria. Wherever a price increase beyond 10% per annum is noticed, subject to prescribed conditions, the manufacturer is asked to bring down the price voluntarily failing which, 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.